

Articles

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Key Principles on the Digitisation and Making Available of Out-of-Commerce Works

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Regulations on E-Commerce Consumer Protection Rules in China and Europe Compared – Same Same but Different?

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Abstract: This article provides a comprehensive overview of the regulations on e-commerce protection rules in China and the European Union. It starts by giving a general overview of different approaches towards consumer protection in e-commerce. This article then scrutinizes the current legal system in China by mainly focusing on SAIC's "Interim Measures for the Administration of Online Commodity Trading and Relevant Service Activities". The subsequent chapter covers the supervision of consumer protection in e-commerce in China, which covers both the regulatory objects of online commodity trading and the applied regulatory mechanisms. While the regulatory objects include operating agents, operating objects, operating behavior, electronic contracts, intellectual property and consumer protection, the regulatory mechanisms for e-commerce in China combines market mechanism and industry self-discipline under the government's administrative regulation. Further, this article examines the current European legal system in

online commodity trading. It outlines the aim and the scope of EU legislation in the respective field. Subsequently, the paper describes the European approach towards the supervision of consumer protection in e-commerce. As there is no central EU agency for consumer protection in e-commerce transactions, the EU stipulates a framework for Member States' institutions, thereby creating a European supervisory network of Member States' institutions and empowers private consumer organisations to supervise the market on their behalf. Moreover, the EU encourages the industry to self- or co-regulate e-commerce by providing incentives. Consequently, this article concludes that consumer protection may be achieved by different means and different systems. However, even though at first glance the Chinese and the European system appear to differ substantially, a closer look reveals tendencies of convergence between the two systems.

Keywords: Chinese and European rules on e-commerce consumer protection, online commodity trading, supervision, regulatory objects, regulatory mechanisms, market surveillance, industry's self- and co-regulation, private consumer organisations, e-commerce, China, EU, consumer protection

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I. Introduction¹

- 1 As a consequence of the commercialization of the Internet, the world of the consumer has experienced a fundamental change.² The ubiquity of the Internet involves several advantages with regard to the availability of markets. The Internet allows consumers and entrepreneurs to conclude contracts for the exchange of goods and services worldwide without leaving their computers at home.

- 2 The features that specify online-trading from regular trades materialize in three areas: information flow, cash flow and commodity flow. Information flow represents the means of trading, cash flow provides the conditions for trading, and commodity flow is the result of the trading process. There are three factors that make e-commerce unique:

– **Virtuality:** E-commerce is carried out in a virtual online environment where the buyer and seller do not engage in face-to-face contact. Instead, consumers use a computer to obtain information about sellers, the products and services they offer, terms and pricing.³

– **Unboundedness:** As the Internet has no physical boundaries, online transactions can be performed wherever an Internet connection is available. For consumers this means that shopping on the Internet is not constrained by time or space, lowering the financial costs of searching for products and services as well as saving time and energy. For online traders this means that they are also not constrained by time or space.

– **Multiplicity** of actors involved: A number of actors in addition to the consumer and the seller are involved in the e-commerce trading process to ensure verification.⁴

An e-commerce trading process comprises of three main stages: pre-contractual, contractual process and post-contractual. Each of these stages carries with it certain risks for consumers:

– **Pre-contractual stage:** Consumers might be misled about the identity of the trader, the products and services offered, and/or terms and pricing. He might also be subject to a lack of information on availability of offers.⁵

– **Contractual stage:** Consumers face irregularities related to contract terms such as missing information or use of pre-checked boxes (e.g. for insurances). Especially problems of consent evolve at the contractual stage: Personal information may be exposed and consumer behaviour may be tracked without the knowledge or consent of the consumer.⁶

– **Post-contractual stage:** Products or services might not be delivered, or may be damaged in the transportation process, delivered products or services, may not be as wanted, sellers may deal with complaints in an unsatisfactory manner, consumers may face challenges to return goods.

- 3 In response to the fact that the e-commerce markets between Europe and China is increasingly intertwined, German and Chinese experts worked together to conduct a comparative study on the regulation on consumer protection in the e-commerce markets in both regimes that seek to face exactly these challenges. This piece summarizes and evaluates the findings of the study. For further information, please consult the study published with Beck/Hart/Nomos⁷.

II. Approaches to Consumer Protection in E-Commerce

- 4 Although these challenges are specific to e-commerce regulation, the Internet does not fall short of possibilities to regulate.⁸ Rather, innovative and flexible measures are needed to achieve the respective goals. To address the risks outlined above, a number of instruments may be applied:⁹

- ▶ government regulation, supervision and enforcement,
- ▶ self-, or co-regulation,
- ▶ technology,
- ▶ prudent behaviour,
- ▶ market surveillance.

- 5 Key regulations address, inter alia,

- ▶ licensing, information duties, misleading advertising, duties of platform operators (pre-contractual);
- ▶ conclusion of contract, form, contract terms, burden of proof (contractual process);
- ▶ remedies, the right to withdrawal, data protection (post-contractual).

- 6 Furthermore, in order to be effective, compliance with regulation is a major issue. This especially applies in the area of e-commerce, where regulation can barely keep pace with the fast developing e-technology.¹⁰ Businesses and their associations may engage in self-regulation. These schemes have their own rules and methods for monitoring conduct. Technology, such as encryption, can be employed to reduce risks in the payment system. In principle, technology can be prescribed by law-ma-

kers, through schemes, or selected by individual actors. In practice, it is most often agreed to at the scheme-level, or evolves in an uncoordinated fashion at the market-level. The introduction of the Payment Card Industry Data Security Standard (PCI DSS) is an example of scheme-level decision-making whereas the common use of Secure Sockets Layer (SSL) is an example of the uncoordinated, 'spontaneous' adoption of a standard.

- 7 Finally, even elaborate rules and highly sophisticated technologies are insufficient if consumers do not behave prudently. If consumers are not aware of the risks posed when conducting transactions on the Internet, including the risks when simply using the Internet to send and receive emails, little can be done to make the Internet and Internet payments safe. Therefore, one important precondition for secure Internet payments is consumer education. Consumers have to be educated on the use of technical devices and the application of common sense when dealing on the Internet. Furthermore, they need to be aware of their rights and responsibilities and where to turn to when they need assistance.

III. The Legal System of Consumer Protection Rules in E-Commerce in China

- 8 In the initial stage of e-commerce legislation, legal norms at national level were established for regulation of infrastructure, information services, administration of domain name, etc., which laid the legal ground for the development of e-commerce. However, the effectiveness and security during online trading were less attended to, let alone consumer protection in e-commerce. At present, the laws and regulations on physical transaction still serve as the legal basis for litigation involving infringement of the rights of online consumers.¹¹
- 9 Since the beginning of the 21st Century, the legal framework regarding e-commerce has gradually been elaborated. Additionally, the e-commerce trade associations have developed self-regulatory norms, which help to enhance the legal situation considerably.¹² However, China's online commodity trading still lacks a comprehensive body of legislation at present. Furthermore, the protection of online consumers' rights has to be improved.

1. Regulation on Consumer Protection in E-Commerce in China

- 10 On national level, the State Council adopted the Law on the Protection of the Rights and Interests of Consumers (hereafter Consumer Code) in the year of

1993.¹³ The Consumer Code is the main legal basis for consumer protection in China. Further consumer protection rights are provided by additional acts and regulations, including acts on responsibilities for product quality such as the Contract Act (1999)¹⁴, Product Quality Act (2000)¹⁵ and Drug Administration Act (2001)¹⁶; acts on price supervision such as the Standardization Act (1989)¹⁷ and Price Act (1998)¹⁸; acts on market order such as the Act against Unfair Competition (1993)¹⁹, Advertising Act (1995)²⁰ and Trademark Act (2001)²¹. Moreover, the State Council and other competent authorities have stipulated specific measures to implement the Consumer Code.²² The majority of these measures applies to online trading and provides the basis for the fundamental legal guarantees on the protection of consumers' rights.

- 11 China's central market supervisory authority, the State Administration for Industry and Commerce (SAIC) issued the Interim Measures for the Administration of Online Commodity Trading and Relevant Service Activities²³ (hereafter: Measures), which took effect on 1 July 2010, since when online trading formally fell in the jurisdiction of SAIC in terms of market supervision. The Measures aim to safeguard market order in online commodity trading, to regulate behaviour in online commodity trading as well as its relevant services, to guarantee the legitimate rights and interests of both the consumers and the business operators in online trading and to promote the sustained healthy development of the cyber economy.
- 12 In the Measures, the real-name registration system represents one of the key elements for consumer protection in e-commerce, which will contribute to the establishment of credit evaluation and disclosure systems as well as risk warning. Furthermore, the Measures stress that the principle of equity shall be reflected and respected in electronic contracts provided by online business operator of commodities and services and consumers must be pointed at contract clauses of their most concern in a reasonable and a clear manner. Moreover, a receipt for goods or services, as an evidence of transaction, shall be issued by the business operator at the consumer's request. In addition, the Measures highlight the importance of protecting the consumer's privacy and information security. To this end, online commodity operators or service providers are obliged to safeguard collected information, to make fair use of it, keep it on file only for a given time period and delete it in an appropriate manner. It is not allowed to collect any information that is of no relevance to the provision of goods and services. Unless otherwise prescribed by applicable laws and regulations, such information should not be used improperly, published, rented or sold in any circumstances. A consolidated view indicates that the Measures success-

fully address the issue of the management of online trading platform, and contribute to the protection of rights and interests of online consumers.

- 13 Despite the fact that the Measures partially solved the problems of managing online trading platforms and thus improved the protection of consumers' rights and interests, there are still a lot of consumer protection problems which are lacking proper solutions. In particular, online traders committing breach of contract, delivery of other products than those ordered due to forged product descriptions and images, delayed refund of purchase prices or transportation costs and low standards of product warranties indicate that the Chinese laws on consumer protection in the field of e-commerce are still inadequate and need further improvement.
- 14 Currently, there is no particular Chinese law which exclusively deals with consumer protection in e-commerce, but generally, the Consumer Code applies. The same applies to the respective acts on business transactions which were initially designed to deal with "non-virtual" contracts. Due to the specific circumstances in online trading, certain problems regarding consumer protection in e-commerce remain unsolved. This indicates that further improvements in this area need to be made.

2. Supervision of Consumer Protection in E-Commerce in China

- 15 In China, e-commerce is primarily supervised by the government authorities, while trade associations and public media also play important roles in supervision, significant complement to governmental regulation. However, in a society with a sound legal system and well performing market mechanisms, enterprises, consumers and communities shall predominantly assume the major responsibility.

a.) Regulatory Objects of Online Commodity Trading

- 16 The Chinese regulatory system of online commodity trading shall ensure rational and effective supervision of certain regulatory objects. These objects basically include operating agents, operating objects, operating behavior, electronic contracts, intellectual property and consumer protection.

(1) Operating Agents

- 17 China implements a licensing system for operating agents engaging in online commodity trading. According to the Measures, the State shall implement a licensing system for-profit Internet information

services and a record filing system for not-for-profit Internet information services. Furthermore operating agents engaging in for-profit Internet information services must obtain a permit for operating a value-added telecommunications business in the form of Internet information services and a business license to engage in online commodity trading in China. As online commodity trading covers a wide range of business fields, an operator, having obtained a business licence, is required to run his business only within the approved business scope, according to the law.

(2) Operating Objects

- 18 Goods and services that need special approval must be examined and approved by the competent administrative departments. Online operating activities can only be conducted, if the operating agent is granted a corresponding trade licence. The competent departments in charge of examining and approving should monitor and administer Internet information content according to their respective duties and responsibilities under law.

(3) Operating Behaviour

- 19 Serious competition violations and other illicit acts have not been rare in the course of the development of China's online commodity trading.²⁴ Thus, China's regulatory attention is focused on issues, such as cybersquatting, infringement of the exclusive right to use brands or trademarks, operating an online commodity (or service) business without approval, selling franchised goods and services without permission, using e-commerce to sell counterfeit, fake or smuggled goods, violating the market competition order of online commodity trading in the aftersale stage.

(4) Electronic Contracts

- 20 The Chinese Contract Law provides specific provisions on aspects of electronic contracts regarding subjects, form, forming conditions, jurisdiction and the legal status of digital signatures.²⁵ The main issues arising from an electronic contract in online commodity transactions in China include contract fraud and incomplete or non-performance of contract terms.

(5) Intellectual Property

- 21 Infringements in China's online commodity trading mainly include violations of rights. Typical violations are as follows:

1. infringement of patent, author's rights and copyright (for instance, Wanfang Data Co., Ltd repeatedly made Masters or Ph.D. dissertations available for commercial use in its electronic dissertation database without authorization; this act prompted several cases of copyright infringement litigation. As the court ruled that Wanfang Data Co., Ltd committed infringements, the defendant was required to compensate the authors);
2. infringement of website names (for example, mimicking or piracy of the name or web pages of other sites);
3. infringement of Chinese domain names (for examples, mala fide registration of Chinese domain names of well-known enterprises, old brands or trademarks).

(6) Consumer Protection

- 22 As already mentioned above, the protection of consumer's rights and interests mainly concerns the protection of personal data of consumers, which requires that the online commodity operator and online service provider should follow the four principles of information safeguard, fair use, given time limit and appropriate disposal.

b.) Regulatory Mechanisms

- 23 Based on legal norms, the regulatory mechanism for e-commerce in China combines market mechanism and industry self-discipline under the government's administrative regulation.

(1) Legal Supervision

- 24 Over the past decade, China has issued thirty laws concerning the regulation of the Internet, which deal with commerce, taxation, information, network, payment, security, logistics and protection of consumer rights. The continuous improvement of relevant legislation by the National People's Congress and its Standing Committee lays the prerequisite for effective legal supervision. However, the present legal situation does not meet the needs of regulatory practices. For example, it is difficult for consumers to receive compensation from online business operators for personal or property damages. First, online business operators often conceal their actual addresses intentionally or unintentionally, which makes it difficult to locate them. Second, they easily evade their responsibilities because of other parties involved in online transactions including electronic payment services, online trading platforms and logistics companies. Finally, due to the wide coverage of

online transactions and the multiple parties involved, it is difficult to define which party shall be held liable for return and exchange costs.

(2) Administrative Supervision

- 25 In China, administrative regulation represents one of the primary regulatory methods for online commodity trading, which is implemented by twelve government departments throughout the whole process of online commodity trading. Administrative regulation in the pre-trading stage includes: market access permits for business entity, quality controls on commodities, regulation of Internet advertisement, and protection of intellectual property rights. Administrative regulation in the trading stage mainly focuses on the monitoring of electronic contracts and consumer rights protection. Post-trade administrative regulation attends to the following two areas: monitoring of the fulfilment of post-sale customer services and supervision of logistics. The Measures, which represent the first administrative regulation aiming to develop and regulate online commodity trading and related services, play a crucial role in the regulation of China's online commodity trading.
- 26 However, the administrative supervision of online commodity trading faces numerous problems. For instance, supervision enforcement officers often lack the occupational skills needed to deal with illicit online trading activities, as they often cannot handle modern IT technologies properly and do not possess sufficient knowledge of the online market. Furthermore, the IT equipment often does not meet the highly sophisticated technical needs required for an efficient supervision.
- 27 Due to China's decentralized market supervisory system, the cross-border coordination between the local AICs is at a rather low-level. For example, the AICs' information systems solely cover business entities at the provincial level. Thus, it is difficult for the AICs to supervise online commodity traders which are registered in another province. Beyond that the supervisory scope of AICs is mainly limited to the registration of online business entities and online advertising, while the supervisory capacities with regards to other forms of illegal online activities, such as online fraud, violations of intellectual property rights and online business operations without licence, are weakly developed.
- 28 Further, practice has shown that the supervision of post-sale customer services is particularly insufficient. This frequently applies to services such as the return of products, technical support, installation and repair guarantees. Consumers are often hampered to use these services, as it is impossible to identify the original seller or the seller does not

comply with the service commitments. Thus, AICs need to intensify their supervision efforts on post-sale online trading services.

(3) Market Mechanism

- 29 In China, market power is manifested in the dynamics between providers, consumers, and provider-consumer relationships. A fair competitive environment will be encouraged by both providers and consumers in order to achieve development through competition and the protection of rights. Both providers and consumers will monitor each other's trading activities, and report to authorities in the case of illegal trading. Providers and consumers will also monitor each other's actions in the process of trading in order to protect their own rights.

(4) Other Regulatory instruments

- 30 Trade association²⁶ and public media supervision are important complement to governmental regulation. Trade associations can utilize mechanisms of self-discipline and self-regulation,²⁷ while public media can monitor the effectiveness and efficiency of regulatory efforts by legal means, administrative means and trade associations. However, the Chinese Internet trade associations are still in an immature stage, and so are their efforts to self-regulation. Some trade associations have even imposed measures to protect their interests under the guise of 'self-regulation'.

IV. The Legal System of Consumer Protection Rules in E-Commerce in the EU

- 31 Consumer sales protection in European e-commerce is mainly regulated in contract law through Directive 97/7/EC on the Protection of Consumers in respect of Distance Contracts.²⁸ In addition, some provisions of Directive 2000/31/EC on e-commerce²⁹ are applicable. Both need to be viewed in light of the general Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees.³⁰
- 32 The European Commission has reviewed both 97/7/EC and Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees. In the meantime, the European Council and Parliament have adopted a proposal for a Directive on Consumer Rights which merges the existing EU consumer directives on E-commerce with the doorstep-selling Directive, which is expected to enter into force approximately at the end of this year.³¹

1. Regulation on Consumer Protection in E-Commerce in the EU

- 33 The aim of EU legislation in the field of distance selling is to put consumers who purchase goods or services through distance communication means – such as the use of the Internet (e-commerce) – in principle in a similar position to consumers who buy goods or services in resident shops. Directive 97/7/EC provides a number of fundamental legal rights for consumers in order to ensure a high level of consumer protection throughout the EU.
- 34 Generally, Directive 97/7/EC in respect of distance contracts applies to all consumer distance contracts made under the law of an EU-Member State. In this respect 'distance contract' means any contract concerning goods or services concluded between a supplier and a consumer under an organized distance sales or service provision scheme run by the supplier, who, for the purpose of the contract, makes exclusive use of one or more means of distance communication up to and including the moment at which the contract is concluded.³²
- 35 Some types of contracts are excluded from all the provisions of the Directive, for instance, all B2B and C2C contracts, contracts concluded via automated vending machines or automated commercial premises, contracts for financial services and contracts concluded through a public auction.³³ However, online auctions as they are exercised *inter alia* on eBay usually do not fulfil this requirement and are therefore principally within the scope of Directive 97/7/EC. Other exempted areas such as financial services do also not fall short of regulation, as special regimes such as Directive 2002/65/EC concerning the distance marketing of consumer financial services³⁴ (Fn. einfügen: OJ L 271, 9.10.2002, pp. 16-24.) apply.
- 36 Other types of contracts are excluded from the core provisions of the Directive, such as the provision of comprehensive information before the purchase and the right to cancel the contract. These include contracts for the supply of foodstuffs, beverages or other goods intended for everyday consumption supplied to the home of the consumer, to his residence or to his workplace by regular roundsmen.³⁵ The same limitation applies for services to be performed on a specific date or within a specific period such as contracts for the provision of accommodation, transport, catering or leisure services,³⁶ as most of these contracts are already protected by special regulations such as Directive 90/314/EEC on package travel, package holidays and package tours.³⁷

2. Supervision of Consumer Protection in E-Commerce in the EU

- 37 In the EU, there is no central agency for consumer protection in e-commerce transactions. Instead the EU stipulates a framework for Member States' institutions, thereby creating a European supervisory network of Member States' supervisory institutions³⁸ and empowers private consumer organisations to supervise the market on the consumer's behalf.³⁹ Moreover, the EU encourages the industry to self- or co-regulate e-commerce by providing incentives.

a.) EU Market Surveillance of Consumer Protection in E-Commerce

- 38 Although there are several agencies at the European level carrying out market surveillance activities regarding a number of market regimes, such as pharmaceuticals, chemicals and foodstuffs,⁴⁰ no general agency at European level deals with market surveillance of e-commerce transactions. Rather, these sector-specific agencies occasionally conduct market surveillance of consumer protection in e-commerce within their legal mandate to supervise the European market. They mainly do so by issuing warnings, for example, to refrain from buying counterfeit medicines over the Internet. Despite the fact that EU generally tends to increase the number of market areas which are supervised by EU agencies,⁴¹ there are no plans to establish an agency that monitors consumer protection in e-commerce.
- 39 Within the field of consumer protection in e-commerce, there are only a few provisions which form a regulatory framework for Member States to carry out market surveillance. Some of these frameworks rather provide general rules and principles, which leave a margin to Member States how to conduct market surveillance activities; others only give little scope to Member States for discretionary actions. However, each of these regulations target Member State regulation towards specific addressees. With respect to Member States' institutions, EU law frames the set-up of Member State regulatory authorities⁴² and their investigation and enforcement powers.
- 40 In order to foster coordination in the area of e-commerce, the EU Commission established in Regulation (EC) 2006/2004 on Consumer Protection Cooperation⁴³ network regulations for authorities, which are responsible for enforcement in the Member States.⁴⁴ The Regulation lays down the framework and general conditions under which these authorities must cooperate. With respect to the special area of e-commerce, the Commission established the ad-

visory body 'European Regulators Group for Electronic Communications Networks and Services' in Decision 2010/299/EU⁴⁵. According to para. 2 of this decision, its main responsibility is to make a 'contribution towards consistent regulatory practice by facilitating cooperation between national regulatory authorities (NRA's) and between NRAs and the Commission and by providing an interface for advising and assisting the Commission in the electronic communications field.'

b.) Consumer Organisations in Market Surveillance

- 41 In EU law, private consumer organizations play a major role in the market surveillance of all kinds of consumer protection rules. According to Art. 7(2) of Directive 93/13/EEC, Member States shall provide 'provisions whereby persons or organizations, having a legitimate interest under national law in protecting consumers, may take action according to the national law concerned before the courts or before competent administrative bodies for a decision as to whether contractual terms drawn up for general use are unfair, so that they can apply appropriate and effective means to prevent the continued use of such terms.' Hence, with regard to unfair contractual terms in e-commerce, Member State consumer organizations must be granted a standing in civil proceedings in order to facilitate judicial control of general terms and conditions. According to Art. 3(b) Directive 98/27/EC⁴⁶, consumer organizations may even be granted a special *locus standi* according to injunction procedures in matters of collective consumer protection.
- 42 This broadly defined task assignment results from the fact that the individual rights approach in consumer protection faces serious problems when applied in reality. Breaches of consumer protection law, if viewed individually, regularly cause slight damage only. As these losses generally fail to outweigh the risks involved in litigation, consumers tend not to enforce their rights in court procedures. However, if viewed in total, the damages caused by breaches of consumer protection rights have a huge negative impact on the common market as a whole – both financially and as regards to the consumers' trust in e-commerce. In order to cope with this problem, the European Commission assigns independent private parties, such as consumer organizations, with the task to claim the consumer's rights on their behalf.

c.) Self- and Co-regulation

- 43 The EU adopts innovative regulatory methods, such as self- and co-regulation by the parties concerned, in order to keep pace with the highly technical is-

sues involved in e-commerce as a rapidly developing industry.

- 44 EU legislation for example fosters industry self-regulation by providing financial help to facilitate the establishment of certain self-regulation organizations. The most prominent example is the Euro-Label-Organisation⁴⁷ which acts as an umbrella organization for several national organizations. It sets standards and monitors compliance in collaboration with national organizations.
- 45 Following the 'new approach'⁴⁸, private standardization organizations are entitled to develop standards in e-commerce. According to Art. 17 Framework Directive 2002/21/EC⁴⁹ the European Committee for Standardisation (hereafter CEN), the European Committee for Electrotechnical Standardisation (hereafter CENELEC), and the European Telecommunications Standards Institute (hereafter ETSI) are authorised to develop standards for electronic communications networks, electronic communications services and associated facilities and services upon request of the Commission. Each of these Committees are private organizations, whose set-up, organization and structure are, however, subject to European regulation.
- 46 Furthermore, the EU also supports the introduction of codes of conduct for the respective industries. Indeed, several codes of conduct are currently in use in European e-commerce. Several trade associations such as the Federation of European Direct and Interactive Marketing⁴⁹ or the European E-commerce and Mail Order Trade Association⁵⁰ provide such codes.

V. Comparison and Conclusion

- 47 As the comparative analysis has shown, consumer protection may be achieved by different means and different systems. However, even though at first glance the Chinese and the European system appear to differ substantially, a closer look reveals tendencies of convergence between the two systems. In Europe, the problems of enforcement and of ensuring consumer protection are acknowledged in practice, thus leading to a hybrid approach of private enforcement and state-based supervision of markets, in combination with making use of competition (market) forces. State authorities, as well as empowered associations, monitor misbehaviour in markets in order to protect weaker parties. Deficits in enforcement still have to be admitted, thus leading to initiatives to establish collective actions or to give more power to state authorities. On the other hand, China has qualified consumer protection as a state policy which cannot be left to individual enforcement as market inefficiencies may lead to unwanted mistrust by consumers and underdevelopment of markets and production. Neverthel-

ess, individual enforcement and supervision by associations has been enhanced in recent years so that it is fair to say that some European elements of private enforcement may also be identified in the Chinese system. The European system, which strongly emphasized private market regulation, increasingly acknowledges a need for governmental supervision. This supervision, however, resembles not so much in traditional top-down regulation but in network governance models and incentives approaches. China, which emphasized state supervision, increasingly recognizes private regulatory mechanisms to govern the e-commerce market. In this respect, both regimes, despite many differences in detail, indeed come closer.

- 1 The authors would like to thank their research colleagues that were involved in drafting the comparative study on e-commerce regulation in China, Germany and Europe Ala Musi, He Mingke, Li Anyu, Malte Krüger, Hans-Wolfgang Micklitz, Gerald Spindler, and Christian Thorun. This article bases also on their work. The study was published at GIZ/SAIC/CSAIC (eds), *E-Commerce in China and Germany: A Comparative Sino-German Analysis*, Beck/Hart/Nomos, 2011.
- 2 The change of trade structures through e-commerce has been subject to various studies, see inter alia M. Salmony, *Veränderungen der Wirtschaftsstrukturen durch E-Commerce*, in: M. Lehmann, *Electronic Business in Europa*, 2002, pp. 1 et seqq.
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Impulses for an Effective and Modern Data Protection System

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Abstract: A substantial reform of data protection law is on the agenda of the European Commission as it is widely agreed that data protection law is faced by lots of challenges, due to fundamental technical and social changes or even revolutions. Therefore, the authors have issued draft new provisions on data pro-

tection law that would work in both Germany and Europe. The draft is intended to provide a new approach and deal with the consequences of such an approach. This article contains some key theses on the main legislative changes that appear both necessary and adequate.

Keywords: EU Directive on Data Protection; Private Sphere; Privacy by Design; Principle of Prohibition; Freedom of Communication; Free Flow of Data; Sensitive Data; Transparency; Secrecy of Observation; Consent Liability concept

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A. Introduction

- 1 Since 1973 there has been a data protection law in Sweden.¹ Germany's "Federal Data Protection Act" - BDSG² dates from 1977. This was preceded, in as early as 1970, by a data protection law for the German Federal State of Hessen.³ The demand for protection was due to the menace emanating from "mechanical data processing", the central systems and data files. As a result, "personal data" came to the fore as regulatory subject. By way of an anticipated need for protection of a fundamental right, the individual was to be protected, within an initially narrowly defined scope of application, from a situation in which this menace became reality (principle of imposing a ban with permit reservation).
- 2 Since 1995, there has been a unified data protection regime at EU level in the form of directive 95/46/EC dated 24 October 1995 "on the protection of individuals with regard to the processing of personal data and on the free movement of such data". Article 8 of the EU Charter of Fundamental Rights affords "the protection of personal data" the same level of protection as the Charter's article 11 affords to freedom of expression and information.
- 3 In the course of time, the BDSG has been amended several times. The aforementioned directive was supplemented by directive 2006/24/EC dated 15 March 2006 on data retention and before that, on 12 July 2002, by directive 2002/58/EC on the processing of personal data and the protection of privacy in the electronic communications sector, which has also been amended since then. It is safe to say that there

is a largely integrated data protection system within the EU on the abstract level. In concrete terms, however, there are substantial differences which are due to the somewhat divergent implementation of the pertinent provisions, but also to other differences between the legal systems involved.

- 4 An increasingly negative feature is a deficit in terms of flexibility and balancing ability. On the one hand, *the free flow of data* at EU level is *not to be obstructed*; while, on the other hand, the principle of prohibition continues to enjoy top priority, despite the fact that in the private sphere the freedom of economic activity as well as the freedoms of opinion, expression, information and communications need to be accorded the same priority.
- 5 As a result, both the EU and each of its member states are bound to define very far-reaching exemptions, so as not to (excessively) impede “normal data processing” and “normal communications”. What is lacking is a more explicit substantive definition of the actual object of protection [Schutzgut]. Even the EU Charter of Fundamental Rights refers to the individual and/or the right of personality only in indirect terms while putting the focus on data.
- 6 The current standardisation of data protection law neither reflects what has meanwhile become standard practice, as very graphically illustrated by Facebook, Google etc., nor technological developments, nor, in particular, the needs of the economy or people’s changing communication habits.
- 7 Particularly ignored is the fact that individuals, in many respects, have become active members of networks in a form that turns them into data processors themselves.⁴
- 8 Another perception is that, up until now, liability concepts have not been really effective in combating data breaches. Rather, infringements of data protection law have so far been “worthwhile” for the infringers.
- 9 A special problem is the protection of data in big international corporations in the area of order data processing. Another serious defect of data protection law is the fact that the actual protective mechanisms are overlaid by very vague but high-ranking protection principles, such as the principle of prohibition and the principle of data avoidance.
- 10 A principle that requires far greater emphasis is the principle of earmarking.
- 11 The EU currently plans to renew data protection – not, however, by directly amending the EU data protection directive 95/46/EC, but rather, it appears, in the form of a regulation (see GDD [Society for Data Protection and Data Security] press release of 17 No-

vember 2011). Some input and public statements by Commissioner Reding⁵ are available in advance of this new regulation. Particularly noteworthy in this context is the Commission’s legislative framework of 4 November 2010, laying special emphasis on “privacy by design” and “privacy by default”, but also on “accountability” as contemplated new principles to govern a modern form of data protection.⁶

- 12 The authors have on the one hand sought to present a draft BDSG for the non-public sphere (i.e. the economic field), designed to avoid a substantial number of the “defects” marring the current provisions; while, on the other hand, addressing proposals of the Commission.
- 13 What can possibly also be achieved by fleshing out a protected interest in terms of substantive law is a larger measure of compatibility with US data protection law. In the US, data protection is largely governed by individual laws while seeking, to a greater extent than in Europe, to strike a balance with the freedom of communication. The concept proposed by the present authors also places greater emphasis on the pursuit of such a balance, by making the protected interest suitable for involvement in a direct balancing process. According to the current regulations, such a balancing process must be implemented at a stage which is not suited to the purpose.

B. The authors’ concern

- 14 The authors have put up for discussion a draft for the renewal of the data protection law.⁷ In doing so, they have been guided by the desire to leave well-trodden paths in the assessment and discussion of data protection, pursue new approaches and thereby draw the appropriate consequences.
- 15 There is general agreement that data protection has to cope with a host of new challenges which, while only being alluded to in manifestations and/or trends reflected in catchwords like “social networks”, very often harbour fundamental technological and social changes or possibly even revolutions. Some of these developments have been closely watched and put up for discussion by the EU e.g. through the “Group of 29” or the International Working Group.⁸ Thus, the “Group of 29” dealt with the RFID⁹ issue, with smart metering¹⁰ and geo-location¹¹ while social networks were addressed as early as 2009.¹²
- 16 We propose to show in the context of the following the policy decisions the EU is facing in tackling the planned re-design of European data protection law.¹³

C. Privacy by design

- 17 First thesis: Privacy by Design is inconceivable and bound to remain a hollow term so long as the focus of protection is on data. Privacy by Design requires modelling and implementation of the Private Sphere as the essential protected legal interest. Otherwise the decisive design standard – also required for purposes of justifiability – would be lacking.
- 18 The postulate underlying Privacy by Design is to rethink the technological side of the entire data protection regime (including along the lines of privacy-enhancing technologies, PET¹⁴). What is also needed, however, is bringing into focus the protection of the private sphere as the actual centrepiece of data protection. Privacy by Design is of outstanding importance to the Commission.¹⁵
- 19 It is one of the special challenges to define an internationally comprehensible protected legal interest that builds on the protection of the personality, its roles and spheres while departing from the focus on “data” as the primary regulatory purpose. Given the current scope of data processing operations, the aim cannot be to minimise the incidence and usage of data as such without differentiating between different data categories. Rather, any approach along the lines of Privacy by Design must focus on designing technological processes in such a way that the private sphere of users is respected and/or protected to the greatest extent possible.
- 20 It will hardly be possible to develop appropriate modelling standards for information systems/networks, let alone practicable, deterrent liability concepts **without defining a flexible substantive protected legal interest** (supported by PET¹⁶). The EU made it clear, already in its Data Protection Directive that data protection should not and must not lead to an obstruction of “the free flow of data”. This means in theory, that what is generally accepted is a kind of unison or parity between data protection on the one hand and the free movement of data on the other.¹⁷ In fact, however, data protection has come to prevail over “the free flow of data”, which has remained a hollow term for lack of fleshing out.
- 22 The current principle of prohibition amounts to a regime of exemptions to the rule. Actually, exemptions should be narrowly defined as is the case time and time again in data protection literature.¹⁸ However, any narrow interpretation leads to excessive constraints on free communication.
- 23 While both Germany and the EU, by embracing the principle of prohibition, have internationally come to be reputed for having created a maximum degree of data protection, it is noticeable that in practice data protection has become riddled with holes or even rendered inappropriate compared to most other recent developments. This is partly due to the way exemptions are regulated and the difficulties in interpreting them. Moreover, individuals increasingly become actors within the social networks and/or information systems, so that the classical idea of a kind of antagonism – i.e. the storage/processing systems on the one hand and those affected by them on the other – is no longer tenable.
- 24 Pitting “data protection” against “the free flow of data” is no viable weighing model. The idea of the free flow of data is right in that the parties involved in it are the individuals affected on the one hand, and institutions on the other which are in a position to claim rights that are secured by the basic law. This applies to both the freedom of communication and – where business activities are concerned – to entrepreneurial freedom.
- 25 In order to make the personality with its spheres and functions adequately capable of protection, it first has to be implemented e.g. as a protected model. Every attempt to do so in the context of the term “personal data” has failed. Interestingly, the data movement rules of the EU Directive and of the BDSG entirely even out the grading of sensitivities to the point of eliminating them entirely. By contrast, the BDSG’s provisions on “safety” (section 9, technical and organisational measures) call for these rules by the backdoor without providing the addressee with a pertinent standard.
- 26 **The operation of the principle of prohibition**, which triggers a rigid mechanical effect, has been illustrated by *Peifer*, using the example of the behaviour-oriented user approach.¹⁹

D. Abolition of the principle of prohibition

- 21 Second thesis: The principle of prohibition should be abolished as it amounts, in the conditions of networked communications, to a prohibition of communication that is incompatible with the protection of free communication imperative in an open democratic society.
- 27 “However, the translation of these constitutional values into data protection law has produced a close-meshed regulatory network which, in the individual case, very quickly leads to the enforcement of a rigid principle of prohibition. This is essentially due to four – selected and by no means exhaustive – factors.”²⁰
- 28 In this context *Peifer* cites the following influences:²¹

- ▶ the principle of prohibition as such,
- ▶ the broad definition of the term “personal data”,
- ▶ the lacking effect of a consent procedure (consent as a tool practically being insignificant),
- ▶ the excessively broad scope of application of the BDSG.

- 29 Peifer concludes that data protection law is a “prohibition-oriented and rigid instrument”.²²
- 30 Only very few of the host of tools provided for by the EU Data Protection Directive make a real impact despite the fact that they, unlike the principle of prohibition, are very flexible and far closer to the exercise of control by the personality and/or the individual, in particular through a combination of purpose orientation and earmarking. Within certain limits, the principle of prohibition can in the final analysis be shifted to subsequent stages and/or to the protection of certain spheres, i.e. privacy²³ and/or to the core area of personality.²⁴ Guiding principles should be freedom of communication combined with disclosure obligations, voluntary commitment²⁵ and earmarking.

E. Stages of sensitivity and tools, earmarking

- 31 Third thesis: The protection of the personality can be substantially specified by combining a grading of a basically free movement of data with a staggering of a set of tools, ranging from opting out e.g. in case of a change of earmarking up to opting in and/or requiring consent for the handling of sensitive data because thus a correlation can be established between the intensity of and the need for protection. This enhances the effect of the instrument of earmarking while relegating the principle of prohibition to specific spheres, areas and threats.
- 32 “**Earmarking**” is in theory a high-priority tool in both the BDSG and the EU Directive (see article 6 paras. 1 b) and c). While forming part of the principles of quality in the context of the EU Directive, this instrument makes hardly any impact in practice or is completely absent there. Given that you cannot, for lack of context, recognise the sensitivity or triviality of data as such, it is imperative to introduce the context factor for purposes of protection and, consequently, roles and spheres. This is a matter of the self-monitoring of selective and/or sectoral visibility.
- 33 The voluntary nature of participation in (Internet-based) communication must not lead to an unbridled obligatory surrender of the resultant data.
- This applies notwithstanding the fact that “data” has long since become a form of currency.²⁶ The barter trade is taking place in terms of commercialisation²⁷ where the party affected surrenders “its” data against gratuitous performances. Seen from this angle, many large providers offering services without direct payment are acting as “data hoovers” bent on cashing in on their success reflected in the large number of participants through the sale of and/or trade in the data thus collected.²⁸ What is required in regard to this kind of data is a limitation of usability by earmarking.
- 34 Where potential protection is concerned, what matters is not more or less conscious statements (externalism), but rather their perpetuation and alternative use (misappropriation). What still needs to grow is the awareness that “communication data” – at least in the non-contractual context – is primarily intended only for the area of communications and may not, where appropriate, be used in a cursory manner. The “traces” of communications on the net, call to mind that a laptop is not a fall-back position, but nevertheless belongs to the private sphere and is subject to the protection of secrecy.²⁹
- 35 A multi-stage system³⁰ could cover a spectrum ranging from:
1. Freedom of information and (online) freedom of action
 2. through earmarking,
 3. limited, sectoral visibility,
 4. specific areas, types of data/conditions up to
 5. prohibition in principle complete with protection of the core of personality.
- 36 Until now the “special categories of data” (article 8 EU Directive) have been a foreign body in the regulatory system since neither the EU Directive nor the BDSG is based on a substantive law concept embracing the spheres and/or roles of the individual and the varying “sensitivities” and visibilities involved. This is where clear priorities should be established along with a system of distinct differentiation between diverse stages of sensitivity.

F. Balancing capacity of the protection model

- 37 Fourth thesis: Art. 8 of the EU Charter of Fundamental Rights ranks the protection of personal data among the fundamental rights. This does not by any means establish prohibition as a sacrosanct prin-

principle. Article 11 of the Charter of Fundamental Rights (freedom of expression and information) lays claim to the same priority as article 8, so that there is no way of postulating the precedence of one of these fundamental rights over the other. Statements covered by the protection of article 11 are in any event “legitimate” pursuant to article 8.

- 38 Hence, making a general rule for the handling of personal information – i.e. a rule not confined to the principle of prohibition – would be compatible with article 8 of the Charter provided that, in lieu of that principle, a balancing level were introduced, pitting the protection of the individual against the freedom of information, communication and expression. In that case, the handling of personal information would be directly governed by the principle of good faith even though various substantive counter-positions of the data processor would also be taken into account.
- 39 The present thesis therefore needs to be supplemented by the sub-thesis that the actual obstacle to adjusting to a substantive protected legal interest is not the Charter but rather the EU Data Protection Directive. After all, article 7 of EU Directive 95/46 makes it abundantly clear, even though not by the same terms, that personal data may be processed “only” if one of the requirements listed in the Directive is satisfied. The following listing is enumerative, only offering rudimentary balancing opportunities while specifying another extremely powerful data protection tool, i.e. the *principle of necessity* (in sub-para. c).
- 40 Article 7 would have to be modified if the protection of personal data were to be replaced by the substantive protection of the personality from being impaired by the processing of information by weighing such protection against the justified interests of the party processing such information. A pertinent key is provided by article 9 in regard to freedom of expression. Given, however, that the other rights of data processors would have to be taken into account at almost the same ranking, care needs to be taken of a plethora of further equally fundamental rights. It appears appropriate to abolish the principle of prohibition rather than to first establish the ban and then follow it up with a host of further exemptions.
- 41 Fifth thesis: Transparency means for the individual to be aware of the threat potential arising in the wake the “data traces”³¹ left behind and accumulating – mostly as a matter of course. One possible approach is the principle of “accountability”.³²
- 42 The “diffusely perceived” threat has relevance in terms of constitutional law.³³ The BVerfG (Federal Constitutional Court), as early as in its ruling on the census, affirmed the existence of inter-action between the fear of expressing one’s opinion – i.e. a phenomenon to be taken into account very carefully from the point of view of democracy – and the consequent constraint and risk of being observed.³⁴
- 43 While the BDSG is being interpreted as establishing a right to informational self-determination – even as a protected legal interest.³⁵ The legislator has not acted on it, not even in section 1 para. 1 (“Object”) even though there is no unintentional lacuna because the mandate to incorporate this legal tenet was deliberately omitted by several amendments. Meanwhile, the same applies to the fundamental IT right (fundamental right to safeguarding the integrity and confidentiality of information technology systems) which was not expressly incorporated either.³⁶ In view of the three amendments made in 2009³⁷ this omission is not due to oversight.
- 44 Arguing for the need to incorporate the fundamental IT right, the BVerfG expressly points to lacunae in the scope of protection offered by the right to informational self-determination.³⁸ In response to new threats, the BVerfG has again broadened the range of protected legal interests, specifically by adding the IT systems of the fundamental rights holder. The right to privacy encompasses this fundamental right by way of protection against “secret” infiltration, expressly protecting the “core area of the personal way of life”.³⁹ What is therefore called for now is a re-definition of the protected legal interest including provision for diverse spheres of visibility and sensitivity.
- 45 Logging of user behaviour is tantamount to spying them out. Secret spying out is perceived as interference with the private sphere even if conducted entirely anonymously.⁴⁰
- 46 The secrecy of observation has a clear parallel in the internet user profile. Many users perceive the wide-ranging storing of data at Facebook, Apple and Google as interference with their private sphere. The secret and uncontrolled logging and evaluation of user habits is perceived as spy-out of the user differing but slightly, if at all, from the targeted online search of a computer hard disc.
- 47 The BVerfG has addressed the “diffuse menace” inherent in the logging of user behaviour. While the court’s ruling relates to public authorities,⁴¹ the menace also emanates from “Facebook”, “Apple” or “Google”, and/or users perceive a “diffuse threat” from the “traces” left by them on the Net.⁴²

G. Transparency to counter an intangible threat

- 41 Fifth thesis: Transparency means for the individual to be aware of the threat potential arising in the wake the “data traces”³¹ left behind and accumulating – mostly as a matter of course. One possible approach is the principle of “accountability”.³²
- 42 The BVerfG has addressed the “diffuse menace” inherent in the logging of user behaviour. While the court’s ruling relates to public authorities,⁴¹ the menace also emanates from “Facebook”, “Apple” or “Google”, and/or users perceive a “diffuse threat” from the “traces” left by them on the Net.⁴²

48 The BVerfG demands transparency to counter the “diffuse threat” posed by uncontrolled data stocks, which permits the conclusion that the legislator is called upon to create clear-cut regulations for the collection and usage of data stocks.⁴³

49 The burden weighing on the individual⁴⁴ in the form of data relating to him/her as a concrete embodiment of “threat”, i.e. the actual potential, could substantially be reduced if “cursory” traces of and, in particular, “waste products” from the use of technological systems were to remain cursory, i.e. fade at short notice and thereafter disappear, also against the background of the “right to oblivion”.⁴⁵

50 **The requirement enshrined in constitutional law is a ban at least on “total data capture” by the state.**⁴⁶ This must also apply to the non-public sector. The danger arises where earmarking in combination with merely sectoral visibility is not complied with.⁴⁷

51 “Thus, the introduction of telecommunications data storage cannot be looked upon as a model for the creation of further collections of groundlessly retained data, but rather compels the legislator to observe greater restraint when considering new storage obligations or authorisations against the background of the entirety of already existing data pools. The fact that the exercise of freedom by citizens must not be totally recorded and registered forms part of the constitutional identity of the Federal Republic of Germany (cf. the BVerfG on the reservation of identity as enshrined in the Basic Law, ruling of the Second Senate dated 30/6/2009 – 2 BvE 2/08 et al. – juris, marginal no. 240) to the protection of which the Federal Republic is committed both in a European and an international context. The precautionary retention of telecommunications data considerably narrows the leeway for further groundless data collections including through the European Union.”⁴⁸

52 What is required is a kind of amendment to the right to integrity of the private “ITC sphere”, possibly along the lines of the BVerfG’s judgment on online search⁴⁹ – a ruling also taken up by the Commission.⁵⁰

53 “The general right to privacy (article 2 para. 1 in conjunction with article 1 para. 1 Basic Law) encompasses the fundamental right to guarantee of the confidentiality and integrity of information technological systems.”

54 The amendment would be to the effect that such prohibition in principle must not be confined to the secret spying out of the private ITC but must extend to the indirect use thereof through deep packet inspection

tion or through the environment of application programmes and/or the browser (e.g. via flash cookies).

H. Strengthening of the requirement of consent as a tool

55 Sixth thesis: The usability of **consent** is being overestimated.

56 Consent is not seen, at least in Germany, as a viable alternative to a legal reform as a basis.

57 While theory looks upon consent as the best means of ensuring the autonomy of the parties affected, it proves inappropriate in the concrete conditions prevailing. The pertinent requirements of the EU Directive, which in view of the mass traffic on the Internet necessarily demand standardised, pre-formulated declarations of consent, can hardly be satisfied (“without any duress, case-specific and in awareness of the factual situation”, art. 2 h).

58 While court practice has charted suitable ways of drawing up consent clauses that are “watertight” for the purposes of general terms and conditions, the effectiveness of a consent is jeopardised, even as an individual declaration, if it is too global (not sufficiently specific) or if it relates – entirely or partly – to a form of collection, storage and use of data that is permissible under a legal provision (such as section 28 BDSG).

59 The relationship between consent and a (legitimising) legal provision is by no means clear or simple. The generally accepted view appears to be that consent is not to be and cannot effectively be procured, where a different standard of consent is already applicable.⁵¹ It is not clear what is still expected in terms of legal consequences if the consent of the data subject is – ineffectively – additionally procured for a form of data processing permitted by law. Sokol advises against procuring consent merely for reasons of “legal security”.⁵² The data subject was likely to jump to the conclusion “that he/she had a choice including the option of refusing the contemplated form of data use”.⁵³ Unlike this, the requirement of consent might be recommendable despite the parallel existence of a statutory regime of consent “where public authorities or enterprises ... are prepared to respect the refusal of consent by the person concerned”.⁵⁴

60 However, this view would leave **no room** for consent in a situation where processing **obligations** are imposed by law.⁵⁵ Considerable uncertainties would arise in cases requiring a careful distinction between processing obligations on the one hand and processing rights on the other, so that enterprises would

have to weigh one choice against the other in cases where the two options are very similar.

- 61 A concept of stages would clearly be the better choice when it comes to effectively procuring consents and being able to rely on their unassailability.

I. Combination of liability concept and security requirements

- 62 Seventh thesis: Data protection would be strengthened by a combination of liability without fault, compensation also for non-material damage and the duty to design ITC systems in a privacy-oriented manner complete with the security of these systems. Here is a concrete proposal on this point, patterned on article 17 of the EU Directive and section 3 a p. 1 of the BDSG, with special reference to the latter's approach concerning the design of ITC systems.

- 63 What is needed is to combine the personality and earmarking oriented design of information systems with the pertinent security requirements in such a manner that any design jeopardising the personality already amounts to a data breach.⁵⁶ To achieve this, data processing and information systems need to be designed in a way that corresponds to the characteristics of the personality and, in particular, to a kind of visibility that is geared to specific purposes, and in a way that affords the protection of differentiated spheres.⁵⁷

- 64 Proposal:⁵⁸

....

Section 6 Damages

(1) A data processor injuring the data subject by a form of collection, processing, transmission or use of personal information that is inadmissible or incorrect under this law shall be liable for damages to such data subject. This liability shall lapse where the data processor proves that he/she has complied with his/her obligation to proceed in accordance with the requirements of data protection (section 7 para. 1 second sentence)

(2) Where a data processor infringes the prohibition imposed by section 5 para. 2 [prohibition of the transmission of personal information] section 97 para. 2 second and third sentences UrhG (Copyright Act) shall analogously apply in determining the level of damages.

(3) The data subject shall be entitled to monetary compensation also if the damage does not involve a financial loss provided that this is just and fair under the circumstances.

Section 7 Fleshing out of the procedures

(1) In developing, fleshing out, changing or broadening the procedures a data processor is using or wishes to use, he/she shall at each stage be mindful of the risk of personality rights being jeopardised if personal information is collected, processed, transmitted or used. The processor is therefore obliged to comply with the following guidelines to the extent that this is possible in view of the intended purpose, and that the time and effort involved are not disproportionate to the contemplated purpose of protection.

(2) Procedures shall be geared to the objective of limiting the collection, processing and use of information to the minimum.

(3) Procedures are to be so designed that personal information is automatically erased if and when it is no longer required for the intended purpose unless this is opposed by statutory preservation obligations. Archiving and use for the exclusive purpose of preserving evidence is permissible.

(4) The reliability of the procedures shall be geared at the state of technology. In particular, the state of technology shall be observed in protecting personal information against unauthorised third-party access.

- 65 In addition, there are strong arguments in favour of liability for the accuracy and completeness of information on the understanding that provision could be made for compensation without fault for **non-material** damage. This may be complemented by counter-statement rights and an automatic duty of notification along with liability for failure to do so ("Skandalisierungspflicht").⁵⁹

Endnotes

- 1 The first national data protection act. The principle of transparency is much older in Sweden (enshrined in the constitution since 1766).
- 2 Proclaimed on 1 February, 1977, BGBl (Federal Law Gazette) I. p. 201, fully entered into force on 1 January 1979.
- 3 The oldest data protection act, albeit limited to one Federal State. Entered into force on 13 October 1970.
- 4 To some extent recognisable also in assessment platforms, see on this point BGH dated 23 June 2009 –VI ZR 196/08 – spickmich.
- 5 See also Reding, ZD 2011, 1.
- 6 See also: On the demand for adjustment to the level of technological development –Resolution of the Conference of Data Protection Commissioners of the Federal Republic and the Federal States, 78th Conference 8 and 9 October 2009.
- 7 Published under www.schneider-haerting.de; see also Schneider/Härtling, Why we need a new BDSG (Federal Data Protection Law), ZD 2011, 63
- 8 E.g. on event recorders: Working Paper No. 645.42.10 dated 4/4/2011.
- 9 Opinion 9/2011 on the revised industry proposal for a privacy and data protection impact assessment framework for RFID applications, 11/2/2011, Working Paper 180.
- 10 Opinion 12/2011 on smart metering, 4/4/2011, Working Paper 183.

- 11 Opinion 13/2011 on geolocation services on smart mobile devices, 16/5/2011, Working Paper 185.
- 12 See Opinion 5/2009 on online social networking, 12/6/2009, Working Paper 163.
- 13 See Framework Concept of the EU Commission dated 4/11/2010, KOM (2010) 609 final.
- 14 See on this subject: *Hornung*, ZD 2011, 51 including further quotations; see also: Study on the economic benefits of privacy enhancing technologies (PETs), Final Report to the European Commission, July 2010.
- 15 See *Reding*, ZD 2011, 1; EU Commission dated 4/11/2010, KOM (2010) 609 final.
- 16 See *Hornung*, ZD 2011, 51 including further quotations.
- 17 See e.g. Article 1 para. 2 Dir. 95/46/EC: Member States shall neither restrict nor prohibit the free flow of personal data.
- 18 See e.g. *Simitis* in: *Simitis*, BDSG, 7th printing 2011, marginal no. 54 et seq. concerning admissibility alternatives in section 28; more on this issue also below under 7.
- 19 *Peifer*, K&R 2011, 543
- 20 *Peifer*, K&R 2011, 543,544 including further quotations.
- 21 *Peifer*, K&R 2011, 543,544.
- 22 *Peifer*, K&R 2011, 543, 547.
- 23 On the determination of classification and boundaries in the context of a sexual offence see e.g. BVerfG (Federal Constitutional Court) dated 10/6/2009 – BvR 1107/09, MMR 2009/693.
- 24 See BVerfG dated 3/3/2004 – 1 BvR 2378/98 et al. – Eavesdropping attack, CR 2004, 343.
- 25 See also *Härting/Schneider*, ZD 2011, 63; dies., ZRP 2011, vol. 8 (i.E.).
- 26 Cf. Ilse Aigner “Facebook makes use of personal data as a currency”, FOCUS Online, Saturday, 17/7/2010, 11:15; Matthias Schrader, “Data are the petroleum of the future”, FOCUS Online, Thursday, 12/5/2011, 12:29.
- 27 *Weichert*, The economisation of the right to informational self-determination, NJW 2001, 1463.
- 28 See also on the business model – even if without in-depth economic expertise and highly populist approach – *Kurz/Rieger*, The data eaters, Frankfurt 2011.
- 29 See *Heckmann*, Public Privacy – protection of the weaker on the Internet, K&R 2010, 1463.
- 30 See also *Schneider*, AnwBl. 2011, 233, 237 et seq.
- 31 See already *Köhntopp/Köhntopp*, CR 2000, 248, 250 et seq.
- 32 See also Group of 29, Opinion 3/2010 on the principle of accountability, 13 July 2010, Working Paper 173; EU Commission dated 4/11/2010, KOM (2010) 609 final,
- 33 See on the following also *Härting/Schneider*, ZRP 2011, p. 233.
- 34 From the point of view of a state governed by the rule of law and of democracy, the right to informational self-determination therefore is the proper answer: BVerfG dated 25/12/1983 – 1 BvR 209 et al. BVerfGE 65, 1 – Census.
- 35 See especially *Simitis*, in: *Simitis* (publisher), BDSG Commentary, 7th printing, section 1 marginal no. 23 et seq.; see also on this subject *Schneider/Härting*, ZD 2011, 63, 64.
- 36 BVerfG dated 27/2/2008 – 1 BvR 370/07 et al., NJW 2008, 822 et seq. – Online search; see on this subject *Luch*, MMR 2011, 75 et seq.; *Baum*, DuD 2011, 595.
- 37 See e.g. *Drewes*, CR 2010, 759 on the List privilege, *Brink/Schmidt*, MMR 2010, 592 on staff screening, on this subject also *Bierekoven*, CR 2010, 203; see also *Hanloser*, MMR 2009, 594 (on amendment II).
- 38 BVerfG dated 27/2/2008 – 1 BvR 370/07 et al., NJW 2008, 822, 824 – Online search
- 39 BVerfG dated 27/2/2008 – 1 BvR 370/07 et al., NJW 2008, 822, 826 – Online search
- 40 *Härting*, Internet law, 4th Ed., 2010, marginal no. 72.
- 41 BVerfG date 2//.2010 – 1 BvR 256/08 et al., NJW 2010, 833, 843 – data retention.
- 42 *Härting*, AnwBl., 2011, 246, 247.
- 43 Cf. *Hoffmann-Riem*, JZ 2008, 1009, 1010 et seq.
- 44 It would be highly important to “measure” the overall impact, see on (the unlawful) “cumulative effect”, *Knierim*, ZD 2011, 17 including further quotations
- 45 S.a. *Reding*, ZD 2011, 1, 2.
- 46 For examination, but there still answered in the negative, see BVerfG dated 2/3/2010 – 1 BvR 256/08 et al. – Data retention, NJW 2010, 833, marginal no. 216, including cross reference to BVerfG date 30/6/2009 – 2 BvE 2/08 et al. in marginal no. 218, immediately followed by the quotation.
- 47 See also: *Schneider*, AnwBl 2011, 233, 236 et seq.
- 48 BVerfG dated 2/3/2010 – 1 BvR 256/08 et al. – Data retention, NJW 2010, 833, marginal no. 218
- 49 See on this ruling e.g. *Luch*, Das neue “IT-Grundrecht” (The New Fundamental IT Right). Grundbedingungen einer “Online-Handlungsfreiheit” (Basic prerequisites of an online freedom of action), MMR 2011, 75; *Bär*, MMR 2008, 315.
- 50 EC-Commission dated 4/11/2010, COM (2010) 609 final, 2.1.1, footnote 14.
- 51 *Gola/Schomerus*, BDSG, section 4 marginal no. 16; *Taeger* in *Taeger/Gabel*, BDSG, section 4 marginal no. 47.
- 52 *Sokol* in *Simitis*, BDSG, 7th printing 2011, section 4, marginal no. 6.
- 53 *Sokol* in *Simitis*, loc. cit. marginal no. 4.
- 54 *Sokol* in *Simitis*, loc. cit. marginal no. 6; cf. also *Simitis* in *Simitis*, BDSG, 7th printing 2011, section 28, marginal no. 20.
- 55 *Sokol* in *Simitis*, loc. cit., marginal no. 7.
- 56 See also *Schneider*, ZD 2011, 6.
- 57 See also *Schneider*, AnwBl 2011, 233.
- 58 See also www.schneider-haerting.de.
- 59 See on 42a BDSG, “Data Breach” *Karger*, ITRB 2010, 161; *Dix* in *Simitis*, BDSG, 7th printing 2011, marginal no. 1 concerning the contribution to transparency and marginal no. 2 concerning the scope of application. The latter still appears to be too narrow. On the intra-company resolution of the conflict with “Compliance” see *Hamm*, NJW 2010, 1332.

Proposed WIPO Treaty for Improved Access for Blind, Visually Impaired, and Other Reading Disabled Persons

and Its Compatibility with TRIPS Three-Step Test and EU Copyright Law

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Abstract: Although the world's attention has on several occasions been turned to the plight of the vision impaired, there has been no international copyright instrument that specifically provides for limitations or exceptions to copyright for their benefit. Such an instrument becomes imperative amidst the growing number of persons in this category and the need to facilitate their access to information that will give them the opportunity to participate in public affairs. Brazil, Ecuador, Paraguay, and Mexico (Brazilian group) seek to fill this gap by submitting to the WIPO's Standing Committee on Copyright and Related Rights a draft treaty for Improved Access for Blind, Visually Impaired and Other Reading Disabled Persons. However, this proposal has generated a lot of reactions,

resulting in three other such proposals being submitted to WIPO for deliberations. Copyright owners have also opposed the treaty. Amidst these reactions, this work seeks to analyze the compatibility of the Brazilian group's proposal with the TRIPS three-step test, which has enjoyed a great deal of international recognition since its inclusion in the Berne Convention. It also seeks to find its compatibility with EU copyright law as harmonized in the Directive 2001/29/EC. In the end, we conclude that the proposed treaty is in harmony with the three-step test, and though it has some variations from the EU Copyright Directive, it nonetheless shares some underlying objectives with the Directive and does not radically depart from what prevails in several EU member states.

Keywords: Three Step Test; Visually Impaired People; Reading Disabled Persons; TRIPS; EU Copyright Law

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A. Introduction

- 1 Finding the appropriate balance between the creative incentive of copyright for authors and the interest of the public to benefit from their intellectual work has been a controversial issue for ages.¹ The current attempt to internationally harmonize limitations and exceptions for the benefit of those who are visually impaired only causes this controversy to resurface. This battle, which simply consists of the

economic interest of authors to reap the fruits of their labor on the one hand, and the interest of the state in providing public access to literary works for the advancement of knowledge on the other hand, appears not to have been won or lost even 300 years after enacting the first copyright statute in England.² Although the earliest approach at securing a license to publish was in the form of a sovereign privilege,³ the transposition of such a privilege into a legally recognized right has shown both positive and

negative outcomes. While the authors were liberated from the shackles of publishers by the Statute of Anne, one of the major underlying principles behind the Act – to encourage public learning – is yet to be fully achieved.

- 2 While the Internet has helped millions of people globally to download and share intellectual works without any regard to copyright, it is obvious that such an advancement in technology has brought new challenges to authors, and therefore calls for greater protection of their creativity. However, what is often forgotten in this tension between copyright owners and pirates is that some special category of persons will often be caught in the midst of this battle, effectively finding it extremely difficult to access intellectual works. For instance, the increasing use of protective measures, both technological and otherwise – including digital rights management and collecting societies to check and enforce copyright – have adversely affected visually impaired persons (VIPs) in gaining access to intellectual works even for their private use.⁴
- 3 The request by the Authors Guild in the United States for Amazon to disable its Kindle 2's new robotic text-to-speech feature, which can read any Kindle book aloud in a synthesized voice, illustrates this point.⁵ This is a feature that would be an absolute delight for the vision impaired, and shows how technology could be used to better their lot. The Guild's contention was that such a facility would cut the sale of audio books, insisting also that eBooks were not sold with performance rights. Amazon yielded to this request and disabled the feature in order to avoid litigation. Often, such a situation will attract international sympathy and calls for the expansion of limitations and exceptions to copyright, especially for the benefit of those with disabilities. But while there have been some studies in the past detailing the plight of VIPs and suggesting ways of improving them, no concrete international approach of a mandatory nature has been taken on. Attempts to provide accessible formats of intellectual works to the vision impaired have been limited in jurisdiction, and this restricts cross-border transfer of such formats.⁶ It is in this light that the proposed treaty for improved access for the blind, visually impaired, and other reading disabled persons drafted by the World Blind Union and sponsored by Brazil, Ecuador, Paraguay, and now joined by Mexico (Brazilian group) becomes very important.⁷ The proposed treaty seeks *inter alia* to establish a multilateral legal framework in the field of limitations and exceptions for the benefit of persons with reading disabilities. It also aims at facilitating the cross-border transfer of copyrighted works that have been adapted for such purposes.
- 4 This international framework is necessitated by the fact that there is no provision in any international treaty relating to intellectual property that speci-

fically provides for exceptions or limitations to copyright for the benefit of VIPs.⁸ Although the Berne Convention,⁹ the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement),¹⁰ and the World Intellectual Property Organization (WIPO) Copyright Treaty¹¹ allow states to include in their intellectual property law exceptions or limitations to copyright that do not conflict with the legitimate interests of right holders, this has not, in fact, improved the accessibility of copyright materials for the visually impaired.¹² While some states have either facilitated access to copyrighted works for the benefit of the disabled through flexible procedures in obtaining authors' permission or imposing a compulsory license scheme, there seem to be many fragmentations in these approaches globally. This creates uncertainty and impediments in either exporting or importing accessible formats across borders.¹³

- 5 The limitations proposed by the present draft treaty are far-reaching and have generated many reactions from all over the world. This is evidenced by three other proposals submitted to the WIPO Standing Committee on Copyright and Related Rights (SCCR) in this regard, all showing remarkable differences in their initial drafts. Similarly, copyright owners have voiced their concerns over the proposal as it affects their economic rights, pointing out the risk of massive piracy if such an exception is made in this digital era. When all these interests are considered, the next hurdle that the proposed treaty will face will be finding an internationally accepted standard for permitting such limitations. The three-step test has seemed to enjoy this acceptability since its inclusion in the Berne Convention in 1967. Though this test has generated a large number of controversies, especially after the WTO Panel gave it an extensive interpretation, it still appears to be one of the uniform instruments of international copyright law that takes care of the differences between the continental authors' system and the common law copyright system.
- 6 The three-step test simply embodies a notion that any limitation or exception to the exclusive rights of authors must be restricted as far as possible and confined to certain special cases that do not conflict with the authors' normal exploitation of their work and do not unreasonably prejudice their legitimate interests.¹⁴ This paper will review the draft treaty submitted to WIPO by the Brazilian group to determine its compatibility with international norms and conditions permitting derogations to copyright as seen in the three-step test that is enshrined in the TRIPS Agreement and EU copyright law. The paper will briefly make a comparison of the other proposals submitted by the African, United States, and European Union groups. The concerns of copyright owners regarding the treaty will be outlined, and

comments on ways of harmonizing the conflicting interests will be made at the end.

B. Historical Background on the Protection of Interests of the VIPs

- 7 The establishment of the *L'Institut National des Jeunes Aveugles (L'INJA)* in Paris by Valentin Haüy in 1784 and its landmark achievement of inventing Braille in 1824 through a former student and teacher at the institute, Louis Braille, brought into the limelight the need for the community to take care of the visually impaired.¹⁵ This certainly attracted international attention to the activities of the blind, and later various European nations began to establish schools for the blind.¹⁶ Indeed, the first recorded international exchange of knowledge and experience by the blind occurred in 1873 when a conference was held in Vienna and attended by teachers and organizations working for the blind.¹⁷
- 8 However, the First World War increased international cooperation in alleviating the plight of the blind. This cooperation was seen in the formation of the American Foundation for the Blind in 1921¹⁸ and in the Esperantist movements spreading all over the world that later resulted into the formation of the Universal Association of Blind Esperantists (UABE) in 1923 in Nuremberg.¹⁹ While Jacobus Tenbroek had also founded the National Federation of the Blind (NFB) in 1940 in the United States, an economic depression followed by the Second World War delayed progress in the internationalization of the activities of the blind, especially in having a uniform body. In 1951 in Paris, a draft constitution for an international organization was adopted, bringing into being the World Council for the Welfare of the Blind (WCWB). The International Federation of the Blind (IFB) was also founded in 1964, raising the number to two international bodies that catered for the affairs of the blind.
- 9 However, due to administrative concerns, these two bodies were merged together in 1984 to form the World Blind Union (WBU).²⁰ Also worthy of mention here is the formation of the European Blind Union in the same year. The WBU is currently the umbrella body uniting the various associations in this area, and envisages a community where people who are blind or suffer from other visual impairment will be empowered to participate in society on an equal basis in any aspect of life they choose.²¹ It should also be noted that a landmark event took place in 1981 concerning the plight of the visual and auditory handicapped, when the governing bodies of WIPO and the United Nations Educational, Scientific and Cultural Organization (UNESCO) agreed to create a Working Group on Access by the Visually and Auditory Handicapped to Material Reproducing Works Produced by Copyright.²² The Working Group drew up "Model Provisions Concerning the Access by Handicapped Persons to the Works Protected by Copyright" in 1982, but after almost three decades since drafting this instrument, no treaty that would enable the visually handicapped around the world to access and share copyright materials has been made to bring its provisions to fruition.
- 10 WIPO has equally taken significant steps toward bringing into focus the problems of VIPs in accessing intellectual works. It has commissioned several studies in this regard and has put the issue in its Development Agenda.²³ In order to legitimize the import and export of alternative format materials, the WBU through Brazil, Ecuador, Paraguay, and Mexico (which joined later) proposed to the SCCR of the WIPO a draft treaty for Improved Access for Blind, Visually Impaired, and Other Reading Disabled Persons in 2009. This is still under deliberation and forms the basis of this article. In a similar gesture, and following decades of work by the United Nations to change attitudes and approaches to persons with disabilities, the Convention on the Rights of Persons with Disabilities and its Optional Protocol was adopted on 13 December 2006, and came into force on 3 May 2008. This treaty, which reaffirms that all persons with all types of disabilities must enjoy all human rights and fundamental freedoms, has been seen as a major breakthrough in alleviating the suffering of the disabled.²⁴
- 11 But in spite of these international efforts, VIPs' access to adapted formats of literary works has not been without challenges. Not only are these challenges economical, they are also technological and legal in nature, as highlighted in a WIPO study in 2006.²⁵ The World Health Organization (WHO) estimates that about 285 million people worldwide are visually impaired, of which about 90% are living in developing countries.²⁶ Other statistics show that only about 5% of all published books are available in accessible formats for these persons globally.²⁷ VIPs can only have access to some types of intellectual works, in particular literary works, if they exist in formats such as Braille, audio recording, audio-visuals, or digital-compatible formats. Ng-Loy Loon attributes these poor statistics to difficulties in getting licenses from copyright owners to adapt their works; the high cost of converting works into accessible formats; and the restrictions on importation of accessible formats from cheaper sources.²⁸ This view has been shared by many commentators and points out how copyright protection has adversely affected VIPs in accessing information that will benefit them in both public and private life.²⁹

C. The Proposed Treaty by the Brazilian Group

12 As mentioned earlier in section A, there is no provision in any international treaty relating to intellectual property that specifically provides for exceptions or limitations to copyright for the benefit of VIPs. This draft treaty by the Brazilian group is meant to serve such a purpose. Thus, it forms a basis for discussions about establishing a multilateral legal framework in the field of limitations and exceptions to copyright for the benefit of the blind and other VIPs, including the cross-border transfer of copyrighted works adapted into accessible formats for this special group of persons. In the course of WIPO's consultations on this issue, three other draft proposals were circulated for consideration – submitted by the United States,³⁰ the African group,³¹ and the European Union³² – each of which has remarkable differences from one another. While the Brazilian and the African groups' proposals are aligned to a large extent, and seek to harmonize the law on exceptions and limitations for the benefit of the VIP, thereby creating a mandatory obligation among contracting states, the US and the EU submitted a more limited and non-binding legal instrument. We shall look at these proposals below in this section.

I. The core features of the proposed Brazilian treaty

- 13 The proposed treaty is made up of preambles and 20 articles. Its core features include:
1. Giving VIPs full access to adaptable formats of copyrighted works. It does this by authorizing the creation and supply of alternative format versions of copyrighted works from lawfully acquired copy without the permission of the copyright owner for non-commercial purposes.³³
 2. Permitting the creation and supply of alternative format versions on a for-profit basis, under certain conditions, if the work is not reasonably available in an accessible format.³⁴
 3. Recognition of moral rights of authors in all circumstances.³⁵
 4. The possible creation of the right of VIPs to circumvent technological impediments in order to enjoy access.³⁶
 5. Nullification of any contractual provision that is contrary to the treaty.³⁷

6. Permitting the importation and exportation of accessible format versions without authorization from the copyright owners.³⁸
7. Standardizing remuneration of authors in cases of commercial exploitation of their works.³⁹
8. Establishment of a database by WIPO for the purpose of facilitating notice to authors and providing information on available converted formats.⁴⁰
9. Making mandatory the non-profit exception, while parties may opt-out of the for-profit exception.⁴¹

14 This proposal in effect derogates from the exclusive rights of authors in the areas of reproduction, distribution, communication to the public, and adaptation of their works.

II. A comparative analysis of all the proposals

- 15 As mentioned earlier, four different proposals emerged at the WIPO while deliberations were ongoing about including exceptions and limitations to copyright for the benefit of VIPs following the Brazilian proposal that formed the basis of the deliberations. The African group, the EU, and the United States submitted theirs, all of which have remarkable similarities and differences with one another in respect of their scope, legal nature, beneficiaries, formalities, limitations and exceptions, remuneration, terminology, etc.⁴² While the Brazilian and African proposals have striking similarities and are more favorable to VIPs on numerous points, those of the EU and US appear to be restrictive and more protective of right owners. However, despite the similarities between the African and the Brazilian proposals, other beneficiaries – including educational and research institutions, libraries and archive centers – were included in the African proposal.
- 16 One striking distinction among these proposals is the legal effect that they are intended to have on contracting parties. On the one hand, the US and EU proposals do not intend to create a legally binding instrument on contracting parties. The US proposal is merely a consensus instrument that specifically aims at facilitating cross-border transfer of accessible formats through trusted intermediaries without authorization from copyright owners. The EU's joint recommendation recommends that every state should include an exception on the exclusive rights for the benefit of VIPs on a non-commercial basis, as well as introduce a global system of mutual recognition of trusted intermediaries. On the other hand, the Bra-

zilian and African groups intend the opposite – to create a legally binding instrument – and are more elaborate in nature.

- 17 Various terminologies were used in the various documents to refer to the beneficiaries as seen in their titles, for example, blind, visually impaired and other reading disabled persons, persons with print disabilities, and disabled (for the purpose of this work, they are simply referred to as visually impaired persons). Although all the groups refer as their primary beneficiary to those who are blind or visually impaired, whose impairment cannot be corrected by lenses, the Brazilian and African proposals include persons with other disabilities, who due to such disabilities need an adaptable format in order to access a work like a normal person. The US limited these others to persons whose physical disabilities were orthopedic or neuromuscular based, while the EU's extend only to those who cannot hold or manipulate a book, are dyslexic, or whose physical disability requires reformatting the content of the work but does not require that the text itself be rewritten in simpler terms to facilitate understanding.⁴³ This clearly indicates that the US and EU intend to have a more restricted beneficiary in the exceptions proposed.
- 18 Again, while the Brazilian, African, and US proposals tried to make a list, albeit not exhaustively, of “accessible formats,” the EU's is silent on that, simply referring instead to a format that is modified prior to publication or afterward. More importantly, the EU's recommendation enshrines the three-step test as a condition for applying its provisions; further, together with the US proposal, it provides that cross-border transfer of accessible formats should be done only through the trusted intermediaries. The Brazilian and African proposals make no mention of trusted intermediaries, but suggest that export and import could be made between any individual or organization whose countries have exceptions in this regard.
- 19 In all circumstances, the EU proposes that prior notice should be given to the right holders through the trusted intermediaries, and they shall receive adequate remuneration for any such exploitation of their work.⁴⁴ This sharply contrasts with the Brazilian and African groups' proposals, which require that notice shall only be given on a for-profit exploitation, and no remuneration shall be paid for a non-profit use of the work.⁴⁵
- 20 Another remarkable difference witnessed in the proposals is in the area of related or neighbouring rights. While the Brazilian and African groups extend the limitation to related right, the US and EU were silent on the issue. Similarly, circumvention of technological protection measures were permitted by the Brazilian and African proposals, while the US and EU were also silent on that.
- 21 It should be noted at this juncture that at the SCCR 21st session, two committees were set up to undertake a text-based work on the proposals, with the objective of separately reaching agreement on appropriate exceptions and limitations for persons with print and other reading disabilities; and limitations for libraries, archives, educational, teaching, and research institutions.⁴⁶ Pursuant to this, many negotiations were made and at the SCCR 22nd session, a consensus document in the form of a “proposal on an international instrument on limitations and exceptions for persons with print disabilities” was presented for discussion by Argentina, Australia, Brazil, Chile, Colombia, Ecuador, the European Union and its member states, Mexico, Norway, Paraguay, the Russian Federation, the United States of America, and Uruguay.⁴⁷ In spite of the many compromises made in the document, many commentators have welcomed the development as a step in the right direction, even though there are still differences as to the legal nature of the final document that may emerge from the consensus document.⁴⁸ It is also not clear whether the consensus document will be accepted by all the contracting states. This could be gleaned from the fact that no African or Asian state signed the document, and a subsequent version of the document prepared by the chair of the SCCR reveals that the controversial issues are far from being resolved.⁴⁹ It is hoped that a clearer picture concerning this proposal will emerge at the 23rd session of the SCCR in November 2011.

D. Limitations and Exceptions under the Proposed Treaty and the Three-Step Test

- 22 As we have seen above, the proposed treaty clearly limits the exclusive rights of authors as recognized under international copyright law. By setting out exclusive rights of authors, copyright law ensures that creators of literary works can control the exploitation of their work for a period of time. However, in order to ensure the social value of intellectual works, a balance has to be established between these exclusive rights and the privileged free uses, thus necessitating the inclusion of exceptions and limitations of these rights into copyright law. At the interface between both sides of the balance, the three-step test seems to accomplish the task of preventing copyright limitations from encroaching upon authors' rights.⁵⁰ Although the Brazilian proposal did not emphasize the three-step test criteria, instead justifying limitations on lawful acquisition of a copy, the EU and the US proposals made reference to this test.
- 23 The three-step test can be found in several international copyright laws. At the 1967 Stockholm Conference for the revision of the Berne Convention, the test was introduced to pave the way for the formal

acknowledgement of the general right of reproduction. This was later reflected in Article 9(2) of the Convention as a standard under which derogation to the reproduction right of authors can be permitted. In 1994, it reappeared in the TRIPS Agreement, and later in the WIPO Internet Treaties in 1996.⁵¹ In the same vein, Article 5(5) of the EU Directive 2001/29 EC on copyright in the information society also reiterates these conditions as necessary for allowing limitations and exceptions on the economic rights of authors.⁵²

- 24 Article 13 of TRIPS, which embodies this test, stipulates the following:

*Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.*⁵³

- 25 In summary, this test requires that limitations and exceptions to exclusive rights of authors

1. be confined to “certain special cases”,
2. do not conflict with a normal exploitation of the work, and
3. do not unreasonably prejudice the legitimate interests of the right holder.

- 26 Its current ambit of application is no longer confined to the right of reproduction, but to all kinds of exclusive rights. In substance this is the only difference between the provision in Article 9(2) of the Berne Convention and the other instruments mentioned above. These three conditions apply cumulatively, each being a separate and independent requirement that must be satisfied. Failure to comply with any one of the three conditions results in the exception being disallowed.⁵⁴

- 27 Although there is a paucity of international legal interpretation of this concept, it has, however, been interpreted twice by the WTO’s Dispute Settlement Body (DSB). In the first case bordering on patent, the European Communities (EC) brought a complaint against Canada, alleging that Canadian provisions that allowed competing generic manufacturers to test patented products before the required period of protection expired, and the manufacturing and stockpiling of pharmaceutical products without the consent of the patent holder during the six months immediately prior to the expiration of the 20-year patent term, violated its obligations under Articles 28(1) and 33 of the TRIPS Agreement.⁵⁵ Canada argued on the contrary that such measures were “limited exceptions” to the exclusive rights conferred by a patent within the meaning of Article 30⁵⁶ of the TRIPS Agreement. While the DSB found

that the provision allowing for the testing of the invention for experimental purposes was limited in nature and not in conflict with the normal exploitation of the patent, it did rule that the “manufacturing and stockpiling exception” constituted a substantial curtailment of the exclusive rights granted to patent owners to such an extent that it could not be considered a limited exception within the meaning of Article 30 of TRIPS.⁵⁷ This is mainly because such acts took away at least three of the five fundamental patent rights, including the right to prevent others from making and using the invention. There was also no limitation as to the quantity of material that could be manufactured and stockpiled.⁵⁸ These in effect conflicted unreasonably with a normal exploitation of the patent.

- 28 In the second case, *US – Section 110(5) of the US Copyright Act*,⁵⁹ which centers on copyright and which we shall rely on in our analysis here, the EC also brought a petition against the United States in relation to Article 110 (5)(B) of the US Copyright Act,⁶⁰ which places limitations to the exclusive rights in respect of certain performances and displays. In effect, the Act exempted certain restaurants, bars, and shops from paying licensing fees when they play radio and TV broadcasts. The EC contended that this violated US obligations under Article 9(1) of the TRIPS Agreement together with Articles 11(1)(ii) and 11bis(1)(iii) of the Berne Convention.

- 29 The panel ruled that the US exception was not justifiable as it fails to meet the three conditions of the three-step test. The DSB found with regard to the first step that “certain special cases” requires that a limitation or exception in national legislation should be clearly defined and narrow in its scope and reach. Although the panel did not emphasize the qualitative reason for the limitation, it did state that the purpose for any limitation may not be normatively discernible, but the public policy purpose may be useful from a factual perspective for making inferences about the scope of an exception or clarity of its definition.⁶¹ Relying on a quantitative approach, the DSB noted that the majority of drinking and eating establishments and close to half of all retail establishments were covered by the exception, which makes it appear more like a rule than an exception. Therefore, the panel ruled that the exception does not qualify as “certain special case” within the meaning of the first condition of Article 13 of TRIPS.

- 30 In interpreting the second step, DSB adopted both empirical and normative approaches in defining the words “normal exploitation” and stated that they connote regular or ordinary activities that copyright owners engage in, to extract economic value from the use of their works. The overall conclusion of the panel on this step was that an exception to a right rises to the level of a conflict with a normal exploitation of the work if uses, which in principle are co-

vered by the right but are exempted by the exception, enter into economic competition with the ways in which right holders normally extract economic value from that right, and thereby deprive them of significant or tangible commercial gains.⁶² Thus, in the present case, the limitation meant significant loss of income that would have accrued to the right owners in terms of royalties.

- 31 Looking lastly at the third step of the test – that exceptions “do not unreasonably prejudice the legitimate interests of the author” – the DSB remarked that this hinges on the term “unreasonable.” It finally noted that prejudice to the legitimate interests of right holders reaches an unreasonable level if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner. It found that excluding a large percentage of users of musical works from payment of compensation would deprive right owners of substantial income, which is unreasonably prejudicial.

E. Will the Proposed Treaty Pass this Test under the TRIPS Agreement?

- 32 The three-step test has enjoyed international recognition since its introduction to the Berne Convention.⁶³ Although various comments have been made about the DSB interpretation of the test in the US case,⁶⁴ we hope to rely on it in weighing the justification of this proposed treaty under international law. This is based on the fact that the panel’s decision has an international effect. Second, cases from national courts show divergent approaches and results when applying the test.⁶⁵

I. First, is the exception confined to “certain special cases”?

- 33 According to the WHO statistics mentioned above, the number of VIPs has been identified: about 285 million persons who represent only about 4% of the world’s population.⁶⁶ The proposed treaty also lists specific formats for which works may be converted. This clearly justifies the quantitative approach that was adopted by the DSB in the US decision. It is also not in doubt that the vision of VIPs makes them fall within a special category of persons who deserve to be protected. In this regard, the UN Convention on the Rights of Persons with Disabilities⁶⁷ and the Sullivan report all attest to the fact that VIPs are special category of persons.
- 34 The above facts bring the treaty in line with the DSB’s interpretation of the first test that exceptions must be clearly defined and narrow in scope and reach. Either adopting a qualitative or quantitative

element, the exception seems to pass the first test because of the following:

- 35 There is an imperative public duty of providing access to information to the visually impaired.
- 36 The number of visually impaired persons has been clearly identified, and they represent a special set of the world’s population.
- 37 This stand is also supported by Ricketson’s interpretation of the first test that exceptions are justifiable if they are for a quite specific purpose and the purpose should be “special” in the sense of being justified by some clear reason of public policy or other exceptional circumstance.⁶⁸ If we also adopt a holistic approach with regard to rights of authors and the policy goals of this exception, it is arguable that the proposed treaty is in harmony with the objectives of TRIPS Agreement as stated in its Article 7.⁶⁹ However, the African group’s proposal may well be out of scope when weighed against the first test, since the beneficiaries are not limited only to VIPs but also include others that may not be easily ascertained.⁷⁰
- 38 Placing this justification in a wider context, the guarantee of freedom of expression and the right to receive information can be seen as a foundation for communicative interaction in a democratic society. The freedom to seek and receive information must be ensured as an indispensable prerequisite for the formation of an opinion. Thus, a consideration of the concerns of the recipient of information should be an integral part of copyright law. This has accordingly been reflected in international human rights instruments. For instance, the Universal Declaration of Human Rights (UDHR) enunciated the following:
- 39 Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers.⁷¹
- 40 It is believed that this provision persuaded the 1996 WIPO Diplomatic Conference in the preparatory work to the Internet treaties to remark:
- 41 When a high level of protection is proposed, there is reason to balance such protection against other important values of society. Among these values are ... the need of the general public for information... and the interests of persons with handicap that prevent them from using ordinary source of information.⁷²
- 42 Mentioning the needs of VIPs in the above remark is also in line with the examples of “specific purposes” outlined by the 1967 Stockholm study group that equally includes access to disabled persons.⁷³

All these lend credence to the fact that this proposed treaty is in line with a common underlying interest: to improve the conditions of VIPs by giving them access to information contained in copyrighted works.

II. Second, does the exception conflict with a normal exploitation of the work?

43 In the opinion of the DSB, an exception to a right rises to the level of a conflict with a normal exploitation of the work if uses, that in principle are covered by the right but exempted by the exception, enter into economic competition *with the ways in which right holders normally extract economic value from that right* (italics are mine) and thereby deprive them of significant or tangible commercial gains. From available facts, the 5% of accessible formats of works available to VIPs were made by organizations working for the VIPs.⁷⁴ This shows that right holders do not exploit this means and *a fortiori* do not extract any economic value from these formats. Assuming that they receive remuneration from these converted formats, it is only for 5% of all their works, which is rather abnormal and too insignificant compared with their major source of income. It should also be noted that this venture is mostly carried out on a non-profit basis in view of the resources available to VIPs. So there is no likelihood that authors will exploit this market in the future because of the meager income available to VIPs.

44 Although the Brazilian treaty permits derogation on a for-profit nature, this ordinarily does not bring it into conflict with the economic interests of the authors. Besides, the proposal provides that adequate compensation will be paid to the right holders when conversion is on a profit basis. The DSB, while echoing the deliberations at the 1967 Stockholm Revision Conference of the Berne Convention, observed that the test permits commercial uses.⁷⁵ The interpretation of this second criterion must not be drawn too widely; otherwise, it will be difficult to ensure a sufficient flexibility for the establishment of a proper copyright balance.⁷⁶ A normal exploitation does not necessarily imply that each and every market segment has to be scrutinized. It needs not be interpreted too broadly to impose a hurdle that all parts of the overall commercialization of a work must be surmounted before a limitation can be justified. Rather, a limitation should only be seen to conflict with a normal exploitation of a copyrighted work if it substantially impairs the overall commercialization of that work by divesting the author of a major source of income.⁷⁷ It has not been proven that income from sales of copyrighted works in places where adapted formats exist has dwindled because of these formats. So there is no likelihood of conflict in this regard.

45 Public interest should not be threatened by the three-step test. The WIPO Diplomatic Conference reflected this in their statement referred to earlier, and we have shown that this treaty proposal will not divest authors of their normal income. We therefore conclude that the exception for the benefit of VIPs will not deprive right owners of any potential or tangible commercial gains because they do not exploit this market in the normal course of their dealings.⁷⁸

III. Third, does the exception unreasonably prejudice the legitimate interests of right holders?

46 Prejudice to the legitimate interests of right holders reaches an unreasonable level if an exception causes or has the potential to cause an unreasonable loss of income to the right holders. We have shown earlier that this is not likely to happen in view of the fact that the right holders have not in the past exploited this avenue for their economic gains and there is nothing to show that they will in the future.

47 While it is legitimate for copyright owners to receive economic value for their work, and this should not be unreasonably prejudiced, the legitimate interest of the public in providing access to information to a vulnerable group of society should be weighed in balancing the equation. An appropriate solution is seen in the provisions of the proposed treaty that makes payment of adequate compensation a condition when these works are adapted on a for-profit basis. Thus, insofar as the objectives underlying a limitation justify the entailed prejudice to the right owner's legitimate interest, such a limitation should be approved. Furthermore, the treaty does not in any way preclude authors from publishing their works in these accessible formats for VIPs and distributing those for profit. In fact, the treaty precludes conversion for profit purposes if there are reasonably identical formats enabling access for VIPs by the author.⁷⁹ To our understanding, these secure the interests of right owners.

F. The Proposed Treaty and EU Copyright Law

48 The EU Directive 2001/29 on copyright in the information society harmonizes copyright laws within the EU.⁸⁰ The Directive seeks to provide a high level of protection of intellectual property that not only favors copyright owners, but also takes into consideration the interest of the public by allowing for limitations and exceptions on copyright. Although the Directive does not harmonize exceptions comple-

tely, it does place some constraints on the exceptions that EU member states may provide in their national laws. Specifically, Article 5(3)(b) of the Directive permits limitation on the rights of reproduction and communication to the public in respect of copyrighted works “for the benefit of people with disability, which are directly related to the disability and of a non-commercial nature, to the extent required by the specific disability.” Undoubtedly, VIPs fall within the range of persons envisaged by this provision. However, Article 5(5) imposes the three-step test as criteria for justifying exceptions or limitations made pursuant to the Directive. Although EU member states have included certain exceptions and limitations into their national laws based on the Directive, no case has been decided by the European Court of Justice on their compatibility with the three-step test.

- 49 Article 5(3)(b) of the Directive has been transposed in a wide range of ways by member states.⁸¹ While some states have simply maintained a very narrow application of this limitation, others have placed a payment of compensation as a prerequisite. For instance, in France, the right to consult works by disabled persons is limited to private purposes, to be carried out only in the premises of authorized legal entities or publicly accessible establishments such as libraries, museums, or archives.⁸² No payment of compensation is foreseen under the French Code, unlike the German and Dutch Copyright Acts.
- 50 Guibault has argued that Article 5(3)(b) of the Directive is vague, thereby resulting in nationally implemented provisions setting out diverging conditions for its application, and also being addressed to different individuals or entities in some quarters.⁸³ For instance, it is not entirely clear from the Dutch and German provisions whether they are directed to the physically impaired themselves or to any other legal or natural person engaged in the reproduction and publication of works for disabled persons.⁸⁴ On the other hand, the French provision would seem to be directed primarily at the disabled individuals themselves, via the institutions that make the works available on their own premises and subject to strict conditions for application.⁸⁵
- 51 In spite of the differences in the EU member states’ provisions implementing Article 5(3)(b), a pertinent question that will be relevant for our purpose here is whether the proposed treaty is compatible with the copyright Directive and other EU law on intellectual property. Although the EU has voiced its opposition to the proposal as reflected in its joint recommendation, it may not be absolutely correct to assume that the provisions of the proposed treaty are incompatible with EU copyright law. While it is admitted that there are some clauses in the proposal that are not in harmony with the copyright Directive, a critical review of the two instruments shows that they share some fundamental objectives. We shall highlight some of these differences and similarities below.
- 52 First, Article 5(3)(b) of the Directive permits an exception on this subject only on a non-commercial basis, while the Brazilian proposal allows for a for-profit exception under certain conditions, though parties may opt out of this provision when signing the treaty. Again, the Directive also favors a system of compensation to the author, even when an exception is applied for private use and on a non-commercial basis as seen in Article 5(2)(b). In implementing Article 5(3)(b), some states such as Germany, Austria, and the Netherlands require payment of compensation to the right holders for the use of their works for the benefit of disabled persons.⁸⁶ In our opinion, this places a great hurdle in the way of member states that already provide for payment of compensation to lower the standard based on this proposed treaty, which only allows compensation when work is used on a for-profit basis.
- 53 Second, the Directive permits derogation from the limitations and exceptions based on contractual agreement.⁸⁷ However, this is not the case with the proposed treaty, which nullifies any contractual provision that is contrary to its provisions.
- 54 Furthermore, contrary to the proposed treaty, the Directive enjoins member states to provide adequate legal protection against the circumvention of any effective technological protection measures used by copyright owners to protect their works, which in effect does not permit circumvention in any circumstance.⁸⁸ However, Article 6 (4) of the Directive seeks to address the problem of users – who might otherwise benefit from certain limitations – being denied access by the application of these technological protection measures. While the Directive foresees the possibility of voluntary measures being taken by right holders to secure access and use of works by certain beneficiaries, the extent which such voluntary measures may restrict beneficiaries from using such works is uncertain.⁸⁹ In other words, the Directive does not provide a certain solution as to what beneficiaries would do when technical measures deny them access to any benefit from copyright limitations. The solution to this uncertain scenario depends largely on national implementing law because states were enjoined to take appropriate measures to ensure that right holders make available to the beneficiaries the means of benefiting from the exceptions or limitations, to the extent necessary, where those beneficiaries have legal access to the protected work. While Article 6 (4) has not been implemented in Austria, the Czech Republic, and Poland,⁹⁰ which makes it unclear what the outcome will be in these states, other states have provided a legal basis detailing procedures for enforcement, which excludes any notion of a self-help right, thereby making such proceedings mandatory.⁹¹ In our view, it is this

costly approach that the proposed treaty seeks to forestall by including, when necessary, the right to circumvent the technological protection measure so as to render the work accessible for VIPs.

- 55 A related hurdle is that the exception for people with disabilities is not specifically provided for in Directive 96/9/EC on the legal protection of databases. This raises the concern that the proposed treaty could be undermined by invoking database protection on the basis that a particular literary work is simultaneously protected as a database.⁹²
- 56 As stated earlier, the application of exceptions and limitations under the Directive is hinged on the three-step test. A general overview of cases involving the three-step test within the EU member states shows a divergent application of the doctrine, which arguably means that it is uncertain whether the proposed treaty may pass the test in member states' courts. A highlight of some of the cases reveals that the application of the test could be a stumbling block for the enforcement of the proposed treaty within these states. In a famous case in France, the *Mulholland Drive*,⁹³ a DVD purchaser who was prevented from making a copy into VHS because of certain encryption introduced by the manufacturers brought an application to enforce his right to make a private copy under the exception in Article L122-5 of the French Intellectual Property Code. The court refused to grant the application after applying the three-step test, reasoning that such an exception would impair the normal exploitation of the work and would increase the risk of piracy in the digital era. Similarly, in the Dutch case of *Ministry of Press Reviews*,⁹⁴ the court held that the scanning and reproduction of press activities for internal electronic communication in the ministries without authorization from right owners fails the three-step test, endangers the normal exploitation of the work, and is unreasonably prejudicial to the publishers' legitimate interest in digital commercialization.
- 57 Having stated the above, however, it is very important to look at the overall objectives of the Directive, especially concerning exceptions for the benefit of persons with disabilities. While it is the aim of the Directive that harmonization of copyright and related rights must provide a high level of protection for intellectual creation, it is recognized that this protection must also ensure the maintenance and development of creativity in the interests of authors and the public at large.⁹⁵ Thus, copyright should permit exceptions or limitations, at least for public interest, which include the purposes of education and teaching. This has been rightly recognized in the Directive by providing that it is important for the member states to adopt all necessary measures to facilitate access to works by persons suffering from a disability that constitutes an obstacle to the use of the works themselves.⁹⁶ In this respect, the Directive

shares the same purpose with the proposed treaty: to better the lot of persons with visual disabilities.

- 58 Although issues such as payment of compensation and circumvention of technological protection measures may seem weighty, it is not uncommon within the EU member states to see states that have implemented this exception without any compensation. France, Lithuania, and Latvia all have provisions allowing exceptions for the benefit of persons with disabilities without compensation. Furthermore, in view of the cost of converting works to accessible formats, and the limited resources available to VIPs, the EU Green Paper questions whether payment of compensation should apply to this exception.⁹⁷ Similarly, states like Latvia and Lithuania provide a positive obligation on right holders to grant access to works so the beneficiaries can fully enjoy the benefits of limitations.⁹⁸ In the Scandinavian countries, the existence of a self-help right in case of non-compliance with an order indicates further that beneficiaries may more fully enjoy limitations in the absence of voluntary measures. For instance, in Denmark, Finland, Norway, and Estonia, the obligation to provide circumvention means by right holders is formulated as a positive obligation with an ensuing self-help right should right holders not comply with an order.⁹⁹ Cyprus did not expressly prohibit the circumvention of technological protection measures in its transposition of the Directive.¹⁰⁰ All these cases support the argument that the proposed treaty is not a radical departure from what prevails within the EU.

G. Addressing the Concerns of Copyright Owners

- 59 As the debate continues over expanding exceptions and limitations for the benefit of VIPs, copyright owners have voiced their concerns in opposition to the proposal. Both in the US and the EU, these copyright owners, including authors and publishers, have maintained that the proposal is prejudicial to the existing international copyright framework. They have argued that such an exception will open the flood-gate for people who are not visually impaired to pirate their works. They equally insist that where resources are already scarce, the existence of copyright exemptions further reduces incentives to invest in the production and distribution of works in accessible formats into the market.¹⁰¹ This will make the treaty counterproductive, in their view. Rather, they would prefer an incentives-driven approach that would provide the impetus for publishers and their licensees to harness technological developments to spur greater diffusion of copyright-protected works in order to make such works available in accessible formats to VIPs in the light of sustainable market conditions.¹⁰²

60 They have also pointed out that copyright owners will suffer economic harm where for-profit entities would be able to provide unauthorized accessible formats of works without incurring certain pricing limitations, especially where the copyright owner also provides such formats. Furthermore, most of the provisions in Article 4 of the proposed treaty would make exceptions mandatory without reference, for example, to whether the copyright owner already produces or licenses copies of their works in suitable accessible formats.¹⁰³

61 In further reactions, Australian publishers have shown concern that the provision allowing the circumvention of technological protection measures would expose right holders to a very considerable risk of piracy. Instead, they argue that the advent of new digital technologies should result in better access for the print disabled, while still protecting the interests of right holders if the issue is handled correctly.¹⁰⁴ Right holders believe that appropriate protection against piracy and misuse needs to be guaranteed, especially when it concerns the delivery of digital formats, which can be easily reproduced and instantly disseminated over the Internet. In this regard, copyright owners favor the use of “trusted intermediaries,” like collecting societies, as a medium of facilitating access to copyright material. These trusted intermediaries would form a bridge between copyright owners and persons with print disabilities to ensure that the interests of all stakeholders are protected. It was this approach that the Federation of European Publishers adopted when they signed a Memorandum of Understanding with the European Blind Union to cross-border transfer in the EU of accessible copies under appropriate conditions, through the network of trusted intermediaries and under appropriate conditions.¹⁰⁵

62 While it is not the intent of this write-up to question the plausibility of these concerns and counter-arguments, it is believed that WIPO committees will address these concerns in their future deliberations and come up with a harmonized position.

H. Conclusion

63 Basically, limitations and exceptions for the benefit of VIPs are not likely to switch the field of copyright much in any direction. These exceptions are justifiable by the public duty to provide access to information to the visually impaired, who have an extremely limited amount of information compared to non-impaired persons in any case. While it is not disputed that copyright law should provide incentives to copyright owners, public interest is not well served if copyright law neglects the interests of individuals and vulnerable groups in society when establishing these incentives for the right holders only.

In this respect, there is a need to balance all interests involved. The EU Green paper on knowledge economy rightly recognized this:

*...people with a disability should have an opportunity to benefit from the knowledge economy. To this end they not only need physical access to premises of educational establishments or libraries but also the possibility of accessing works in formats that...are adapted to their needs.*¹⁰⁶

64 In view of the foregoing, we conclude that the proposed treaty under consideration passes the three-step test as enshrined in the TRIPS Agreement. Although it is not clear whether EU member states will accept it in its present state because of its far-reaching effects, especially concerning the payment of compensation and circumvention of technological protection measures, we have shown that the proposed treaty and the copyright Directive share the same underlying objective: to improve access for people with visual disabilities to information that would allow them to participate in public affairs. Limitations and exceptions for the benefit of disabled persons have been gaining international recognition and attention even in the EU, giving the hope of a light at the end of the tunnel. No doubt the Witten Group has included it in the provisions of their proposed European Copyright Code as part of the limitations requiring no permission or payment of remuneration when carried out on a non-commercial basis.¹⁰⁷

65 However, it will be necessary for the SCCR of WIPO to harmonize the conflicting proposals to soothe the various interests identified, especially the recognition of trusted intermediaries, as this tends to remove the fears of copyright owners over pirated works. The various stakeholders' forums can be a tool toward a harmonized treaty that will take care of how to supply digital copies without violating security and protection of copyright in the works concerned. In the end, it is believed that the proposed treaty will eliminate to a large extent the expense and time needed to make accessible copies to VIPs.

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Re-conceptualizing the Global Digital Divide

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Abstract: The article seeks a re-conceptualization of the global digital divide debate. It critically explores the predominant notion, its evolution and measurement, as well as the policies that have been advanced to bridge the digital divide. Acknowledging the complexity of this inequality, the article aims at analyzing the disparities beyond the connectivity and skills barriers. Without understating the first two digital divides, it is argued that as the Internet becomes more sophisticated and more integrated into economic, social, and cultural processes, a “third” generation of divides becomes critical. These divides are drawn not at the entry to the net but within the net itself, and limit access to content. The increasing barriers to content, though of a diverse nature, all relate to some governance characteristics inherent in cyberspace,

such as global spillover of local decisions, regulation through code, and proliferation of self- and co-regulatory models. It is maintained that as the practice of intervention intensifies in cyberspace, multiple and far-reaching points of control outside formal legal institutions are created, threatening the availability of public goods and making the pursuit of public objectives difficult. This is an aspect that is rarely addressed in the global digital divide discussions, even in comprehensive analyses and political initiatives such as the World Summit on the Information Society. Yet, the conceptualization of the digital divide as impeded access to content may be key in terms of ensuring real participation and catering for the long-term implications of digital technologies.

Keywords: Global Digital Divide; Access to Content, Cyberlaw

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A. Introductory Remarks

- 1 Closing the digital gap has been viewed in all discourse flows as unambiguously positive and of primary importance. Especially in the initial years of the discussions on the digital divide, there seemed to have been a broad understanding that

active participation in the information revolution will promote a country's economic development [...] [and that] the Internet and new communications technologies offer the less developed countries unprecedented opportunities to ac-

quire knowledge, “enhance educational systems, improve policy formation and execution, and widen the range of opportunities for business and the poor.”¹

- 2 Beyond economic development, it is also often maintained that bridging the global digital divide

“would facilitate the flow of information that helps subvert authoritarian and repressive governments, thus promoting democracy, human rights,

and civil society, as well as transparency, openness, and accountability of governing agencies.”²

- 3 These far-reaching promises have been translated into a number of policy initiatives. The grandest among them is certainly the World Summit on the Information Society (WSIS). The WSIS, organized under the auspices of the International Telecommunication Union (ITU), comprised a pair of global summits held in Geneva in December 2003 and Tunis in November 2005, as well as an elaborate preparatory process involving a series of large regional conferences and meetings held between May 2002 and the Tunis summit. The WSIS outcome documents, the Geneva Declaration of Principles 2003³ and the Tunis Agenda for the Information Society 2005,⁴ set forth key principles for building an inclusive information society, recognizing that education, knowledge, information, and communication are at the core of human progress, endeavor, and wellbeing, and highlighting the relationship between the WSIS action lines and the Millennium Development Goals (MDGs).⁵ Bridging the digital divide has been an essential element of the WSIS process. Following up, manifold initiatives have been launched, mobilizing state and non-state agencies as well as civil society.⁶
- 4 With the benefit of hindsight, two observations can be made in this respect. First, the extreme optimism of the early days of ICT aid has been now somewhat reduced. It has been acknowledged that there are “substantial disparities in every [...] dimension of life from health care and nutrition to education and longevity,”⁷ and it would be rather naïve to expect that there will be no absolute inequalities between rich and poor nations in the virtual world. It would also be unrealistic to assume that the Internet would “suddenly eradicate the fundamental and intractable problems of disease, debt, and disadvantage facing developing countries.”⁸ Also in this sense, it was recognized that the impact of ICT is inherently unequal: “[a]lthough in its initial years of mass diffusion the Internet was widely heralded as a potential equalizing tool across nations, the largely unequal patterns of its diffusion globally suggest that it may end up contributing more to rising inequalities rather than levelling the playing field across nations.”⁹ Indeed, because technology and the social practices of its use are constantly evolving, and because there are many variables within the complex notion of the divide,

[t]he digital divide amplifies the already existing social inequalities cumulatively. An important experience of developed countries is that the problem of the digital divide persists even in periods when ICT penetration in society is high, since new technologies and tools (e.g. broadband, mobile devices, Web 2.0, etc.) enter the markets, generating new lines of division.¹⁰

- 5 Second, with regard to policy design, it has been acknowledged that there exist no “one-size-fits-all” solutions, as developing countries have proved to be profoundly diverse with starkly different economic, social, and institutional conditions and technology adoption patterns.¹¹ Accordingly, the measures for bridging the global digital divide are now much more pragmatic. They are targeted at specific goals and use tailor-made tools that are meant to provide not only one-off aid but also conditions for sustainable access to information, which go far beyond cheap computers to involve local capacity-building and deeper social and institutional reforms.¹²
- 6 While most of these initiatives would fall under the category of development aid, it must be stressed that the role of law, in particular international economic law, although not directly targeted at the digital divide, has been significant in reducing the entry thresholds to cyberspace. International trade rules have contributed by addressing broader economic concerns of dismantling barriers to trade, liberalization of markets and spurring competition, foreign direct investment and private-public partnerships.¹³ Here, it is essential to understand that the digital divide issues cannot be isolated and disconnected from other policy domains such as telecommunications and media regulation, standardization, trade in networked goods and services, intellectual property, or competition policy, and there is a strong need to “view these issues in a more holistic manner – as elements of a single overarching policy space rather than as a random assortment of disconnected topics that are somehow related to ICT.”¹⁴

B. Beyond the “First” Divide

- 7 Over the years, diverse points of critique have targeted different aspects of the existing initiatives aimed at bridging the digital divide. It is, for instance, often maintained that very few of the ICT for development (ICT4D) initiatives have worked in practice;¹⁵ that the neo-liberal paradigm that underlies the WSIS is misplaced and there is no real (financial) commitment from developed countries;¹⁶ that the WSIS process has in fact achieved little and has abandoned its higher objectives.¹⁷ The critique we develop in the following sections is somewhat different. We argue that as digital technologies advance and as the institutional ecology of the networked digital environment evolves, attention should be shifted from *access to technology* to *access to content*.

I. The Many Divides¹⁸

- 8 To be sure, the focus so far has been predominantly on simple Internet access, i.e., on the practical possibility of opening a web page and surfing the net

through a device (be it a computer, mobile phone, TV set, or game console). In the early discussions, this – let us dub it the “first” divide – was thought sufficient to becoming a citizen of the information society, and it was envisaged that the positive economic and social spillovers of being linked to the Internet, as sketched above, would somehow automatically unfold.

- 9 Connectivity, however, is nothing but the first tier. As the Internet becomes ubiquitous and penetrates all facets of contemporary societal life, new and different tiers of division and discrimination seem to emerge. In the national context of industrialized countries, experience shows that

*what was considered the original digital divide is largely resolved [...]. Today the digital divide resides in differential ability to use new media to critically evaluate information, analyze, and interpret data, attack complex problems, test innovative solutions, manage multifaceted projects, collaborate with others in knowledge production, and communicate effectively to diverse audiences – in essence, to carry out the kinds of expert thinking and complex communication that are at the heart of the new economy.*¹⁹

- 10 “Whereas the first digital divide could be solved simply by providing a computer and an Internet connection, this [second] digital divide presents a greater challenge.”²⁰ It relates to *skills*, broadly defined as a set of multifaceted capabilities to efficiently and effectively navigate in cyberspace, to create, contribute, and distribute content.²¹ The level of sophistication of these skills becomes critical to ensure real participation, as users’ behavior studies²² as well as the acts of mobilizing communities in the recent Arab revolutions²³ show.
- 11 Developing countries have already been disadvantaged as latecomers in the evolving process of building the information society, both in terms of participation and representation. Internet governance is a clear example of influencing cyberspace’s architecture in the early stages, and the subsequent hard-fought attempts of developing countries to become part of the decision-making processes are also revealing.²⁴ In terms of representation and further-reaching implications, as Mark Cooper argues,

[t]his is a vicious cycle. If a particular cultural group is not represented early in the creation of the medium, culturally relevant applications of technology and content do not get produced for that group. Since there are not as many culturally relevant applications of the technology, members of that group tend to adopt the technology more slowly. Having the technology now versus

*having the technology later is the difference between being a passive consumer and being an engine and driver of the medium. Being there when the architecture is defined means one’s needs and demands will be reflected in the face of the new medium.*²⁵

- 12 Admittedly, with the greater sophistication of the digital divide debates over time, this second “skills” tier of separation has also gained prominence and increasingly more suitable tools have been implemented to address it.²⁶ This is important and is consistent with the “capabilities approach” as put forward by Amartya Sen²⁷ and Martha Nussbaum,²⁸ and with Sen’s seminal argument for “development as freedom,” intertwining issues of social justice and human rights with the objective of generating economic growth.²⁹
- 13 In this article, however, the aim is to thematize a third division, which is to be understood as a process of drawing new digital divides and happens in cyberspace.

II. The Digital Divide as Impeded Access to Content

- 14 The multifaceted and further-reaching repercussions of cyberspace have already been well explored,³⁰ though their effects are not definitive as digital technologies advance, become more deeply integrated in all facets of society, and as novel implications unfold. Despite this uncertainty and the intrinsic incompleteness of the process, it is now common to talk of a decidedly new information and communication environment³¹ and even of a “fourth revolution in the means of production of knowledge, following the three prior revolutions of language, writing, and print.”³²
- 15 At the center of this grand metamorphosis is *content*, taken broadly in the sense of words, sounds, moving and still images, which due to digitization are now all expressible in the same “language” of binary digits, of zeroes and ones. It is content that is the driver of digital infrastructures, technology, and services, of new business and consumer behavior patterns, and not the other way around, as was believed at the outset of the digital revolution, when the business and policy mantra went along the lines of “build them and they will come”³³ and concentrated all efforts on laying cables and infrastructure. However, content should not be understood here as a static database, but as a dynamic process of producing, distributing, accessing, mixing, and consuming information, of creating and expressing culture.³⁴
- 16 When talking about content, a few characteristics of the new digital space appear particularly criti-

cal: (i) the enormous amount and diversity of content; (ii) its accessibility regardless of place and time (which is very much in contrast to the “old” push/point-to-multipoint media); (iii) the empowerment of the user; and (iv) the new modes of content production, where the user is not merely a consumer but is also an active creator, individually or as part of the community.³⁵ All of these features hold great promise for democratizing communication, for creativity and innovation.³⁶ Yet it would be foolish to think that once one starts the Internet browser (i.e., having overcome the first and the second digital divides), content is easily and readily findable and accessible. Here are a few examples to the contrary.

1. Internet Filtering

17 Government censorship has long been common practice and is relatively well reflected in the policy discussions. So, while in 1998 then US President Bill Clinton spoke of the “revolutionary democratizing potential of the Internet,” in 2010, Hillary Clinton, as the Secretary of State, stresses that, “[e]ven as networks spread to nations around the globe, virtual walls are cropping up in place of visible walls.”³⁷ It is a reality that, despite all the talk about the Internet’s ability to “route around” censorship, many governments (and not only undemocratic ones) have proven adept at extending state control into cyberspace for a variety of reasons, such as public morality, cultural integrity, and political control.³⁸

18 Internet filtering is not only state censorship *stricto sensu*, but the manner of exercising control varies in practice.

*Sometimes the law bans citizens from performing a particular activity online, such as accessing or publishing certain material. Sometimes the state takes control into its own hands by erecting technological or other barriers within the state’s confines to stop the flow of bits from one recipient to another. Increasingly, though, the state is turning to private parties to carry out the online control. Often, those private parties are corporations chartered locally or individual citizens who live in that jurisdiction.*³⁹

19 As Palfrey further explicates, it is now often the case that the state “requires private parties – often intermediaries whose services connect one online actor to another – to participate in online censorship and surveillance as a cost of doing business in that state.”⁴⁰

20 The evolutionary trajectory of Internet filtering is evident, moving toward more and more sophisticated control mechanisms. As Palfrey notes, we experience a shift from “open net” (from the Internet’s

birth to 2000) through “access denied” (2000–2005), where crude filters and blocks were installed, toward “access controlled” (2005 onward), where mechanisms are multiple and varied, entering at different points of control to limit access to knowledge and information.⁴¹

2. Privatization of Content

21 The privatization of content seen as a broad phenomenon is another well-known example of limiting access.⁴² In cyberspace, this phenomenon can be said to have assumed different dimensions. First and perhaps most important in terms of law’s function is the impact of intellectual property (IP).

22 As the (almost classical now) critical argument goes: while the contemporary IP architecture⁴³ has evolved over time and elaborated a broad palette of sophisticated and flexible tools “to protect both traditional and new forms of symbolic value produced in particular places as they circulate in global commodity markets,”⁴⁴ it is far from perfect. Some of the IP system’s deficiencies relate to the inherent centrality of authorship, originality, and mercantilism to the “Western” IP model, which leaves numerous non-Western, collaborative, or folkloric modes of production outside the scope of IP protection.⁴⁵ As a result, many expressions of traditional culture are without a protective shield, laying them open to misappropriation and abuse,⁴⁶ and leaving the communities that created them without an appropriate economic reward. In a contemporary context, under the conditions of the digital environment, there are very often efforts of commons-based production of information, knowledge, and entertainment, where “individuals band together, contributing small or large increments of their time and effort to produce things they care about”⁴⁷ not protected by copyright.⁴⁸

23 The second reason for IP’s imperfections has to do with the way IP rights are granted, whereby authors receive a temporary monopoly over their creations and thus exclude the rest of the public from having access to the protected works. The balance between private and public interests is critical in this exercise. In the digital ecology, however, it may be under serious threat: on the one hand, because the Internet has magnified the value of copyright law⁴⁹ and expanded its reach;⁵⁰ on the other hand, because the existent models are often too rigid to allow full realization of digital content production and distribution, or render them illegal, possibly significantly chilling⁵¹ creative activities and creative potential.⁵²

24 The balance between authors’ rights and the public interest in having access to information becomes all the more fragile as it is now common that authors’ rights are “assigned away to the distributor of the

work in order to gain access to the channels of distribution and their audience,”⁵³ and these distributors (normally big media conglomerates) have been the ones who set the terms and determine which works are made available to the public, thus exercising substantial control over existing cultural content. In addition, under the conditions of digital media, intermediaries have striven to keep perfect control over “their property” by means of Digital Rights Management (DRM) systems and other technological protection measures, which under the guise of protecting digital content from uncontrolled distribution and unlawful use, have had pernicious effects, eroding some fundamental rights of consumers and restricting usages traditionally allowed under (analogue/offline) copyright.⁵⁴

25 The content industries have also been very successful in their political efforts to expand the scope and extend the duration of copyright, effectively convincing most governments that strong and enforceable IPRs are the *sine qua non* for a vibrant culture. Through race-to-the-top strategies, this augmented protection has been emancipated to the international level in the framework of the TRIPS Agreement and in the even further-reaching free trade agreements (FTAs),⁵⁵ ignoring thereby the checks and balances originally underlying domestic IP systems.

26 Translating this into the context of the global digital divide, it is crucial to stress yet again that in cyberspace, local decisions have global impact. As Latif observes,

*[g]iven the global nature of the Internet, it is also important to take into account that if developed countries, such as the US, enact restrictive legislation governing the use of digital and Internet content and the manner in which it can be accessed, this has a direct bearing on developing country access to such digital and Internet content.*⁵⁶

27 Latif also underlines the dissimilar implications of national and international IP instruments:

*Ultimately, the room provided by the Internet Treaties for different countries to adopt different approaches to the regulation of TPMs, [...] has been more dramatically altered by national implementation in the EU and the United States that has been extended internationally through bilateral trade agreements.*⁵⁷

28 The imbalances in the pursuit of interests in the IP policy domain become particularly evident, as IP issues have remained only marginal in key efforts aimed at securing public goods at the international level. For instance, they do not appear in any meaningful way in the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cul-

tural Expressions,⁵⁸ nor do they figure on the WSIS agenda.⁵⁹

29 The second (not strictly IP-related) dimension of privatizing content in cyberspace can in fact encompass many different cases, where access to content becomes conditional on a payment. Privileged access to scientific data and knowledge, entertainment, news, and archives creates a deep divide, with various implications, between those who can afford to pay and those who cannot. In the discussions of net neutrality and search engines, one can also see elements of the creation of two-tier environments, where against additional payment, one gets either faster access to data and traffic or becomes more visible on the web. Particularly important in all these contexts is that local content and creativity of individuals and groups based in developing countries may be marginalized and thereby chilled.

C. Governing Cyberspace/ Enabling Control

30 There were two myths of cyberspace governance. The first was that cyberspace is *unregulated* and the second that cyberspace *cannot* be regulated.⁶⁰ The former was in fact never true as even in the initial stages of the emergence of cyberspace, many of the “analogue/offline” rules at national, regional, and international levels applied to the Internet as a global network of networks and to the World Wide Web. Yet it is true that as governments grappled with the novelty of the medium, “up until the late 1990s, most states tended either to ignore online activities or to regulate them very lightly,”⁶¹ especially in comparison with “old” media like telecom and television.

31 This changed, however, and as the Internet became intertwined with everyday life and as its economic, political, social, and cultural importance grew exponentially, states increasingly intervened. They thus dispelled the second myth and effectively erected a variety of digital walls, translating many of the real-space national and international policies into cyberspace.⁶² What we have seen emerging from the ashes of these two myths of cyberspace regulation is a type of “messy” governance, where a “governance mix”⁶³ encompassing national and international efforts, as well as private and public-private initiatives, defines the regulatory conditions. This governance ecology has not yet attained its ultimate shape and form but is still in flux. Two evolutionary trends can be stressed with regard to our discussion. The first relates to Lawrence Lessig’s narrative of “code is law,” while the second brings together observations on models of self- and co-regulation in cyberspace.

1. From Law to Code

32 Lessig argued that in cyberspace, code is overtaking the functions of law.⁶⁴ In contrast to real space, where architecture is more or less given, in cyberspace it is “plastic” and open to change.⁶⁵ Designing cyberspace through software code thus becomes a very powerful regulatory activity.⁶⁶ This code, which Lessig calls “West Coast Code” (because of its proximity to Silicon Valley), is starkly different from the “East Coast Code” (so named because of its proximity to Washington, DC). The latter encompasses laws as a product of the conventional legislative processes, which in a democratic state involve highly formalized and complex mechanisms and are subject to a system of checks and balances.⁶⁷ West Coast Code, by contrast, is simply embedded in the software; it is cheaper and faster to create but also opaque and often not “readable” for citizens. The experience gained over the last 11 years⁶⁸ clearly confirms Lessig’s theory and the move from law toward code in creating mechanisms of control in cyberspace. Both governments and corporations⁶⁹ have enabled and fostered this move. The above-mentioned example of DRM systems is illustrative here as well, as these in-built technical protection measures allow constraints on behavior and use to be imposed more easily and to a greater extent than through copyright law alone.

2. Emerging Self- and Co-regulation in Cyberspace

33 As noted above, cyberspace governance is “messy” and the role of private actors pivotal. However, as almost all actions taken do have global effects, companies increasingly needed to cooperate within different organizational structures and with varying level of state involvement. There is now clearly manifest practice of these hybrid types of regulation in cyberspace encompassing different forms of self- and co-regulation.⁷⁰ Global Internet standards (e.g., Internet Engineering Task Force;⁷¹ World Wide Web Consortium⁷²), domain names (ICANN⁷³), content filtering and rating (e.g., PEGI Online⁷⁴ and the Global Network Initiative⁷⁵) are a few of the key areas where such hybrid governance evolves.⁷⁶

34 These models are often very appropriate to address the pertinent specific (and highly technical) questions. Yet because efforts of self- and co-regulation arise and/or operate at least partially outside state control, they are not necessarily designed to advance particular public objectives. They also often rely on voluntary (and self-interested) participation and compliance, which differentiates their command of resources, scope, and effectiveness from those of similar formal regulatory initiatives. As they do not have exclusive power within an in-

tegrated legal framework, they may also face competition from other self-regulatory, co-regulatory, and formal regulatory bodies, or have to cope with patchy legal underpinnings across their geographical sphere of activity.⁷⁷

35 In presenting both these regulatory trends in the context of the digital divide discussion, our prime aim is to illustrate that in cyberspace there are multiple and far-reaching points of control outside formal legal institutions, and that governance is complex and highly fragmented, thus threatening the availability of public goods and making the pursuit of public objectives difficult. Law has been in many ways discounted because it has not kept pace with the technological advances or because it cannot efficiently address them.

D. Conclusion

36 Without understating the first two digital divides (which remain essential for reaching the third),⁷⁸ we argue that as the Internet becomes more sophisticated and more integrated into economic, social, and cultural processes, a “third” generation of divides becomes critical. These divides are drawn not at the entry, at the “opening gate” to the net, but within the net itself.

37 The conceptualization of the digital divide as impeded access to content (from the supply side) may be more important in terms of ensuring real participation and catering for the long-term implications of the integration of digital technologies into all facets of societal life. This is an aspect that is rarely addressed, even in comprehensive analyses and political initiatives such as the WSIS. There are critical governance choices to be made influencing the interplay of public versus private regulation, open versus closed technologies, and competitive versus collusive markets that need to be considered in the global digital divide debates.

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- 8 *Ibid.*
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- 32 Warschauer and Matuchniak, *supra* note 19, at pp. 179–180.
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- 35 Benkler, *supra* note 31.
- 36 See, e.g., Y. Benkler, “Freedom in the Commons: Towards a Political Economy of Information,” *Duke Law Journal* 52 (2003), pp. 1245–1276; also Benkler, *supra* note 31.
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How to Build an Orphanage, and Why

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Abstract: Currently, lawmakers on both sides of the Atlantic are struggling with the problem of orphan works. In the impact assessment of its proposal for a directive of the European Parliament and of the Council on certain permitted uses of orphan works, the European Commission mentions six possible ways of dealing with the problem. Three of the six (a statutory exception to copyright; extended collective li-

censing; an orphan-specific license granted by collecting societies) have each had their heyday during the past few years. This article examines how and why these changes in popularity occurred. In addition, it explains why a limitation on remedies would be the most adequate solution for the problem in Europe.

Keywords: Copyright; Orphan Works; European Union; Collective Licenses; Limitations on Remedies;

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A. Introduction

- 1 Over the past five years, lawmakers on both sides of the Atlantic and elsewhere have been struggling with the problem of orphan works. Only few states have enacted provisions that allow for the use of works whose rights holders are unknown or cannot be found.
- 2 The issue received public attention after the announcement of the first Google Books Settlement.¹ That settlement, which Google concluded with publishers and authors who had sued the company for the unauthorized use of their works as part of its “Google Books” project, would have allowed Google (and only Google) the widespread use of orphan books.² By the time the settlement was proposed, three orphan works bills had been introduced into the US Congress.³
- 3 In Europe, the European Commission has taken multiple steps to encourage its member states to provide for the use of orphan works.⁴ As of now, no or-

phan works legislation has been passed in the US, and the Commission’s attempts have been without much impact. Between 2006, when the Commission first turned its eyes toward the problem, and now, only Hungary has enacted an orphan works statute.⁵

- 4 Dissatisfied with that lack of progress, the European Commission decided to take matters into its own hands. On May 24, 2011, it presented a proposal for a directive of the European Parliament and of the Council on certain permitted uses of orphan works.⁶ In its accompanying memorandum, the Commission mentions six possible ways of dealing with the orphan works problem:

*(1) do nothing, (2) a statutory exception to copyright, (3) extended collective licensing, (4) an orphan-specific licence granted by collecting societies, (5) an orphan-specific licence granted by a public body, and (6) the mutual recognition of national solutions regarding orphan works.*⁷

- 5 So far, most countries have done nothing to alleviate the problem (option 1). Of the countries that have orphan works regimes, almost all provide for a license granted by a public body (option 5). Among national lawmakers currently debating the problem, options 2 through 4 have ranked highest at one point or another. Finally, the Commission opted for the mutual recognition of national solutions regarding orphan works (option 6).
- 6 In this article, I will discuss the various options that lawmakers can choose from. I will explain why solutions 2 through 4 each had their heyday during the past few years, and how and why these changes in popularity occurred.⁸ Finally, I will propose that a limitation on remedies, the solution favored by the US Copyright Office and proposed by lawmakers in the US in 2006 and 2008, would be the most adequate solution for the problem in Europe – the best orphanage we could give to the parentless works contained in European libraries and archives today.

B. License Granted by a Public Body

- 7 Virtually all countries that have tackled the orphan works issue provide a government body with the authority to grant orphan works licenses. Such regimes are in place in Canada,⁹ India¹⁰, Japan,¹¹ South Korea,¹² and, within the European Union, in Great Britain¹³ and Hungary.¹⁴ Nevertheless, the European Commission cautions EU member states against adopting such an approach. It describes its advantages and disadvantages as follows:

*The government licence covering orphan works (Option 5) constitutes a public certification of the diligent search and thus grants a high level of legal certainty to the digital library. But this certainty comes at a price in terms of administrative burden. This is why earlier incarnations of this system have had limited impact and are not used in relation to large scale digital library projects.*¹⁵
- 8 In other words, if member states wish to pave the ground for the creation of digital libraries, they should look for alternatives to what countries have done so far.
- 9 It is very likely that the Commission was thinking about the oldest, most comprehensive, and thus most paradigmatic orphan works regime, the Canadian one, when it stated that “earlier incarnations of this system have had limited impact.” The Canadian system dates back to 1988. Its aim was to allow individual uses of copyrighted works. When it entered into force, the creation of digital libraries was, if anything, only a distant dream.
- 10 Section 77 para. 1 of the Canadian Copyright Act allows anyone who wishes to use a “published work, a fixation of a performer’s performance, a published sound recording, or a fixation of a communication signal in which copyright subsists,” to apply to the Copyright Board for a license. If the Board is “satisfied that the applicant has made reasonable efforts to locate the owner of the copyright and that the owner cannot be located,” as well as that publication took place with the consent of the owner, it will issue a non-exclusive license. The royalties it collects are held by a collecting society. The collecting societies can use the money as they wish, as long as they oblige themselves to pay the rights holder should he or she appear¹⁶ and claim his or her rights within five years after the expiration of such license.¹⁷
- 11 At first sight, the regime does not sound unreasonable, and yet only very few licenses have been applied for. From 1988 until the end of October 2011, the Board has denied 8 applications and has issued 256 licenses, 8 of those in 2010.¹⁸ Almost 25% of the applications were eventually withdrawn or abandoned.¹⁹ As the Commission remarked, the system is “not used in relation to large scale digital library projects.” Only one percent of applications regarded multiple thousand works.²⁰ Between 1988 and 2008, users sought licenses for a total of 12,640 works, many of which were architectural plans.²¹
- 12 Canadian commentators agree that the reason for the system’s limited impact is not the limited scope of the orphan works problem. Rather, mass-scale digitization projects do not apply for licenses because the procedure for obtaining one is time-consuming and costly.²² In its Unlocatable Copyright Owners Brochure, the Copyright Board explains which search efforts it expects from applications for orphan works licenses: users should contact the relevant collecting society; search the Internet; contact publishing houses, libraries, universities, museums, and provincial departments of education; and, if the author is dead, try to find out who inherited the copyright or who administered the estate.²³ The Board checks in every case whether the search was sufficiently thorough and whether the work had been published with the author’s consent. It does allow users to rely on updates to previous searches.²⁴
- 13 One significant problem, according to the Board’s members, is that the Board has jurisdiction to issue a license only if it is established that the work in question was published with the author’s consent.²⁵ For works other than books (such as, for instance, photographs), this is not always easy to establish.²⁶
- 14 Strangely enough, though, the Board is more frustrated about the fact that it only has authority to issue a license for works in which copyright sub-

sists. That seems logical. If a work is not protected by copyright (anymore), no license is needed. However, it is often impossible to determine whether a work is in the public domain since that depends on the death of the unknown or unlocatable author.²⁷ If it cannot be established with certainty that a license is needed, none may be issued. The Board proposed that it could issue conditional licenses in these cases. In at least four cases, it has done so on its own motion.²⁸

- 15 The biggest point of criticism regards royalties. Here, the criticism is twofold. First, the Board never grants a license free of charge. When the use was “benign,” the Board has sometimes ordered that royalties only be paid if the rights holder claims his or her rights.²⁹ Critics propose that licenses for noncommercial uses be granted without any royalty payment.³⁰
- 16 Second, and more importantly, critics remark that the current system creates a windfall for collecting societies.³¹ They are the ones who administer the royalties. If the author does not appear within the required period, they are allowed to decide how to distribute the unclaimed amount. Other rights holders thus received payments for works that they have not created and do not own.
- 17 The Board, by its own account, created this system of overcompensation in order to protect rights holders. It would be easier for them to find a collecting society than an individual user.³² If unknown rights holders could choose, according to the Board’s assumption, they would prefer that other rights holders benefit from the use of their works rather than allowing the users to use these works for free.
- 18 A study prepared for the Commission’s DG Information Society and Media suggests that this assumption might be false. The study found that authors of works with little or no economic value virtually always license their works for free.³³ Only collecting societies and distributors charged the interviewed cultural institutions for the use of such works.
- 19 Since the current system is too costly and cumbersome to be used widely, stakeholders in Canada are beginning to discuss amendments or extensions. Mario Bouchard, General Counsel of the Copyright Board, suggested that collecting societies be entitled to grant users blanket licenses for their whole repertoire in return for an indemnification against rights holders’ claims.³⁴ Canadian rights holders are favoring statutory extended collective licenses.³⁵

C. Extended Collective Licenses

- 20 Extended collective license are licenses that are granted by a collecting society and which cover not only the rights owned by its members. If membership in the society extends to a “substantial” number of rights holders of the category of works in question, the license covers rights holders of that category of works who are not members of the society.³⁶ The need to search for the work’s rights holder is thereby obviated.
- 21 Canadian rights holders are not the only ones who would love to have a system based on extended collective licenses. The parties to the Google Books case proposed such a system in both settlement agreements they presented in court. Google would have been allowed to use orphan books. In return, the company would have paid a lump sum to the Book Rights Registry, a collecting society for literary works that the parties would have set up.³⁷ In addition, Google would have shared the revenue it generated from the use of such works with the Book Rights Registry.³⁸
- 22 The first extended collective license was created in the Nordic countries in the 1960s. Since then, its scope has constantly been broadened. However, no Nordic country has a general license that would cover all or even most uses that could possibly be made of orphan works.³⁹
- 23 It is not surprising that Canadian rights holders and companies like Google as well as collecting societies that represent (known and locatable) rights holders advocate the establishment of such a system. Studies have shown that the search for rights holders can be much more costly than the digitization of the work and the royalty payment combined.⁴⁰ In a system of extended collective licenses, companies save these costs. Collecting societies like the added pressure the system puts on nonmembers to join their ranks. They also like the additional royalties that they obtain and administer. Nonmembers, so the argument goes, benefit as well. Their works are being licensed for the same conditions as those of members of collecting societies. It is unlikely that they could have obtained better conditions if they had to bargain on their own.⁴¹
- 24 The system thus does have its advantages.⁴² And yet, it comes at a high price.⁴³ By turning the right of exclusion into a right of remuneration, it turns the traditional principles of copyright on their head.⁴⁴ It replaces the market with a forced collective administration of rights at a time when, due to technological advances (think about search engines, databases, etc.), it is easier than ever for copyright holders and users to find one another. In its Nordic

variety, it systematically puts foreign rights holders at a disadvantage.⁴⁵

- 25 In addition, there are practical obstacles to the comprehensive adoption of such a system in the EU. Collecting societies do not represent a substantial number of rights holders of all categories of works (or in all member states). Even in the Nordic countries, music, movie, and software producers administer their rights individually.⁴⁶
- 26 In its discussion of extended collective licenses as a solution for the orphan works problem, the Commission makes an additional point, amidst telling remarks about the system in general:

*Option 3, the model of “extended collective licences” assumes that, once a collecting society authorises a library to make books available on a website, this licence, by virtue of a statutory extension, will cover all works in that category, including orphan works (i.e., books, films). The collecting society is considered to represent such “outliers” independent of whether it has carried out a diligent search to identify or locate the author. The absence of a diligent search prevents an approach based on mutual recognition of the orphan work status. An extended collective licence is also normally only valid in the national territory in which the statutory presumption applies.*⁴⁷

- 27 Several points are worth mentioning. First, the Commission’s definition of an extended collective license is too narrow. The Commission only refers to the authorization of “a library to make books available on a website.” In reality, however, extended collective licenses do not only apply to books. In addition, extended collective licenses do not only have libraries as their benefactors. What is more, many uses are covered, but no country has enacted a license that allows a work to be made available online, be it a literary or other work.⁴⁸ Furthermore, works owned by “outliers” are covered only if the collecting society represents a significant number of rights holders.
- 28 Despite these imprecisions, the Commission rightly stresses the fact that extended collective licenses are not well suited for the implementation of a system based on mutual recognition of a work’s orphan status across member states. Separate collecting societies exist in each EU member state – none of them represents a significant number of rights holders from all member states. If a user could, without having to search for the rights holder, go to his collecting society in, say, Finland, and obtain a license whose effects all other member states would have to accept, rights holders’ rights would be significantly impaired. Compliance of such a system with interna-

tional copyright law is also doubtful.⁴⁹ For all these reasons, extended collective licenses are not the means of choice.

D. License Issued by a Private Authority

- 29 Government licenses are not very high on the agenda of anyone who wishes to help digital libraries. As we have seen, they are a costly and ineffective way of addressing the orphan works problem. Licenses issued by private authorities, however, are seriously considered in some EU member states. In Germany, for example, the Social Democratic Party proposed that collecting societies be granted the authority to issue orphan works licenses.⁵⁰
- 30 In Switzerland, such a system is already in place, albeit with a very narrow scope. Collecting societies may grant licenses for the use of orphaned sound or video recordings that are contained in publicly accessible archives or in archives of broadcasting institutions and which were published or distributed in Switzerland at least ten years ago.⁵¹
- 31 The Commission’s assessment of such licenses is as follows:

*The specific licence for orphan works (Option 4) provides libraries and the other beneficiaries with a high level of legal certainty against damage claims by reappearing owners. This option requires both a diligent search to determine the orphan status prior to the granting of the licence and a specific licensing arrangement pertaining to orphan works.*⁵²

- 32 The Commission acknowledges the costs associated with both the search and the licensing procedures. For users, costs would thus be much higher than those that would accrue in a system of extended collective licenses. All this is obvious. What is striking is what is absent from the Commission’s statement. When discussing government licenses, the Commission warned about the “price in terms of administrative burden” and cautioned that this burden “is why earlier incarnations of that system have had limited impact and are not used in ... large scale digital library projects.” No such warning is to be found in the Commission’s description of licenses issued by private authorities.
- 33 The Commission thus assumes that the burden put on collecting societies is less than it would be if a government agency were responsible for issuing a similar license. This assumption might be correct. In a system based on government licenses, one in-

stitution (a government agency) is responsible for checking whether the required diligent search was conducted, and for negotiating the licensing terms. Another institution, often a collecting society, is responsible for the administration and distribution of royalties.

- 34 In a system like the one envisioned by Germany's Social Democratic party, both of these functions would be performed by the same institution. Collecting societies would not only grant orphan works licenses. They would also receive, administer, and distribute the royalties that users would pay. As such, they would have a strong interest in granting licenses. Therefore, they might be less inclined than a government agency to diligently check whether the user conducted a diligent search, whether the work is still protected under copyright, and whether the use would be covered by a limitation or exception.
- 35 If collecting societies were confronted with requests from large-scale digital library projects, chances are that they would rely on the user's assurances that a diligent search has been conducted. One could not blame them if they did so. Diligently checking every single case would be virtually impossible.
- 36 The value of such a license, however, would then be doubtful. The collecting society would "certify" that a diligent search has been conducted and would provide the user with the impression of a "high level of legal certainty," but the real check of whether the user actually met the legal requirements would only take place once the rights holder has reappeared and claimed his or her rights. Meanwhile, the user would have to pay royalties up front that may never be claimed; the rights holder would be deprived of the decision whether to license the use at all, and if so, to what terms; and members of collecting societies would receive a windfall.⁵³ It is unclear, then, why member states would want to choose this option as a way of reducing the orphan works problem.

E. Statutory Exception

- 37 A system based on individual licenses leads to two kinds of costs for users (in addition to the costs associated with the use of the work itself). Conducting a diligent search costs money. So does the negotiation and payment of royalties to the relevant authority. Extended collective licenses reduce these costs because they do not require the user to conduct a search. Another way to lower these costs is by obviating the duty to pay royalties. This is what a statutory exception does. In the words of the Commission:

The statutory exception (Option 2) would avoid the burden of obtaining a copyright licence but maintain the prior diligent search. However, this option provides for

*less legal certainty as there is no third party certification of the diligent search.*⁵⁴

- 38 As just explained, the "third party certification of the diligent search" will, in all likelihood, only be a certification. What it will not be is an examination of whether the diligent search has indeed been conducted. Collecting societies will quite simply lack the money, time, and manpower to review millions of searches for rights holders. If that is true, then statutory exceptions do not provide for "less legal certainty" than individual licenses. The main difference between the two options would then be that under a statutory exception, users would not have to pay money up front without knowing whether that money will ever reach its rights holder.
- 39 Australian copyright law already provides that the first publication of a work of an unknown author as part of a literary, dramatic, or musical work shall not be deemed a copyright infringement.⁵⁵ Both the German Socialist Party as well as the German Green Party have introduced proposals into the German Parliament aiming for the adoption of such a limitation for published works protected under copyright where the rights holder is unknown or cannot be found.⁵⁶
- 40 The implementation of these proposals would be problematic not so much because statutory exceptions provide less certainty than individual licenses. Broad statutory exceptions would probably run afoul of European and international copyright law. A statutory exception for the use of orphan works would not be covered by any of the narrowly defined exceptions and limitations in Article 5 of the Information Society Directive. The directive's recital 32 establishes that "[t]his Directive provides for an exhaustive enumeration of exceptions and limitations to the reproduction right and the right of communication to the public."⁵⁷ It cannot be assumed that, by mentioning statutory exceptions in the impact assessment of the proposal for an orphan works directive, the Commission tacitly wanted to amend the Information Society Directive.
- 41 Even if the Commission would like to change this (controversial) part of the Information Society Directive, it would have to respect existing obligations under international law. The Information Society Directive was a transposition of the WIPO Copyright Treaty. Article 10 para. 1 contains the famous "three-step test" which can also be found in Article 9 para. 2 of the Berne Convention and in Article 13 of the TRIPS Agreement. Contracting parties may only "provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty [the WCT] in certain special cases that do not conflict with a normal exploitation of

the work and do not unreasonably prejudice the legitimate interests of the author.”⁵⁸

- 42 It is doubtful whether a statutory exception for the use of all categories of orphan works by all users would constitute a “certain special case” and would thus pass the first step of the test.⁵⁹ The WTO Panel held that “certain” requires that an “exception or limitation... be clearly defined.”⁶⁰ An exception or limitation is only “special” if it has “a narrow scope as well as an exceptional or distinctive objective.”⁶¹
- 43 The second and third steps would pose lesser hurdles to orphan works legislation. Uses of orphan works “do not conflict with a normal exploitation of the work” because the work in question cannot be exploited if the rights holder cannot be found.⁶² The author’s “legitimate interests,” according to the WTO Panel, are unreasonably prejudiced “if an exception or limitation causes or has the potential to cause an unreasonable loss of income to the copyright owner.”⁶³ Since the rights holder is not generating any income from his or her work, no such income can be unreasonably lost – that is, until the rights holder reappears and claims his or her rights.
- 44 These considerations have not figured very prominently in the European discourse on orphan works. The US Copyright Office, however, dedicated a fair portion of its Report on Orphan Works to this question.⁶⁴ Its concerns were one of the reasons why the United States, a country that has, at times, not seemed overly preoccupied with its obligations under international law, decided against a statutory exception for orphan works.
- 47 In October 2011, the Copyright Office published a Preliminary Analysis and Discussion Document on Legal Issues in Mass Digitization.⁶⁸ The Google Books case is not the only reason why the Copyright Office is of the opinion that “the question of how mass book digitization fits within the existing copyright framework is a timely one.”⁶⁹ In September, the Authors Guild and individual authors brought suit against five university libraries who, as partner libraries of Google Books, had obtained digital copies of copyrighted works and who had decided to make these works available to their university affiliates.⁷⁰ An additional defendant was HathiTrust, an online repository created by these five as well as additional libraries. It currently contains more than 3.4 billion scanned pages, 73% of which are protected under copyright.⁷¹
- 48 In its preliminary analysis, the Copyright Office does not propose specific language for a new orphan works bill. It does, however, stress that “in 2008 Congress came very close to adopting a consensus bill.”⁷² In the Copyright Office’s opinion, “[t]hat legislation is a good starting point for the orphan works discussion, including what if any parts of the prior legislative proposal may require adjustment in 2011.”⁷³
- 49 Partial adjustment of the bill might be necessary because in 2006, when the Copyright Office issued its Report on Orphan Works, mass book digitization had not been the center of discussion.⁷⁴ “Going forward, Congress may want to explore orphan works in the context of large-scale digitization projects, addressing questions such as whether there should be more lenient or more stringent search requirements for these types of uses.”⁷⁵

F. Limitation on Remedies

- 45 Instead of proposing a statutory exception, the Copyright Office suggested that Congress limit the remedies available against infringers who, before using the work(s) in question, had unsuccessfully conducted a “reasonably diligent search” for the work’s rights holder.⁶⁵
- 46 Following the Report’s recommendations, three bills were introduced into Congress, one in 2006 and two in 2008, in the Senate and the House of Representatives respectively.⁶⁶ The Senate bill from 2008 passed the Senate unanimously. It had not passed the House when the term of the 110th Congress ended. When the 111th Congress convened, the parties to the Google Books case had already made their first settlement proposal. Further Congressional action was put on hold until the second Google Books settlement proposal was rejected in March 2011.⁶⁷
- 50 The 2008 bills covered all categories of orphan works as well as all uses, commercial and non-commercial, by all types of users. In order to benefit from the limitation on remedies, a user had to conduct and document a “qualifying search.”⁷⁶ Such a search required a “diligent effort” to locate the rights holder,⁷⁷ a term that the bill did not define. In addition, the user had to “provide attribution,”⁷⁸ and “give notice that the infringed work has been used under this section [514].”⁷⁹
- 51 If the rights holder appeared and claimed his or her rights, the user would have to assert in the initial pleading eligibility for the orphan works limitation⁸⁰ and would have to give a “detailed description and documentation of the search.”⁸¹ Provided that he or she did so, the user would only be subjected to “reasonable compensation”⁸² and would not have to pay statutory damages. Injunctive relief would remain available,⁸³ except in cases where the user had created a derivative work.⁸⁴ If that was the case, the rights holder could only claim reasonable compensation and attribution while the user would have

the right to claim copyright in the derivative work or compilation he or she created.⁸⁵

- 52 This solution, unlike one based on licenses, does not deprive the rights holder of the decision as to whether to license the work (at least prospectively), and on what conditions. It does not require the user to pay a collecting society for works which that society does not represent, thereby avoiding a windfall for third parties. Unlike a broad statutory exception, it would comply with obligations under European and international copyright law.
- 53 In order to be workable for mass-digitization projects, the required search would have to be as standardized as possible. The Commission must have been aware of that when it drafted the list of sources that users would have to consult before they could use an orphan work and which it included in the annex to its proposed orphan works directive.⁸⁶ For published books, the list includes legal deposits, databases, and registries, including ARROW, ISBN, and WATCH, as well as the databases of relevant collecting societies. It is conceivable that search companies will spring up and offer their services to digital library projects.
- 54 The obvious downside of the system just described is that it would provide less certainty for users. The lesser degree of certainty is not so much because the orphan works status would not be “certified,” as the Commission mentioned. *Ex ante*, users would be uncertain about what a “reasonable royalty” would amount to and how much they would owe if the rights holder reappeared and claimed his or her rights. Over time, though, standards would develop. For mass users of works, royalties paid (to known users) in similar circumstances could serve as a guideline.
- 55 For rights holders, the risk would be that the user in question might become unknown or cannot be found. In addition, he or she would have to contact and, if no agreement was reached, sue the user, both of which could prove costly. Requirements of US civil procedure make suing for small claims virtually impossible in the United States.⁸⁷ In most European countries, it would be easier to file suit in such cases.
- 56 To alleviate the burden for rights holders, the system should be combined with comprehensive, inter-linked databases. In the database, users would have to register the use they want to make of a work and would document the search they conducted. Successive users could limit themselves to updating searches already conducted and documented. Wasteful re-searches of the same sources would thus be avoided.
- 57 If a rights holder reappeared, he or she could make him- or herself known in the database, thereby pu-

blicly ending the orphan works status. If parties wished, the terms of license agreements could be recorded. Later users would then know what the rights holder in question deemed as adequate royalties for a specific use of his or her work.

- 58 A current example proves that such databases can be a very effective means both to scrutinize whether users have indeed fulfilled their obligations to (diligently) search for rights holders and to reduce the number of orphan works for the future. On HathiTrust’s website, the University of Michigan Library had published a list of 163 books for which it had not been able to identify or find the rights holder and which it wanted to make available to its affiliates. After some searching, and with the help of individual users, the Authors Guild found rights holders for 50 of the 163 books.⁸⁸ The University of Michigan later took down the list and apologized for its “flawed” pilot process.⁸⁹ A new list is to be posted within 90 days.⁹⁰
- 59 It is unlikely that the University of Michigan Library’s flagrant disregard would have been discovered that easily and that thoroughly without crowd-sourcing. The involvement of many, however, is only possible if the information to be tested is publicly available. An orphan works database would and should provide information on orphan works for anyone. Once a few culprits have been detected, chances are that other users will double their efforts to find rights holder(s) of the work(s) they intend to use.

G. Conclusion

- 60 As with most, if not all, complex copyright problems, none of the possible solutions is ideal. Each has its benefits and drawbacks. Over time, most of the options described in the impact assessment to the Commission’s proposal for a directive on orphan works have seemed appealing to one or more stakeholders. Except for the one where no orphan works statute is passed, they all require a deviation from a basic principle of copyright law: the rights holder’s right to exclude others from using his or her work.
- 61 Of the options currently on the table, a limitation on remedies might be the most adequate solution to the orphan works problem. It avoids forced collectivization of rights. Instead, it ensures that market mechanisms can work once the rights holder has reappeared. What is more, it incentivizes the development of search technology. Combined with inter-linked databases, it creates transparency and allows the public to monitor whether search requirements have been fulfilled.

1 Settlement Agreement, The Authors Guild, Inc. et al. v. Google, Inc., No. 05-CV-8136 (S.D.N.Y. Oct. 28, 2008),

- available at <http://dockets.justia.com/docket/new-york/nysdce/1:2005cv08136/273913/> (Filing no. 56).
- 2 For a brief description of the Google Books case and of the judge's decision to reject the settlement agreement, *cf.*, among many others, Katharina de la Durantaye, *Wofür wir Google dankbar sein müssen*, ZUM 538 (2011).
 - 3 Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006) (later that year, this bill was embedded in The Copyright Modernization Act of 2006, H.R. 6052, 109th Cong. (2006)), Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008) and Shawn Bentley Orphan Works Act, S. 2913, 110th Cong. (2008).
 - 4 See the various measures mentioned in Commission Proposal for a Directive of the European Parliament and of the Council on Certain Permitted Uses of Orphan Works, at 2, COM(2011) 289 final (May 24, 2011).
 - 5 Act CXII of 2008 amending the Copyright Act and Decree 100/2009. (V. 8.) Korm. For an overview, *cf.* Agnieszka Vetulani, *The Problem of Orphan Works in the EU: An Overview of Legislative Solutions and Main Actions in the Field*, Report prepared for the European Commission DG Information Society and Media Unit E4: Digital Libraries and Public Sector Information (Feb. 2008), available at [http://ec.europa.eu/information_society/activities/digital_libraries/doc/report_orphan_stagiaire_2/report_orphan_vetulani%20\(corrected%20version\)%20\(2\).pdf](http://ec.europa.eu/information_society/activities/digital_libraries/doc/report_orphan_stagiaire_2/report_orphan_vetulani%20(corrected%20version)%20(2).pdf).
 - 6 COM(2011) 289 final.
 - 7 COM(2011) 289 final, Impact Assessment, at 2.
 - 8 For a more detailed analysis of the proposed directive as well as of the bills that were introduced into the German Parliament over the past year, *cf.* Katharina de la Durantaye, *Ein Heim für Waisenkinder – Die Regelungsvorschläge zu verwaisenen Werken in Deutschland und der EU aus rechtsvergleichender Sicht*, ZUM 777 (2011).
 - 9 *Cf.* Canadian Copyright Act Section 77.
 - 10 Indian Copyright Code Art. 31a allows the Indian Copyright Board to grant licenses for the publication of previously unpublished Indian works if the author or rights holder is unknown or cannot be found.
 - 11 The Agency for Cultural Affairs' commissioner may, according to Japanese Copyright Act Art. 67, issue a license for the use of published works whose rights holders remain unknown or cannot be found during a diligent search. *Cf.* European Digital Library Initiative High Level Expert Group – Copyright Subgroup, Interim Report, Annex I, at 9 (Oct. 16, 2006.), available at http://ec.europa.eu/information_society/activities/digital_libraries/other_groups/hleg/meetings/index_en.htm.
 - 12 According to South Korean Copyright Act Art. 47, the minister of culture may issue a license for the use of a work if a rights holder can, despite considerable effort, not be found. See *id.*, at 10.
 - 13 The Copyright Tribunal may allow a user to “make a copy of a recording of a performance... where the identity or whereabouts of the person entitled to the reproduction right cannot be ascertained by reasonable inquiry;” see Copyright, Designs and Patents Act of 1988 Section 190.
 - 14 The Hungarian Patent Office has, according to Hungarian Copyright Act Art. 57/A, the power to grant licenses for the use of works whose rights holders cannot be found and who are not members of collecting societies. *Cf.* Mihály Ficsor, *How to Deal with Orphan Works in the Digital World? An Introduction to the New Hungarian Legislation on Orphan Works*, Directorate-General for Internal Policies, Policy Department C: Citizen's Rights and Constitutional Affairs – Legal and Parliamentary Affairs, PE 419.607 (Oct. 2009), available at www.europarl.europa.eu/document/activities/cont/200911/20091113ATT64497/20091113ATT64497EN.pdf.
 - 15 COM(2011) 289 final, Impact Assessment, at 3.
 - 16 William J. Vancise, Chairman of the Copyright Board of Canada, Speech at a seminar jointly sponsored by the Intellectual Property Institute of Canada and McGill University in Montreal, Quebec 7 (Aug. 15, 2007), available at www.cb-cda.gc.ca/about-apropos/speeches-discours/20070815.pdf.
 - 17 Copyright Act of Canada Section 77 Para. 3.
 - 18 <http://www.cb-cda.gc.ca/unlocatable-introuvables/index-e.html>.
 - 19 Jeremy de Beer & Mario Bouchard, *Canada's “Orphan Works” Regime: Unlocatable Copyright Owners and the Copyright Board* 33 (Dec. 1, 2010), available at www.cb-cda.gc.ca/about-apropos/2010-11-19-newstudy.pdf.
 - 20 *Id.*, at 32.
 - 21 *Id.* In 2007, the board decided not to grant licenses for architectural plans anymore because most desired uses constituted fair dealing. See Policy of the Copyright Board of Canada re: Issuing Licences For Architectural Plans Held in Municipal Archives, available at <http://cb-cda.gc.ca/unlocatable-introuvables/municipal-municipales-b.pdf>. Since then, the number of applications has declined steeply.
 - 22 The US Copyright Office came to the same conclusion. See Register of Copyrights, Report on Orphan Works 114 (Jan. 2006), available at <http://www.copyright.gov/orphan/>.
 - 23 <http://www.cb-cda.gc.ca/unlocatable-introuvables/brochure1-e.html>.
 - 24 de Beer & Bouchard, *supra* note 19, at 19.
 - 25 *Id.*, at 11; Mario Bouchard, *Le régime canadien des titulaires de droits d'auteur introuvables*, 22 LES CAHIERS DE PROP. INTELL. 483, 489–490 (2010); Vancise, *supra* note 16, at 4.
 - 26 On the question of whether an orphan works regime should cover unpublished works, see Vigdis Bronder, *Saving the Right Orphans: The Special Case of Unpublished Orphan Works*, 31 COLUM. J.L. & ARTS 409 (2008).
 - 27 Bouchard, *supra* note 25, at 499; Vancise, *supra* note 16, at 5.
 - 28 *Cf. Re Centre Alpha au Pied de la Lettre* (June 10, 1991), 1991-UO/TI-4; *Re Goose Lane Editions* (April 6, 1992), 1992-UO/TI-2; *Re Saint-Eustache School Board* (Nov. 4, 1992), 1992-UO/TI-9; *Re Potvin* (Feb. 11, 1992), 1996-UO/TI-10, available at www.cb-cda.gc.ca/unlocatable-introuvables/licences-e.html.
 - 29 Vancise, *supra* note 16, at 7. According to Bouchard, *supra* note 25, at 500, “benign” cases are those where the user is a public institution, the use has a public purpose, a license might be unnecessary, and other rights holders who could be found have granted their rights free of charge.
 - 30 Bouchard, *supra* note 25, at 499.
 - 31 Vaver, COPYRIGHT LAW 226 (2000). *Cf.* Ariel Katz, *Copyright Collectives: Good Solution but for Which Problem?*, in WORKING WITHIN THE BOUNDARIES OF INTELLECTUAL PROPERTY 395 (Rochelle C. Dreyfuss, Harry First & Diane L. Zimmerman eds., 2010).
 - 32 de Beer & Bouchard, *supra* note 19, at 28.
 - 33 Anna Vuopala, *Assessment of the Orphan Works Issue and Costs for Rights Clearance*, Report prepared for the European Commission DG Information Society and Media Unit E4: Access to Information 14–15, 19 (May 2010). The only exception to this rule was a curious case in which an heir of a will required a fee in return for his permission to make the will available online.
 - 34 Mario Bouchard, Speech at Facilitating Access to Culture in the Digital Age – WIPO Global Meeting on Emerging Copyright Licensing Modalities, Theme V: Making Orphan Works Available (Nov. 4, 2010), available at www.wipo.int/multi-media-video/en/meetings/wipo_cr_lic_ge_10/bouchard_05112010.mp3.
 - 35 Rights Holders Initial Proposal, Collective Licensing: Liability Limits for Collectives and Uses, available at <http://www.ic.gc.ca/eic/site/crp-prda.nsf/eng/rp01129.html>.

- 36 Tarja Koskinen-Olsson, *Collective Management in the Nordic Countries*, in COLLECTIVE MANAGEMENT OF COPYRIGHT AND RELATED RIGHTS 283, 291 (Daniel Gervais ed., 2nd ed. 2010); Henry Olsson, *The Extended Collective License as Applied in the Nordic Countries*, Speech at Kopinor 25th anniversary international symposium 3-4 (May 20, 2005), available at <http://www.kopinor.no/en/copyright/extended-collective-license/documents/the-extended-collective-license-as-applied-in-the-nordic-countries>; Stef van Gompel & Bernt Hugenholtz, *The Orphan Works Problem: The Copyright Conundrum of Digitizing Large-Scale Audiovisual Archives, and How to Solve It*, 8.1 POPULAR COMMUNICATION 6 (2010); V. Verronen, *Extended Collective Licence in Finland: A Legal Instrument for Balancing the Rights of the Author with the Interests of the User*, 49 J. COPY. SOC'Y 1143, 1145 (2002).
- 37 Amended Settlement Agreement §§ 2.1 (b)-(c), 6.4, The Authors Guild, Inc. v. Google, Inc., No. 05 CV 8136 (S.D.N.Y. Nov. 9, 2009).
- 38 *Id.* at § 4.5.
- 39 However, in 2008, Denmark enacted Statute Nr. 587 (June 20, 2008). According to the new Copyright Act § 50(2), extended collective licenses may be granted for "other uses" than the named ones.
- 40 Vuopala, *supra* note 33, at 5-6.
- 41 Koskinen-Olsson, *supra* note 36, at 291, 292; Olsson, *supra* note 36, at 5.
- 42 That is why Katharina de la Durantaye, *Finding a Home for Orphans. Google Book Search and Orphan Works Law in the United States and Europe*, 21 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 101 (2011) took a more positive stance toward extended collective licenses.
- 43 On concerns of constitutional law, see Jörn Heckmann, DIE RETROSPECTIVE DIGITALISIERUNG VON PRINTPUBLIKATIONEN *** (Manuskript S. 255-256) (2011); Gerald Spindler & Jörn Heckmann, *Retrodigitalisierung verwaister Printpublikationen. Die Nutzungsmöglichkeiten von "orphan works" de lege lata und ferenda*, GRUR INT. 271, 278 (2008).
- 44 Under the system currently in place in the Nordic countries, rights holders are usually not granted the right to opt out if they do not approve of the use in question. Exceptions are Swedish Copyright Act Art. 42b-e; Danish Copyright Act §§ 24a, 30, 30a, 50(2). Cf. Karnell, *Extended Collective License Clauses and Agreements in Nordic Copyright Law*, 10 COLUM.-VLA J.L. & ARTS 73, 76 (1985); Thomas Riis & Jens Schovsbo, *Extended Collective Licenses and the Nordic Experience*, 33 COLUM. J.L. & ARTS 471, 476 (2010); Verronen, *supra* note 36, at 1150-1151.
- 45 Karnell, *supra* note 44, at 81; Riis & Schovsbo, *supra* note 44, at 491.
- 46 Riis & Schovsbo, *supra* note 44, at 491.
- 47 COM(2011) 289 final, Impact Assessment, at 3.
- 48 However, most Nordic countries do have a license for the reprographic and digital reproduction of literary works for educational purposes. Cf. Danish Copyright Act § 13; Finnish Copyright Act art. 13-14; Norwegian Copyright Act § 13(b); Swedish Copyright Act art. 42(c).
- 49 For a closer examination of the compliance of extended collective licenses with Berne Convention Art. 9 para. 1 and TRIPS Art. 13 cf. Riis & Schovsbo, *supra* note 44, at 484-490.
- 50 Entwurf eines Gesetzes zur Änderung des Gesetzes über die Wahrnehmung von Urheberrechten und verwandten Schutzrechten (Urheberrechtswahrnehmungsgesetz – UrhWahrnG), BT-Drucks. 17/3991 (Nov. 30, 2010).
- 51 Bundesgesetz über das Urheberrecht und verwandte Schutzrechte Art. 22b (SR 231.1).
- 52 COM(2011) 289 final, Impact Assessment, at 3.
- 53 See above under B.
- 54 COM(2011) 289 final, Impact Assessment, at 3.
- 55 Australian Copyright Act Art. 52.
- 56 Entwurf eines Gesetzes zur Änderung des Urheberrechtsgesetzes – Digitalisierung vergriffener und verwaister Werke BT-Drucks. 17/4661 (DIE LINKE) (Feb. 8, 2011); Antrag Zugang zu verwaisten Werken erleichtern, BT-Drucks. 17/4695 (BÜNDNIS 90/DIE GRÜNEN) (Feb. 9, 2011).
- 57 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.
- 58 WCT Art. 10 para. 1.
- 59 See Jane C. Ginsburg, *Contracts, Orphan Works, and Copyright Norms: What Role for Berne and TRIPS?*, in WORKING WITHIN THE BOUNDARIES OF INTELLECTUAL PROPERTY 471, 488-489 (Rochelle C. Dreyfuss, Harry First, & Diane L. Zimmerman eds., 2010).
- 60 WTO, U.S. – Section 110(5) of the U.S. Copyright Act, Report of the Panel, WTO Doc. No. WT/DS160/R § 6.108 (June 12, 2000).
- 61 *Id.*, at § 6.109.
- 62 Jane C. Ginsburg, *supra* note 59, at 490 argues that the key term is the word "conflict." In the orphan works context, no such conflict exists because the rights holders neither exercise their right nor refuse to exercise their right.
- 63 WTO, U.S. – Section 110(5) of the U.S. Copyright Act, Report of the Panel, WTO Doc. No. WT/DS160/R § 6.229 (June 12, 2000).
- 64 Register of Copyrights, Report on Orphan Works 59-68, 88-89 (Jan. 2006).
- 65 *Id.*, at 8-10.
- 66 H.R. 5439, 109th Cong. (2006); H.R. 5889, 110th Cong. (2008); S. 2913, 110th Cong. (2008).
- 67 The Authors Guild et al. v. Google, Inc., No. 05-Civ.-8136 (S.D.N.Y. March 22, 2011).
- 68 Register of Copyrights, Legal Issues in Mass Digitization: A Preliminary Analysis and Discussion Document (Oct. 2011), available at <http://www.copyright.gov/docs/massdigitization/>.
- 69 *Id.*, at 3.
- 70 The Authors Guild et al. v. The HathiTrust et al, No. 11-Civ-06351-HB (S.D.N.Y. Sept. 12, 2011).
- 71 See <http://www.hathitrust.org/about>.
- 72 Register of Copyrights, *supra* note 68, at 26.
- 73 *Id.*, at 27.
- 74 However, during one of the roundtable discussions leading up to the 2006 report, and with its own scanning efforts in mind, Google's counsel had stated: "I would encourage the Copyright Office to consider not just the very, very small scale, the user who wants to make use of the work, but also the very, very large scale and talking in the millions of works." US Copyright Office, Orphan Works Round Table, available at <http://www.copyright.gov/orphan/transcript/0726LOC.PDF>.
- 75 Register of Copyrights, *supra* note 68, at 28.
- 76 S. 2913 Section 514 (b)(1)(A)(i); H.R. 5889 Section 514 (b)(1)(A)(i).
- 77 S. 2913 Section 514 (b)(2)(A)(i-iii) of S. 2913; H.R. 5889 Section 514 (b)(2)(A)(i).
- 78 S. 2913 Section 514 (b)(1)(A)(ii); H.R. 5889 Section 514 (b)(1)(A)(iii).
- 79 S. 2913 Section 514 (b)(1)(A)(iii); H.R. 5889 Section 514 (b)(1)(A)(iv).
- 80 S. 2913 Section 514 (b)(1)(A)(iv); H.R. 5889 Section 514 (b)(1)(A)(v).
- 81 S. 2913 Section 514 (b)(1)(A)(v); H.R. 5889 Section 514 (b)(1)(A)(vii).
- 82 S. 2913 Section 514 (c)(1)(A); H.R. 5889 Section 514 (c)(1)(A). S. 2913 Section 514 (a)(3) and H.R. 5889 Section 514 (a)(4) both define "reasonable compensation" as "the amount on which

a willing buyer and a willing seller in the positions of the infringer and the owner of the infringed copyright would have agreed with respect to the infringing use of the work immediately before the infringement began.” Jane Ginsburg, *Recent Developments in US Copyright Law: Part I—“Orphan” Works*, *REVUE INTERNATIONALE DU DROIT D’AUTEUR* 9 (July 2008) questions whether “reasonable compensation” would include a continuing royalty.

- 83 S. 2913 Section 514 (c)(2)(A); H.R. 5889 Section 514 (c)(2)(A).
- 84 S. 2913 Section 514 (c)(2)(B); H.R. 5889 Section 514 (c)(2)(B).
- 85 S. 2913 Section 514 (e); H.R. 5889 Section 514 (f).
- 86 COM(2011) 289 final, Annex.
- 87 S. 2913 Section 5; H.R. 5889 Section 6 would have obliged the Copyright Office to issue a report on the establishment of a small claims court for individual claims under Section 514 as well as on alternative means of dispute resolution.
- 88 <http://blog.authorsguild.org/2011/09/16/university-of-michigan-suspends-hathitrust-orphan-works-project-claims-%e2%80%9cproposed-uses-of-orphan-works-are-lawful%e2%80%9d-and-promises-a-reboot/>. One author had just signed an e-book contract for the work in question.
- 89 <http://www.lib.umich.edu/news/u-m-library-statement-orphan-works-project>
- 90 <http://orphanworks.hathitrust.org/>.

The Netherlands: Darfurnica, Miffy and the right to parody!

by **Lucie Guibault, Ph.D.**, Institute for Information Law, University of Amsterdam,

Abstract: The legal community of the Netherlands let out a sigh of relief in May 2011 when the judgment of the District Court of The Hague in preliminary proceedings was handed down in the Darfurnica case.¹ The same feeling of satisfaction prevailed, more recently, when the Court of Appeal of Amsterdam rendered decision in the Miffy case.² Both decisions, rendered on appeal, overruled the judgments of first instance, which had given precedence to the protection of intellectual property rights above the user's freedom of ex-

pression in the form of parody. But freedom of expression, and parody in particular, are solidly anchored in the Dutch values and courts more often than not find in favour of the parodist.³ Apart from the fact that both decisions offer an interesting analysis of where the limit lies between intellectual property protection and artistic freedom, each decision deserves a few words of commentary in view of some noteworthy particularities.⁴

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A. The Darfurnica case

1 The Darfurnica decision, reproduced below, clearly sets out the facts of the case and the ex parte preliminary proceedings that led to the appeal decision. The case revolved around Plesner's depiction of the Louis Vuitton handbag in the hands of a young African child holding a Chihuahua dog, art series called the 'Simple Living', which aimed at calling the world's attention to the famine in Africa. In first instance, before the District court of The Hague, Louis Vuitton's claim was accepted in ex parte proceedings. On appeal before the District Court of Amsterdam in preliminary proceedings, both parties relied on the fundamental right conferred upon them by the European Convention on Human Rights (ECHR). Plesner relied on Article 10 ECHR, guaranteeing the freedom of expression, whereas Louis Vuitton in-

voked Article 1 of the First Protocol to the Convention, which refers to the protection of property. The Court of Amsterdam's preliminary assessment was that, in the present circumstances, the importance of the letting Plesner continue to freely express her (artistic) opinion in the work 'Simple Living' outweighed the importance of Louis Vuitton's peaceful enjoyment of her property.

2 The Darfurnica case is further interesting for two reasons: first, because of the grounds that served as a basis for the plaintiff's claim; and second, because of the Court of Amsterdam's assessment of adequate fines for breach of intellectual property right. On the first point, Louis Vuitton had the choice of ammunition when seeking a prohibition to use the handbag Audra on T-shirts, posters and other merchandise (e.g. apart from the painting Darfurnica) in relation with an African child holding the bag and a Chihu-

ahua dog: it could have based its claim against the artist either on its copyright, trademark or design right on the bag. Louis Vuitton chose the last and sought an injunction solely based on its Community Design registration for the multi-colour canvas design of the handbag.

- 3 Louis Vuitton claimed that Plesner's use of the Audra handbag (potentially) affected its reputation. As stated Louis Vuitton relied in the context of this proceeding on its Community design rights, the main purpose of which for the owner is the grant of an exclusive right to use the registered external appearance of a product. As such the design right does not seem to serve to protect the reputation of this appearance. Protection of reputation includes not only the object's use as a manufactured article, but also its reference use in art, parody or criticism, thereby shifting the protection of the domain of industrial property, to the realm of expression. The letter of art. 3.16 paragraph 1 Benelux Convention on Intellectual Property does not oppose the protection of the reputation, as this article grants an exclusive right to 'use'. This point requires further elaboration by the courts, however. When examining what level of protection is determined in principle, other factors must be weighed, such as the ratio between the commercial nature of the expression and the "public interest" nature, the extent and intensity of the damage, the extent of dissemination and use of unduly affect the model (or its "reputation"). Leaving aside the question whether the function of the design right can also extend to protect the reputation of the model or even that of the owner, this function is, according to the Court, substantially less important than the defendant's freedom of expression.
- 4 Moreover, the fact that Louis Vuitton is a famous company whose products are very renowned also entailed, for the judge, that the company should put up with critical use to a greater degree than other claimants. As Sakulin explains in his annotation of the case, the reasons for this are first that public figures commonly occupy key positions in society; second, that they themselves often seek access to the media and that they can easily defend themselves; third, that they are often the ones who draw the attention of the public to their product and image; and fourth, that one could fear the emergence of a 'chilling effect' among the public if public figures are able to prohibit simple statements about themselves. Of these four arguments, the judge emphasized the fact that Louis Vuitton looked up the media attention and created it itself. In addition, the judge estimated that luxury goods from Louis Vuitton are an important symbol status, that Louis Vuitton defends its interests easily and happily in the media and in the courts, and that through high penalties, bans on use of its products can therefore create a strong "chilling effect" on artistic expression. All in

all, the judge ruled that a restriction of the freedom of art in this case would be contrary to Art. 10 ECHR. As Sakulin rightly observes, if the protection on designs and models indeed extends to protecting the owner's reputation, there is also a lack of a general exception. For example, trademark law recognizes a general exception, which in principle allows artists to use trademarks in their work.

- 5 On the second point, it is important to recall that the District Court of The Hague ordered a ban on the use of the design, valid throughout the European Union and under penalty of a fine of € 5000 per day. On the day of the interim order Plesner would therefore have had to pay a fine of approximately € 400,000. The maintenance of this already accrued penalty would not only have been a crushing attack on the existence of the artist, it would also brought about a serious 'chilling effect' by other artists and critics. The judge decided therefore to apply the sentence retroactively and thus to abolish already accrued penalty. This is fully in line with the jurisprudence of the European Court of Human Rights, which ruled that even if a statement is not itself in violation of Art. 10 ECHR, the imposition of a penalty so high as to bring about such a strong "chilling effect" can result in a violation of Art. 10 ECHR. If the judge only had lifted the interim order, without ruling on the fine, there would probably still have been a violation of Art. 10 ECHR. The court's ruling on the abolishment of the penalty is a welcome solution.

B. The Miffy case

- 6 Netherlands' most well-known rabbit Miffy, or Nijntje in Dutch, was at the heart of yet another interesting parody dispute.⁵ The case reached the Court of Appeal of Amsterdam which rendered a similar decision to that of the Darfurnica case. The facts are straightforward: Punt.nl is one of the biggest hosting providers in the Netherlands. It owns the domain name www.punt.nl and hosts a large number of websites and blogs including the domains www.gratisanimaties.punt.nl, ww.terreurmutsie.punt.nl and www.support.punt.nl. A total seven cartoons were posted on the first two mentioned websites, depicting Miffy in unusual incarnations. Mercis and Bruna objected to these on the basis of their copyright and trademark rights.
- 7 Punt.nl invoked the exception of parody laid down in article 18b of the Dutch Copyright Act, which reads: **"Publication or reproduction of a literary, scientific or artistic work in the context of a caricature, parody or pastiche will not be regarded as an infringement of copyright in that work, provided the use is in accordance with what would normally be sanctioned under the rules of social custom"**. The parody exception was introduced in

the Dutch Copyright Act in 2004 as a result of the implementation of Directive 2001/29/EC on Copyright in the Information Society. This criterion according to which 'the use must be in accordance with what would normally be sanctioned under the rules of social custom' is not uncommon in the Dutch Act for it also appears in article 15a (quotations) and 16 (educational use). Nevertheless, the criterion must still be interpreted by the courts in the context of a parody.

8 In 2009, the District Court of Amsterdam in preliminary proceedings awarded an injunction relating to two of the seven drawings. The District Court of Amsterdam partly accepted the website owner's parody defence, pointing to the adult themes that clearly contrasted with the small children's world that Nijntje normally occupies. Because of the humorous intent, lack of competitive intentions and lack of confusion, the use of images 2 to 6 as a parody in this case is consistent with what the rules of civil reasonably accepted, such as Article 18b Copyright Act requires. The parody exception was rejected, however, in respect of cartoons 1 and 7 (big red eyed Miffy sniffing cocaine or '*lijntje*'; and Miffy in an airplane about to crash into a skyscraper, or '*nijn-eleven*') because they were deemed to affect the reputation of the trademarks by associating Miffy with drug use and terrorism. This decision gave rise to mixed comments.⁶

9 On 13 September 2011, the Court of Appeal of Amsterdam reversed the ruling in first instance and declared that parodies of Miffy on webforum Punt.nl do not infringe the copyrights owned by Mercis and Bruna. The Court of Appeal declared that parodies in which Miffy is associated with sex, drugs and terrorism, are not necessarily illegal. It reversed the lower court's decision and found that all the images in question can be regarded as admitted parodies (the previously banned "Nijn Eleven"). There is no indiscriminate copies and the boundary lies in the fairness and the rules of social custom. The Court of Appeal drew thereby a more principal line: all cartoons clearly have a humoristic and ironising nature, even though not everyone will think it is funny. Hence these parodies cannot be forbidden based on copyright law or trademark law.

Court of Amsterdam, 22 December 2009 LJN: BK7383 (Mercis B.V. / Punt.nl B.V.), IER 2010, 23.

- 3 Supreme Court, 13-04-1984, NJ 1984, 524 (Suske and Wiske); District Court of Amsterdam, 04-07-1979, NJ 58184; District Court of Utrecht, 09-09-1998, 91084 FED 1998/627 (State of the Netherlands/Pearle); Court of Appeal of Amsterdam, 30-01-2003, IER 78960 (Bassie III); District Court of Amsterdam in preliminary proceedings, 22-12-2006 IER 2007, 39, (Greenpeace/ State of the Netherlands); Court of Appeal of Amsterdam, 06-08-1998, IER 9596 (Archbishop of Utrecht/Stichting Beeldrecht)
- 4 W. Sakulin, Trademark Protection and Freedom of Expression: An inquiry into the Conflict between Trademark Rights and Freedom of Expression under European Law, Alphen aan den Rijn: Kluwer Law International 2010, p. 231-328.
- 5 Court of Appeal of Amsterdam, decision of 13 September 2011, LJN: BS7825, (Mercis B.V./ Punt.nl B.V.) overturning District Court of Amsterdam, 22 December 2009 LJN: BK7383 (Mercis B.V. / Punt.nl B.V.), IER 2010, 23 with commentary from D.F.W. Grosheide. Unfortunately there is no English translation available for either decision.
- 6 District Court of Amsterdam, 22 December 2009 LJN: BK7383 (Mercis B.V. / Punt.nl B.V.) AMI 2010-4, pp.127-132 with commentary from D.J.G. Visser.

1 District Court of The Hague, 4 May 2011, IER 2011/39 with commentary from W. Sakulin (Nadia Plesner Joensen/Louis Vuitton Malletier SA) overturning the ex parte decision Court in preliminary proceedings of The Hague of 27 januari 2011, LJN: BP9616 KG RK 10-214 (Louis Vuitton Malletier SA/ Nadia Plesner Joensen). The unofficial translation of the decision of the Court of Appeal was made by Kennedy Van der Laan, attorneys in Amsterdam, representing defendant Nadia Plesner, available at: http://www.nadiaplesner.com/Web-site/Verdict_English.pdf

2 Court of Appeal of Amsterdam, decision of 13 September 2011, LJN: BS7825, (Mercis B.V./ Punt.nl B.V.) overturning District

This is an unofficial translation of the judgment of May 4, 2011, obtained by artist Nadia Plesner against Louis Vuitton. This translation is made by Kennedy Van der Laan attorneys in Amsterdam, the firm that represents Nadia Plesner.

JUDGMENT

COURT OF THE HAGUE

Civil Law Section

Case number / case list number: 389526 / KG ZA 11-294

Judgment in preliminary relief proceedings dated 4 May 2011

in the matter between:

NADIA PLESNER JOENSEN,
residing in Winkel, municipality of Niedorp,
claimant,
attorneys: *mrs.* J.P. van den Brink and C. Wildeman of Amsterdam,

versus

the company incorporated under foreign law
LOUIS VUITTON MALLETIER SA
having its registered office in Paris, France,
defendant,
attorney: *mr.* B.J. van den Broek of Amsterdam.

Hereinafter the parties will be referred to as Plesner and Louis Vuitton

1. The Proceedings

- 1.1. The course of the proceedings appears from:
- the summons of 16 March 2011 with 9 exhibits;
 - the motion submitting exhibits of Louis Vuitton, with 15 exhibits,
 - the additional exhibits 10 up to and including 17 of Plesner,
 - the additional exhibits 16 up to and including 18 of Louis Vuitton,
 - the additional exhibits 18 and 19 of Plesner,
 - the additional exhibits 20 up to and including 22 of Plesner,
 - the additional exhibits 23 up to and including 27 of Plesner,
 - the additional exhibit 28 (specification of the costs) of Plesner,
 - the specification of the costs of Louis Vuitton,
 - the challenge incident which the judge concerned has accepted,

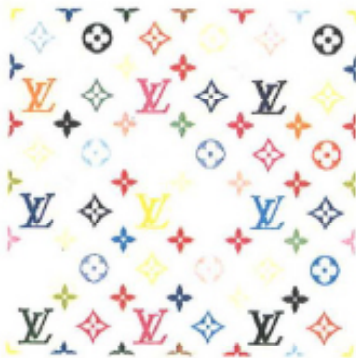
- the oral hearing, held on 20 April 2011, on the occasion of which the lawyers of both parties have submitted pleadings.

1.2. Finally, the judgment was rendered.

2. The Facts

2.1. Louis Vuitton is a fashion house operating worldwide which is active on the market for luxury fashion accessories, including bags and trunks, under the name of Louis Vuitton.

2.2. Louis Vuitton is holder of, *inter alia*, the Community designs registration with the number 000084223-0001 for “graphic symbols” filed on 6 October 2003. This concerns the so-called Multicolor Canvas Design. The publication of the registration took place on 24 February 2004. The illustration pertaining to this registration is shown below.



2.3. Since April 2005 Louis Vuitton is bringing a bag on the market under the name “Audra”, which has the Multicolor Canvas Design. An illustration of the Audra Bag is shown below:



2.4. Plesner is an artist occupying herself with the production and trading of art. She also operates under the name Geminink. Plesner presents her work, *inter alia*, on the website www.nadiaplesner.com.

2.5. Since 2007 an important theme in the work of Plesner is the difference in attention in the media

between the situation in Darfur (Sudan) and other areas in crisis on the one hand, and the entertainment industry, on the other hand. By establishing a link between these two extremes, Plesner wants to illustrate that the media interest in people like Paris Hilton, which in Plesner's eyes is excessive, negatively affects the interest for the wrongs in Darfur.

2.6. In this framework, in 2008 Plesner made the work "*Simple Living*" which is shown below. The work shows an African child holding a Chihuahua dressed in pink and a hand bag. This is a reference to Paris Hilton, of whom many pictures have been published in which she is depicted with the same attributes. Plesner gave the following explanation in this respect: *Since doing nothing but wearing designer bags and small ugly dogs apparently is enough to get you on a magazine cover, maybe it is worth a try for people who actually deserve and need attention. If you can't beat them, join them! This is why I chose to mix the cruel reality with showbiz elements in my drawing "Simple Living".* The work "*Simple Living*" is as follows:



2.7. In 2007 and the beginning of 2008 Plesner used "*Simple Living*" as an illustration on T-shirts and posters, which she sells for the benefit of an organization dedicated to helping the victims in Darfur. "*Simple Living*" is also shown (or was shown) on various pages of the website www.nadiaplesner.com.

2.8. At the time, Louis Vuitton was not happy with the association that the public taking cognizance of the work of Plesner could make between Louis Vuitton and the situation in Darfur. It summoned Plesner to cease the use of the illustration "*Simple Living*". After it appeared that Plesner would not cease that use, Louis Vuitton requested the French Court to issue an *ex parte* order while relying on its Community design right. In a decision of 25 May 2008 the President of the *Tribunal du Grande Instance* of Paris prohibited "*la présentation, l'offre à la vente et la commercialisation de produits contrefaisant le dessin communautaire*" (the presentation, offering for sale and the exploitation of the products infringing the Community design) on pain of a penalty of €5,000 per day, and Plesner was provisionally ordered to pay an amount of one Euro by way of (symbolic) damages.

2.9. As a result of the consultations between Plesner and Louis Vuitton, which took place after the

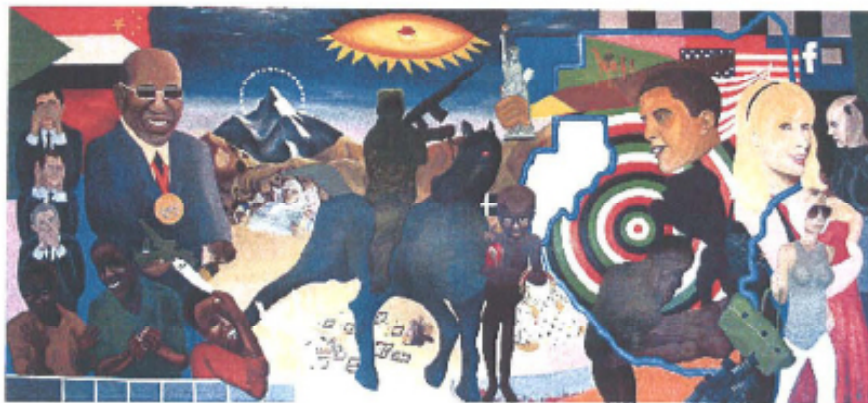
order had been imposed, the Danish attorney who assisted Plesner at that moment informed (the attorney of) Louis Vuitton, *inter alia*, as follows.

"After considerations Nadia Plesner, unfortunately, is obliged to consider that the settlement negotiations are terminated as of today.

[...] Nadia Plesner maintains that she has not infringed and has never had the intention to infringe the rights of Louis Vuitton Malletier.

As Nadia Plesner maintains to have the crisis in Darfur as the objective for the 'Simple Living' campaign, Nadia Plesner has from today removed the reference on the t-shirt/bag to designs that might be analyzed or interpreted as a reference to Louis Vuitton Malletier's rights. In addition, any other reference to designs that could be analyzed or interpreted as a reference to Louis Vuitton Malletier including the blog on www.nadiaplesner.com will be removed today."

2.10. Plesner continued to make works in which she combines the situation in Darfur with the world of show business, in order to thus generate attention and money for aid organizations active in areas in crisis. In 2010 she completed the painting "Darfurnica", shown below, which is an adaptation of Picasso's "Guernica", in which she also included the illustration of "Simple Living". This painting is shown below:



2.11. At an exhibition in Copenhagen, which opened on 7 January 2011, "Darfurnica" was shown and offered for sale. The invitation to the exhibition shows the location of the exhibition with the "Simple Living" illustration in front of it. Within the framework of the exhibition a number of "Simple Living" T-shirts and posters were offered for sale and (in any case) a number of "Simple Living" T-shirts were sold.

2.12. Louis Vuitton requested the Court in preliminary relief proceedings of The Hague on 27 January 2011 for an *ex parte* order against Plesner (residing in the Netherlands) and the gallery that organized the exhibition. Just like in 2008, it relied on its Community design right in this respect. The application contains, *inter alia*, the following passages.

13. To its dismay, Louis Vuitton had to conclude last week that Plesner has *again* started using the picture of the Audra Bag as illustrated above.

14. For example, Plesner has included the picture in a painting that the respondent under 2 ("Galleri Esplanaden"; Exhibit 5) has recently been offering for sale (price: 500,000 DKK = €67,000) (Exhibit 6). During this art sale exhibition, various other works of Plesner are offered for sale besides this painting. The art sale exhibition will run (in any case) until the end of January 2011.

15. In addition thereto, Plesner once again started selling the *Simple Living* Products – i.e. the T-shirts and the posters -, which contain the picture of the Audra Bag (Exhibit 7). As far as Louis Vuitton has been able to ascertain, the *Simple Living* Products originating from Plesner are at present being sold in any case during the above-mentioned art sale exhibition by the respondent under 2. However, it cannot be excluded that these products are or will also be sold through other channels in Europe (see below).

16. The picture with the Audra Bag is also used by the respondents on various expressions originating from them, for example on the invitations to the art sale exhibition (Exhibit 8). Thus, the picture with the Audra Bag of Louis Vuitton is being used as an "eye-catcher" for the exhibition, where, as said, many other works of art of Plesner are offered for sale besides the painting with the Audra Bag.

17. Furthermore, the picture with the Audra Bag of Louis Vuitton is used in various places on Plesner's websites, including on the website www.nadiaplesner.com, where Plesner offers her products for sale under the name of "Geminink". As Exhibit 9 the home page of this site is submitted, i.e. the first page that visitors of Plesner's website get to see. The picture with the Audra Bag of Louis Vuitton is prominently placed here too.

[...]

23. As Louis Vuitton has not permitted the respondents to use the infringing pattern or to offer or to put on the market any products bearing the infringing pattern, or to perform any other act reserved by Louis Vuitton in respect of the pattern, the rights with regard to the Design are being infringed, as envisaged in Article 19 (1) of the Community Designs Regulation.

24. The picture showing the infringing pattern is being used in the Netherlands and in the rest of Europe, inter alia by its use on the websites of the respondent under 1, which are accessible in the Netherlands and the rest of Europe, and on which Plesner and her sole proprietorship with the Dutch business address are mentioned (cf. Exhibit 9). Furthermore, the pattern is used on the above-mentioned products that are being offered and sold by the respondents, including the *Simple Living* Products and the various expressions that have been disseminated in connection with the art sale exhibition in Denmark.

25. As far as said products are not yet being offered or sold in other European countries, there is a real and concrete threat that this will happen, since Plesner intends to put up the exhibition where the infringing products are being offered and sold also elsewhere in Europe.

Part A. of the relief sought is as follows.

[Louis Vuitton requests the Court in preliminary relief proceedings] to order the respondents immediately after service of the decision to be rendered on the basis of this application, to cease and desist any infringement, including by the acts specified in paragraphs 14-17 and 23-25 of this application, of the Community design with number 84223-0001 in the European Union;

2.13. In an *ex parte* decision of 28 January 2011 the Court in preliminary relief proceedings of The Hague prohibited Plesner and the gallery to infringe the Community design right of Louis Vuitton. The decision contains, *inter alia*, the following grounds for the decision.

2.3. In 2008 the respondent under 1 [Plesner, court] used a work of art to draw attention to the situation in Darfur, which may be described as genocide. The court understands that for this purpose she wished to draw attention to the poignant difference between luxury and affluence on the one hand, and poverty and famine in Darfur on the other hand. She has expressed the aspect of luxury by using the Design of the applicant in her work of art. She has succeeded in her purpose. Partly because of her work of art, the genocide in Darfur came to the attention of the general public in 2008. The impact of the work of art also contributed to the fame of the respondent under 1 as an artist. The applicant [Louis Vuitton, court] argues that the respondent under 1 is now using her work or art as an eye-catcher for her own products and work. As exhibit 8, it has submitted a representation of the use of the work or art as a signboard for her current exhibition in Copenhagen. The illustration used as an eye-catcher, as submitted in exhibit 8, is depicted below.



2.4. The Court in preliminary relief proceedings will not express an opinion on whether there was a ground for justification for the unauthorized use of the Design in 2008. In the present situation, and in view of the present use, it is unlikely that there is a ground for justification for the advertising and merchandising for the artist's own work. This entails that the injunction will be granted as requested in the manner set forth below. Considering the arguments put forward in the application in paragraph 35 ff., it is sufficiently plausible that a postponement would cause the applicant irreparable damage.

Part 3.1. of the relief sought is as follows.

[The Court in preliminary relief proceedings] orders each individual respondent immediately after service of this decision to cease and desist any infringement, including by the acts specified in paragraphs 14-17 and 23-25 of the application, of the Community design with number 84223-0001 in

the European Union;

3. The Dispute

3.1 Plesner claims – in summary – that in a judgment, to the extent possible provisionally enforceable, the Court in preliminary relief proceedings will review the decision of 27 January 2011 with application number KG RK 10-214, in the sense that the order imposed in this decision will be annulled, at any rate lifted, while ordering Louis Vuitton to pay the legal costs pursuant to Section 1019h of the Dutch Code of Civil Procedure (hereinafter: DCCP).

3.2 Louis Vuitton has put forward a defence.

3.3. Below, the arguments of the parties will be further discussed, in so far as relevant.

4. The Adjudication

4.1. Firstly, the parties differ of opinion on the question of whether under the *ex parte* order imposed, (acts with) the painting “Darfurnica” should also be included. The wording of the operative part of the judgment of the Court in preliminary relief proceedings indeed seems to suggest that also the exhibition and the offering for sale of the painting fall under the prohibited acts since they are described in number 14 of the application and the Court in preliminary relief proceedings has referred to the operative part of the judgment. However, at the hearing Louis Vuitton has indicated upon request that it does not wish that the order also extends to that painting, so that the order, for the sake of clarity, will already be reviewed to that extent.

4.2. Next, it is in dispute whether the prohibition (except for the painting Darfurnica) to use the illustration of the black boy with Chihuahua and bag (“*Simple Living*”) as shown under 2.6 and under 2.13, ground for the decision 2.3, has to be maintained. In this framework both parties rely on their fundamental right as set out in the European Convention on Human Rights (hereinafter: ECHR) and the accompanying Protocols. Plesner has argued that she is entitled to perform the act’s that Louis Vuitton holds against her on the basis of Article 10 of the ECHR, which relates to the freedom of expression. Louis Vuitton has invoked Article 1 of the first Protocol of the ECHR, that relates to the protection of property, including its design rights. That the concept of “property” in the last-mentioned provision should also include the rights of intellectual property has been confirmed by the European Court of Human Rights in the *Anheuser / Busch* decision (European Court of Human Rights 11 October 2005, IER 2007/46) and, moreover, has not been disputed by Plesner.

4.3. Since this case concerns fundamental rights that are on an equal footing but conflicting, according to established case law of the European Court of Human Rights, a fair balance should be sought between the general interest and the interests of the parties involved. In the *Appleby v. United Kingdom* case, in which complaints were brought forward about the fact that the owner of a shopping complex prohibited a particular demonstration while relying on his property right, the European Court of Human Rights considered as follows.

“39. The Court reiterates the key importance of freedom of expression as one of the preconditions for a functioning democracy. Genuine, effective exercise of this freedom does not depend merely on the State’s duty not to interfere, but may require positive measures of protection, even in the sphere of relations between individuals [...].

40. In determining whether or not a positive obligation exists, regard must be had to the fair balance

that has to be struck between the general interest of the community and the interests of the individual, the search for which is inherent throughout the Convention. The scope of this obligation will inevitably vary, having regard to the diversity of situations obtaining in Contracting States and the choices which must be made in terms of priorities and resources. Nor must such an obligation be interpreted in such a way as to impose an impossible or disproportionate burden on the authorities [...]."

European Court of Human Rights 6 May 2001 (*Appleby et al. - United Kingdom*, NJ 2010/207, AB 2004/139).

4.4. Plesner intends to increase the public's attention regarding the situation in Darfur, *inter alia* by making works of art in which she combines the situation in Darfur with the world of show business in an attempt to expose that, in her view, the world of glamour gets too much attention (of the media and the public) and the poignant situation in Darfur gets (much) too little. In this respect she uses illustrations with symbolic and/or iconic value, in which sometimes intellectual property rights are vested. Plesner has argued that this use is nevertheless justified, because these intellectual property rights cannot be held against her, since her right to freedom of (artistic) expression should outweigh these rights in the given circumstances.

4.5. Louis Vuitton has opposed the use of the work "*Simple Living*", in which Plesner has included the Audra bag or a bag with corresponding pattern, and the use of that work on T-shirts, posters and on the websites of Plesner, because according to Louis Vuitton, Plesner is thus infringing its Community design right for the Multicolor Canvas Design. In the framework of these proceedings it does not rely on possible other intellectual property rights or, for instance, performance.

4.6. Under preliminary judgment, in the present circumstances the interest of Plesner to (continue to) be able to express her (artistic) opinion through the work "*Simple Living*" should outweigh the interest of Louis Vuitton in the peaceful enjoyment of its possession. The following circumstances state the reasons in this respect

4.7. Louis Vuitton bases its action against Plesner especially on (potential) damage to its reputation. However, as stated, in the framework of these proceedings Louis Vuitton only relies on its Community design rights, the main objective of which is to establish a sole right for the rightholder to use the appearance of a product registered by it. Leaving aside the question of whether the function of the design right may also extend to the protection of the reputation of the design or even the reputation of the rightholder, under preliminary judgment this function is to be deemed less essential in any case.

4.8. Opposite Louis Vuitton's fundamental right to peaceful enjoyment of its exclusive rights to the use of the design, there is, according to established case law of the European Court of Human Rights, the fundamental right of Plesner that is high in a democratic society's priority list to express her opinion through her art. In this respect it applies that artists enjoy a considerable protection with regard to their artistic freedom, in which, in principle, art may "offend, shock or disturb" (cf. European Court of Human Rights 25 January 2007, *RvdW 2007*, 452, *Vereinigung Bildender Künstler v. Austria*, ground for the decision 26 and 33). In this respect it is furthermore important that the use by Plesner is to be regarded for the time being as functional and proportional and that it does not serve a mere commercial purpose. Under preliminary judgment it is plausible that Plesner's intention with "*Simple Living*" is not (or was not) to free ride with Louis Vuitton's reputation in a commercial sense. She rather uses Louis Vuitton's reputation to pass on her society-critical message as mentioned under 2.5 above and, moreover, besides the bag she also depicts another luxury/show business picture in the form of a Chihuahua dressed in pink. It has neither been argued, nor has it

become evident otherwise that at any moment Plesner has suggested that Louis Vuitton would be involved in the problems in Darfur (which would be incorrect). Apart from the question of whether it could be taken into consideration in this design-right case that after seeing “*Simple Living*” a part of the public could possibly think that Louis Vuitton (or, as the Court has added: a Chihuahua dressed in pink) is in any sense involved in the problems in Darfur, the Court in preliminary relief proceedings does not deem that this has become plausible and Louis Vuitton has not submitted any evidence thereof either, while in these preliminary relief proceedings there is no room to furnish further evidence. The circumstance that Louis Vuitton is a very well-known company, the products of which enjoy a considerable reputation, which it also stimulates through advertising famous people, moreover implies that Louis Vuitton must accept critical use as the present one to a stronger degree than other rightholders (cf., *inter alia*, European Court of Human Rights 15 February 2005, NJ 2006, 39, *Steel and Morris v. UK*, ground for the decision 94).

4.9. The circumstance that Plesner has begun to increasingly use the illustration of “*Simple Living*” as an eye-catcher for its activities, under preliminary judgment does not make her use unlawful. Firstly, as already considered, the illustration is to be regarded as a lawful statement of the (artistic) opinion of Plesner. This is not different if the illustration is somewhat used as an eye-catcher, all the more because Plesner has argued, insufficiently refuted, that the work occupies a central position in her oeuvre (concerning Darfur) and that to that extent establishing extra attention (for the exhibition with the problems in Darfur as a theme) is justified. The use as an eye-catcher does not already degenerate it into an expression of a ‘pure commercial nature’, just like a newspaper should not have a lesser far-reaching protection of the freedom of speech by pursuing profits with the articles it publishes. This requires convincing additional circumstances, which have neither been argued nor otherwise become evident.

4.10. The order imposed in the decision of 28 January 2011 will therefore be quashed in its entirety. In view hereof, the other objections against the remaining in force of the decision do not have to be discussed. The Court in preliminary relief proceedings does not give an opinion either on the question of whether the present case – in view of the mutual fundamental rights at stake and the related weighing of respective interests – was suitable for *ex parte* proceedings.

Ex tunc functioning of the quashing

4.11. In view of the fact that the respondent does not have any other remedies with which such a measure can be disputed, under preliminary judgment - different from what the Court in preliminary relief proceedings of this Court assumed on 14 December 2009, *iept* 20091214 (*Kruidvat - Adventure Bags*) - the review of the decision can be given with retroactive effect. After all, a different judgment would imply that the forfeiture of penalties in the interim as a result of a(n) (as afterwards ruled: wrongly) issued *ex parte* decision cannot be cancelled in any way whatsoever, since according to established case law proceedings on the merits to be instituted cannot affect the forfeited penalties as a consequence of the preliminary measure. Therefore, the Court in preliminary relief proceedings is convinced and will therefore pronounce the quashing with retroactive effect.

Legal Costs

4.12. Louis Vuitton, being the party found against, will be ordered to pay the costs of the proceedings. Plesner claims an order to pay the costs of the proceedings pursuant to Section 1019h of the DCCP and claims, according to her specification of costs submitted to the Court, a compensation in the amount of EUR 78,271, including an amount of EUR 8,368.50 for challenging proceedings.

4.13. Louis Vuitton objects against the – in its opinion in view of the nature of the present proceedings disproportional – amount of the costs on the part of Plesner. In this respect Louis Vuitton is referring to the Indication Rates in Intellectual Property cases, in which an amount of at most EUR 15,000 is attached to preliminary relief proceedings. The Court in preliminary relief proceedings will, in view of the objection of Louis Vuitton and in view of the fact that Plesner has not stated any special circumstances that justify why her costs would have to be considerably higher than the EUR 15,000 mentioned, take the Indication Rates as a starting point. Under preliminary judgment, the costs for the challenge requested by Plesner should not be included. After all, the challenge proceedings were not particularly aimed at (a defence against) the enforcement of an intellectual property right but to the replacement of a judge, to which, moreover, Louis Vuitton was not a formal party but only an interested party summoned pursuant to Section 271 of the DCCP. However, even if the challenge proceedings would have to be regarded as proceedings as meant in the Enforcement Directive or Section 1019h of the DCCP, respectively, fairness requires to oppose an order to pay the costs of the proceedings against Louis Vuitton, because, essentially, it has nothing to do with these proceedings between Plesner and the judge concerned.

4.14. The costs on the part of Plesner are therefore estimated to be:

- summons	EUR 76.31
- court registry fee	258.00
- attorney's fees	<u>15,000.00</u>
Total	EUR 15,334.31

In appropriate cases, the costs of the writ of summons must be increased by the turnover tax payable thereon.

5. The Decision

The Court in Preliminary Relief Proceedings

- 5.1. quashes the order (with retroactive effect) issued on 27 January 2011 against Plesner,
- 5.2. orders Louis Vuitton to pay the costs of the proceedings, which costs have been assessed until this date on the part of Plesner to be EUR 15,334.31,
- 5.3. declares this judgment provisionally enforceable;

This judgment is rendered by *mr.* E.F. Brinkman and pronounced in open court on 4 May 2011.

Hard Court Heroes

Bundesgerichtshof (German Federal Court of Justice)

Case I ZR 60/09, Judgement of 28 October 2010 ("Hartplatzhelden") Case Review and Comment

by **Dennis Jlussi**, Dipl. Jur., Research Assistant, Institut for Legal Informatics University of Hannover

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A. Lower instances:

- 1 Landgericht (District Court) Stuttgart, Case 41 O 3/08, Judgement of 8 May 2008¹
Oberlandesgericht (Court of Appeals) Stuttgart, Case 2 U 47/08, Judgement of 19 March 2009²

B. Background

- 2 The German website "Hartplatzhelden"³ is a website that allows its users to upload and share short videos of amateur football⁴ games. The regional football association WFV⁵ sued Hartplatzhelden in 2007 and requested them to cease and desist from publishing videos of football matches that took place in WFV competitions. WFV won its case in both preceding instances, but the 1st panel of the Bundesgerichtshof (BGH) disagreed and decided that Hartplatzhelden's service does not involve unfair commercial practices and does therefore not violate WFV's rights.

C. Unfair Commercial Practices and Intellectual Property

- 3 WFV based its claim mainly on German law on unfair commercial practices. Such law is not well harmonised in the EU; existing directives focus on commercial practices towards consumers.⁶ German law (UWG)⁷ constitutes – under certain conditions, that are discussed in the judgement – a protection against

the exploitation of one's commercial performances by third parties; jurisprudence has developed quite a few areas of application.

- 4 The legal protection of commercial performances is independent from Intellectual Property rights, and may therefore be applicable when no IP rights apply, or even after the term of protection has already expired.⁸
- 5 Football matches are, as the panel explains in accordance with its earlier jurisprudence⁹, not covered by intellectual property rights. Football is not an artistic performance; it lacks a screenplay, directions or anything else that could be seen as an artistic expression. The right to record or transmit audiovisual information of football games can only be derived from domiciliary rights; the owner of the football court or stadium can set up house rules that prohibit audiovisual devices, recordings or transmissions. Individually permitted exceptions from such house rules would not constitute a license in the sense of that a right is transferred, but would be a specification of or extension to the consent to the attendance of the "licensee" on private property.¹⁰
- 6 Such house rules can, as general terms, become part of the agreements between the organizer and each spectator.¹¹ No such house rules existed for the football courts where the objected video footage had been taken.

D. The Judgement

- 7 The panel takes two different bases for WfV's claim into consideration: At first, it discusses an act of unfair competition according to a specific example given by the law for such unfair act, namely imitation of a competitor's product or service, if thereby the reputation of the original is unreasonably exploited, § 4 No 9 lit b) UWG. Secondly, it considers deriving an exclusive right to publish video sequences of WfV's football games from the law's sweeping clause.

1. Imitation as Act of Unfair Competition?

- 8 The panel leaves open expressly whether the performances of an amateur football association are to be considered to be of commercial nature at all. Nevertheless, the panel finds that the videos uploaded to and made public by Hartplatzhelden are not imitations of the actual football games. The performances of WfV consist of organisational services, namely setting up tournament schedules, educating and organising referees and providing the organisational framework with the necessary rules, laws, committees, officials, and arbitration courts. Evidently, none of those services is imitated by videos published on the Hartplatzhelden website. Even if the football games as such could be seen as commercial performances of WfV, videos of them would not be imitations, as videos are clearly distinguishable from live games, and are typically not seen even seen as substitute services by consumers (the panel makes clear that this might only apply to amateur and not to professional football). The videos are, in contrast, discrete performances. They base upon the actual games, but offering discrete secondary products or services that only base on products or services of a third party is not seen as unfair competition, but as a natural element of a competitive market – like spare parts or accessories by a third party.¹²
- 9 The panel furthermore finds that Hartplatzhelden's service was not an unreasonable exploitation of the reputation of WfV or its services. An exploitation requires the imitator to transfer the associations of recipients of the service in regard to quality and excellence of the original service. This is not the case.

2. Exclusive Right under the Sweeping Clause?

- 10 The imitations clause is only one of the non-exhaustive examples of unfair commercial practices provided by the law. Therefore, the panel was free to consider Hartplatzhelden's service unfair under the sweeping clause, § 3 (1) UWG, which reads: "Unfair

commercial practices are illegal, if they may noticeably affect the interests of competitors, consumers or other market actors".

This part of the judgement is quite illustrative, as the panel discusses many principles and case groups that have previously been developed under the sweeping clause:

- 11 Sports events as such have no commercial value.¹³ The commercial value is rather made of the opportunities to sell entrance tickets or to exploit audiovisual broadcasts or recordings. Both is secured by domiciliary rights.¹⁴ A violation of such domiciliary rights could be an unfair commercial practice under the sweeping clause, but no such violation was claimed by WfV.
- 12 In its earlier jurisprudence,¹⁵ the court had left open whether sport events require legal protection beyond domiciliary rights under certain circumstances. The panel leaves the general question still unanswered, but declines additional protection in this case:
- 13 WfV's commercial opportunities to operate an audiovisual internet website with scenes from its football games (or sell a "license" for this) are affected by the Hartplatzhelden website. But this is seen as a normal effect in a competitive economy by the panel. WfV shall, as all market actors, bear competition by others addressing the same group of customers with similar services. In weighting legal values and interests of WfV and Hartplatzhelden, the panel finds that Hartplatzhelden have a legitimate interest, protected by the constitutional right of professional freedom¹⁶ and also freedom of press.¹⁷ No special interests exist on WfV's side: There is no huge capital investment affected, and the Hartplatzhelden website does not noticeably affects WfV's general business, namely organising football competitions, as royalties for videos do not play an important role in amateur football. This also applies to WfV's member clubs, which are not affected in their business by Hartplatzhelden.
- 14 The panel also notes that the Hartplatzhelden website is in the public interest, protected by the constitutional freedom of information.¹⁸ The public is – as the usage of the Hartplatzhelden website proves – interested in audiovisual information of amateur football games. This demand is, due to the large number of games taking place, not met by classic media in Germany.
- 15 Another case group discussed by the panel is an unlawful adoption of commercial performances. This would be the case if Hartplatzhelden adopted a commercial performance, which is typically only available for a fee on the market, without permission and free of charge, in order to promote its own services.¹⁹ But Hartplatzhelden neither lack a permission,

which would have to be expressly denied in this case by house rules, nor are permissions to record or publish audiovisual information of amateur football games typically issued for a fee.

- 16 The panel concludes that the Hartplatzhelden website is not operated with unfair commercial practices; therefore, it had to decline WFV's claims to cease and desist from publishing videos of amateur football games.

E. Official Head Notes (translated)

1. Direct exploitation of a commercial performance of a competitor is not an imitation as stated in § 4 No. 9 UWG.
2. A football association that organises, in co-operation with its member clubs, amateur football games within its territory, is not being violated in its rights – especially not an eventual exclusive exploitation right that could be derived from § 3 UWG – by the publication of detached sequences of the matches on an internet platform.

F. The Judgement in German Full Text

1. Amtliche Leitsätze:

1. Die unmittelbare Übernahme des Leistungsergebnisses eines Dritten ist keine Nachahmung im Sinne von § 4 Nr. 9 UWG.
2. Ein Fußballverband, der in seinem Verbandsgebiet zusammen mit den ihm angehörenden Vereinen Amateurfußballspiele (hier: Verbandsligaspiele) durchführt, wird nicht dadurch in unlauterer Weise in einem etwa unmittelbar aus § 3 UWG abzuleitenden ausschließlichen Verwertungsrecht verletzt, dass Filmausschnitte, die einzelne Szenen des Spielgeschehens wiedergeben, auf einem Internetportal veröffentlicht werden.

2. Aus den Gründen:

Der Kläger, der Württembergische Fußballverband e.V., ist die Vereinigung der den Fußballsport betreibenden Vereine des früheren Landes Württemberg (einschließlich Hohenzollern). Er führt den Spielbetrieb im Amateurfußballbereich durch, stellt Spielpläne auf, organisiert die Sportgerichtsbarkeit und bildet Schiedsrichter aus. Nach § 13 seiner Satzung „besitzt er das Recht, über Fernseh-

und Hörfunkübertragungen von Verbands- und Freundschaftsspielen ... Verträge zu schließen und die Vergütungen aus solchen Verträgen für die Vereine treuhänderisch zu vereinnahmen und an diese zu verteilen“.

Die Beklagte [...] betreibt unter der Internet-Adresse „www.hartplatzhelden.de“ ein Internetportal, in das jedermann nach vorheriger Anmeldung Ausschnitte von Filmaufnahmen von Fußballspielen einstellen kann, die von jedem Internetnutzer kostenlos abgerufen und angesehen werden können. Die Filmausschnitte zeigen einzelne Szenen des Spielgeschehens von ein- bis eineinhalbminütiger Dauer. Die Beklagte [...] finanziert das Internetportal durch Werbeeinnahmen.

Der Kläger ist der Ansicht, dass ihm als Veranstalter der Fußballspiele in seinem Verbandsgebiet die ausschließlichen Rechte an der gewerblichen Verwertung dieser Spiele zustehen. Er habe gegen die Beklagten daher unter den Gesichtspunkten der unzulässigen Leistungsübernahme, der wettbewerbswidrigen Behinderung sowie des Eingriffs in sein Recht am eingerichteten und ausgeübten Gewerbebetrieb einen Anspruch auf Unterlassung.

I.

Das Berufungsgericht hat angenommen, dass dem Kläger die gegen die Beklagten geltend gemachten Ansprüche auf Unterlassung und Zahlung der Abmahnkosten aus Wettbewerbsrecht sowie nach §§ 1004, 823, 249 BGB zustehen. Zur Begründung hat es ausgeführt:

Die Unterlassungsansprüche folgten aus §§ 3, 4 Nr. 9 Buchst. b, § 2 UWG. Zwischen den Parteien, die im geschäftlichen Verkehr handelten, bestehe ein Wettbewerbsverhältnis; der Kläger habe in der Berufungsinstanz unwidersprochen vorgetragen, er habe inzwischen einen Verwertungsvertrag über Amateurspiele in seinem Verbandsspielbetrieb geschlossen.

Der Kläger mache zu Recht geltend, durch das angegriffene Internetportal der Beklagten würden Leistungen, die er zu verwerten berechtigt sei, im Sinne von § 4 Nr. 9 UWG nachgeahmt. Ein Fußballspiel sei eine nachahmungsfähige Leistung im Sinne des § 4 Nr. 9 UWG. Der Kläger, der den organisatorischen Rahmen für den Wettkampfsport im Amateurbereich schaffe, sei Mitveranstalter der Fußballspiele und gehöre daher in Bezug auf diese Leistungen zum Kreis der wettbewerbsrechtlich geschützten Personen. Eine Nachahmung im Sinne von § 4 Nr. 9 UWG könne auch darin bestehen, dass eine fremde Dienstleistung in eine gegebenenfalls umfassendere eigene Dienstleistung übernommen werde. Sie liege auch dann vor, wenn nicht das gesamte Produkt übernommen werde, sondern lediglich ein zeitli-

cher Ausschnitt, der aber einen Rückschluss auf jenes erlaube, wie es bei den beanstandeten Verwerfungsformen der Beklagten der Fall sei.

Die Nachahmung sei unlauter. Durch die Filmaufzeichnungen, deren Verwertung die Beklagten anböten, werde das jeweilige Ergebnis der Veranstalterleistung des Klägers festgehalten. Die Beklagte zu 1 handele unlauter, weil sie die von Dritten ohne Erlaubnis vorgenommenen und daher rechtswidrigen Aufnahmen zu geschäftlichen Zwecken ausnutze.

Die geltend gemachten Unterlassungsansprüche bestünden auch nach §§ 1004, 823 BGB wegen rechtswidrigen Eingriffs in den eingerichteten und ausgeübten Gewerbebetrieb des Klägers. Ob daneben inhaltsgleiche Ansprüche aus §§ 3, 4 Nr. 10 UWG oder aus § 3 UWG unmittelbar in Betracht kämen, könne offenbleiben.

I .
Diese Beurteilung hält der revisionsrechtlichen Nachprüfung nicht stand.

1 .
Die geltend gemachten Unterlassungsansprüche ergeben sich nicht aus §§ 8, 3, 4 Nr. 9 Buchst. b UWG. Entgegen der Auffassung des Berufungsgerichts bieten die Beklagten keine Dienstleistungen an, die als Nachahmung von Dienstleistungen des Klägers im Sinne von § 4 Nr. 9 UWG anzusehen sind und durch die die Wertschätzung von dessen Dienstleistungen unangemessen ausgenutzt wird.

a) Nach den Feststellungen des Berufungsgerichts stellt der Kläger in seinem Verbandsgebiet den organisatorischen Rahmen für den Fußball-Wettkampfsport im Amateurbereich zur Verfügung. Er erstellt insbesondere das Regelwerk und die Spielpläne, organisiert das Schiedsrichterwesen und hält eine Sportgerichtsbarkeit vor. Die Beklagten bieten keine Leistungen an, die als Nachahmung dieser Dienstleistungen des Klägers angesehen werden könnten.

b) Das Berufungsgericht hat die wettbewerbswidrige Handlung der Beklagten allerdings auch nicht darin gesehen, dass sie die genannten organisatorischen Leistungen des Klägers nachahmten. Die unlautere Nachahmungshandlung der Beklagten im Sinne des § 4 Nr. 9 UWG bestehe vielmehr darin, dass diese mit dem beanstandeten Angebot ihres Internetportals einen Teil der Leistung „Fußballspiel“ in der Ausgestaltung übernehme, wie sich diese Leistung aus dem Zusammenwirken des Klägers mit den ihm angehörigen Vereinen ergebe.

c) Dieser Ansicht des Berufungsgerichts kann aus Rechtsgründen nicht gefolgt werden. Dabei kann offenbleiben, ob und in welchem Umfang die Veranstaltung eines Fußballspiels eine nach § 4 Nr. 9 UWG

schutzfähige Leistung darstellt. Die Beklagten bieten mit ihrem Internetportal selbst keine einem Fußballspiel oder dessen Durchführung vergleichbare Leistung an. Entgegen der Auffassung des Berufungsgerichts können auch die auf dem Portal der Beklagten abrufbaren Filmaufzeichnungen Dritter von Teilen von Fußballspielen nicht als von den Beklagten zu verantwortende Nachahmungen von Leistungsergebnissen angesehen werden, die in der Veranstaltung dieser Fußballspiele selbst bestehen. Die Filmaufzeichnung eines (Teils eines) Fußballspiels ist keine Nachahmung einer in dem Fußballspiel selbst oder in dessen Veranstaltung und Durchführung bestehenden Leistung im Sinne von § 4 Nr. 9 UWG; sie stellt vielmehr eine lediglich daran anknüpfende eigenständige Leistung dar (Ernst, jurisPR-WettBR 5/2009 Anm. 3; Feldmann/Höppner, K&R 2008, 421, 424; Hoeren/Schröder, MMR 2008, 553, 554; Köhler in Köhler/Bornkamm, UWG, 28. Aufl., § 4 Rn. 9.38; Ohly in Piper/Ohly/Sosnitza, UWG, 5. Aufl., § 4 Rn. 9/45; ders., GRUR 2010, 487, 492). Das in der Veranstaltung eines Fußballspiels bestehende Leistungsergebnis wird von den an dieser Sportveranstaltung Beteiligten, also insbesondere von den Spielern, den Schieds- und Linienrichtern,

den für die Organisation des betreffenden Spiels verantwortlichen Mitgliedern und Organen der beteiligten Vereine sowie gegebenenfalls von dem den betreffenden Wettbewerb organisierenden Verband geschaffen. Sowohl die von diesen Beteiligten erbrachten Teilleistungen als auch die dadurch bewirkte Gesamtleistung unterscheiden sich ihrem Inhalt und ihrer Art nach grundlegend von der Leistung, die ein Dritter dadurch erbringt, dass er einen Teil des betreffenden Fußballspiels in einer Filmaufzeichnung festhält.

Soweit darin eine Ausnutzung der Leistungen der an der Durchführung des Fußballspiels Beteiligten liegt, erfolgt sie nicht durch eine (identische oder annähernde) Nachahmung dieser Leistungen oder eines Teils von ihnen, sondern allenfalls durch eine von der Nachahmung zu unterscheidende unmittelbare Übernahme des Leistungsergebnisses des Dritten (zu dieser Unterscheidung vgl. BGH, Urteil vom 31. Mai 1960 - I ZR 64/58, BGHZ 33, 20, 29 - Figaros Hochzeit; Beschluss vom 27. Februar 1962 - I ZR 118/60, BGHZ 37, 1, 20 - AKI; BGH, Urteil vom 24. Mai 1963 - I ZR 62/62, BGHZ 39, 352, 356 - Vortragsabend). Der unmittelbare Schutz des Leistungsergebnisses als solches ist – anders als die häufig gleichfalls als unmittelbare Leistungsübernahme bezeichnete identische Nachahmung fremder Leistungen – nicht Gegenstand des wettbewerbsrechtlichen Schutzes nach § 4 Nr. 9 UWG (vgl. BGH, Urteil vom 2. Dezember 2004 - I ZR 30/02, BGHZ 161, 204, 213 - Klemmbausteine III; Köhler in Köhler/Bornkamm aaO § 4 Rn. 9.4; Harte/Henning/Sambuc, UWG, 2. Aufl., § 4 Nr. 9 Rn. 11 ff.; Ohly in Piper/Ohly/Sosnitza aaO § 4 Rn. 9/3).

d) Außerdem fehlt es im vorliegenden Fall an einer unangemessenen Ausnutzung der Wertschätzung einer Dienstleistung des Klägers. Eine nach § 4 Nr. 9 Buchst. b Fall 1 UWG unlautere Rufausnutzung setzt voraus, dass die Vorstellung der Güte oder Qualität eines bestimmten Produkts auf ein anderes übertragen wird (vgl. BGH, Urteil vom 15. April 2010 - I ZR 145/08, GRUR 2010, 1125 Rn. 42 = WRP 2010, 1465 - Femur-Teil, mwN). Für eine solche Rufübertragung bestehen nach den Feststellungen des Berufungsgerichts und dem Vorbringen des Klägers keine Anhaltspunkte. Der Umstand, dass Fußballspiele als solche sowie die mit ihrer Veranstaltung zusammenhängenden Leistungen beim Publikum eine gewisse Wertschätzung erfahren, reicht entgegen der Auffassung des Berufungsgerichts für die Annahme einer unlauteren Rufausnutzung nicht aus, weil sich daraus nicht ergibt, dass diese Wertschätzung auf die Dienstleistung der Beklagten übertragen wird.

2

Es kann dahinstehen, ob und gegebenenfalls unter welchen Voraussetzungen unmittelbarer Leistungsschutz auf der Grundlage von § 3 Abs. 1 UWG gewährt werden kann, wenn die Voraussetzungen der in § 4 Nr. 9 UWG geregelten Unlauterkeitstatbestände nicht vorliegen. Dem Kläger steht jedenfalls zum Schutz seiner zur Durchführung der Verbandsspiele erbrachten organisatorischen Leistungen kein unmittelbar auf §§ 8, 3 Abs. 1 UWG zu stützender Abwehranspruch zu.

a) Das Berufungsgericht ist bei seiner im Ergebnis gegenteiligen Beurteilung (im Rahmen der Prüfung eines Eingriffs in den eingerichteten und ausgeübten Gewerbebetrieb) davon ausgegangen, dass dem Kläger als Mitveranstalter der Fußballspiele in seinem Verbandsgebiet das ausschließliche Recht zusteht, diese Fußballspiele oder Teile davon in der Weise zu vermarkten, dass er Filmaufzeichnungen dieser Spiele auf einem Internetportal wie demjenigen der Beklagten der Öffentlichkeit zugänglich macht oder Dritten (gegen Entgelt) das Recht zu einer entsprechenden Nutzung einräumt. Nach Ansicht des Berufungsgerichts unterscheiden sich die Rechte, die dem Kläger als Mitveranstalter der Amateurfußballspiele in seinem Verbandsgebiet im Hinblick auf deren Vermarktung zustehen, nicht von den ausschließlichen Verwertungsrechten des Veranstalters eines Fußballspiels im Profibereich oder einer vergleichbaren gewerblichen Veranstaltung. Dem kann aus Rechtsgründen nicht gefolgt werden.

aa) Nach der vom Berufungsgericht in diesem Zusammenhang angeführten Rechtsprechung des Bundesgerichtshofs zur Vermarktung von Sportveranstaltungen durch die Einräumung der Befugnis zur Fernsehübertragung steht dem Veranstalter einer Sportveranstaltung anders als dem Veranstalter der Darbietung eines ausübenden Künstlers (§ 81 UrhG) kein verwandtes Schutzrecht zu (vgl. BGH,

Beschluss vom 14. März 1990 - KVR 4/88, BGHZ 110, 371, 383 - Sportübertragungen). Die Erlaubnis des Veranstalters zur Fernsehübertragung einer Sportveranstaltung ist daher im Rechtssinn keine Übertragung von Rechten, sondern eine Einwilligung in Eingriffe, die der Veranstalter aufgrund ihm zustehender Rechtspositionen verbieten könnte. Eine solche Rechtsposition ist nach der Rechtsprechung des Bundesgerichtshofs das Hausrecht, mit dessen Hilfe der Berechtigte Dritte von der unentgeltlichen Wahrnehmung des von ihm veranstalteten Spiels ausschließen und sich bei bedeutsamen Sportereignissen somit die Verwertung der von ihm erbrachten Leistung sichern kann (BGH, Urteil vom 8. November 2005 - KZR 37/03, BGHZ 165, 62, 69 f. - "Hörfunkrechte").

bb) Dabei stellt das Sportereignis als solches noch keinen wirtschaftlichen Wert dar (BGHZ 165, 62, 73 - "Hörfunkrechte"). Der wirtschaftliche Wert besteht allein in der Möglichkeit, die Wahrnehmung des Ereignisses in Bild und Ton durch das sportinteressierte Publikum - sei es durch den Stadionbesucher oder sei es durch den Zuschauer oder Hörer, der sich mit Hilfe entsprechender Medien informiert - zu verwerten. Das Hausrecht dient in diesem Zusammenhang der Sicherung dieser Verwertung der vom Veranstalter des Sportereignisses erbrachten Leistung. Das Berufungsgericht hat im Streitfall nicht festgestellt, dass die Fußballspiele, die im Verbandsgebiet des Klägers gefilmt worden sind und im Internetportal der Beklagten in Auszügen angeschaut werden können, unter Verletzung des Hausrechts des für den jeweiligen Veranstaltungsort Berechtigten gefilmt worden sind. Der Kläger hat dies auch nicht geltend gemacht.

b) In der angeführten Entscheidung "Sportübertragungen" des Bundesgerichtshofs (BGHZ 110, 371, 383 f.; vgl. ferner BGH, Beschluss vom 11. Dezember 1997 - KVR 7/96, BGHZ 137, 297, 307 - Europapokalheimsiege) ist nicht näher ausgeführt, ob und in welchem Umfang dem Veranstalter eines Sportereignisses zum Schutz seiner wirtschaftlichen Interessen neben Ansprüchen aus seinem Hausrecht "je nach Fallgestaltung" wettbewerbsrechtliche Abwehransprüche zustehen. Jedenfalls im Hinblick auf die hier in Rede stehenden Handlungen der Beklagten ist eine entsprechende ausschließliche Verwertungsbefugnis des Klägers unter diesem rechtlichen Gesichtspunkt nicht gegeben.

aa) Ein anderes Ergebnis kann entgegen der Auffassung des Berufungsgerichts nicht schon daraus hergeleitet werden, dass der Kläger entsprechende Filmaufnahmen Dritter selbst über ein Internetportal verwerten und dadurch Einnahmen erzielen könnte. Von der Möglichkeit, sich über das Hausrecht der ihm angehörigen Vereine im Zusammenwirken mit diesen eine entsprechende Verwertung zu sichern, hat der Kläger, wie ausgeführt, keinen

Gebrauch gemacht. Zwar hat der Betrieb der Internetplattform der Beklagten zur Folge, dass dem Kläger jedenfalls ein Teil des angesprochenen Nutzerkreises als Abnehmer entzogen wird, soweit der Kläger sich selbst auf diesem Gebiet betätigen oder Dritten eine solche Tätigkeit gegen Entgelt erlauben will. Die damit verbundene Beeinträchtigung seiner wirtschaftlichen Betätigungsmöglichkeiten muss der Kläger als eine wettbewerbskonforme Auswirkung des Wettbewerbs um Kunden jedoch grundsätzlich hinnehmen.

bb) Würde die in Rede stehende Verwertungsbefugnis ausschließlich dem Kläger zugewiesen, so wäre damit eine Einschränkung der Wettbewerbsfreiheit verbunden, die im Hinblick auf die grundrechtlich geschützten Interessen der Beklagten (Art. 5 Abs. 1 und Art. 12 Abs. 1 Satz 1 GG) nur bei einem überwiegenden Interesse des Klägers gerechtfertigt werden könnte. Ein solches überwiegendes Interesse des Klägers kann jedoch nicht angenommen werden. Insbesondere ist der vom Kläger begehrte Rechtsschutz nicht erforderlich, um für ihn ein Leistungsergebnis zu schützen, für das er erhebliche Investitionen getätigt hätte und dessen Erbringung und Bestand ohne diesen Rechtsschutz ernstlich in Gefahr geriete (vgl. dazu Ehmann, GRUR Int. 2009, 659, 661, 664; Ohly in Piper/Ohly/Sosnitza aaO § 4 Rn. 9/80; Peukert, WRP, 2010, 316, 320 mwN).

Es ist nicht ersichtlich, dass durch das nachträgliche Einstellen von Filmaufzeichnungen auf dem Online-Portal der Beklagten die Durchführung der Fußballspiele im Verbandsgebiet des Klägers als solche in irgendeiner Weise beeinträchtigt würde und dass die Verwertungshandlungen der Beklagten insbesondere der Nachfrage nach den unter Mitwirkung des Klägers angebotenen Fußballveranstaltungen abträglich sein könnten (vgl. zu diesem Gesichtspunkt BGHZ 39, 352, 357 - Vortragsabend). Es spricht auch nichts dafür, dass der Kläger und die ihm angehörigen Vereine ohne die ausschließliche Zuweisung der in Rede stehenden Vermarktungsrechte nicht mehr in der Lage wären, die für die Durchführung des Spielbetriebs notwendigen Investitionen zu tätigen. Anders als bei Fußballveranstaltungen im Profibereich spielt die Vermarktung des Spiels durch Vergabe von "Übertragungs- und Aufzeichnungsrechten" im Amateurbereich auf der Ebene der von den jeweiligen Landesverbänden durchgeführten Verbandsspiele auch nach Ansicht der Revisionserwiderung keine maßgebliche wirtschaftliche Rolle. Die Erteilung von Erlaubnissen, die in Rede stehenden Verbandsspiele zu filmen, gehört nicht zu dem typischen Tätigkeitsbereich der Veranstalter solcher Spiele und damit nicht zum wesenseigenen gewerblichen Tätigkeitsbereich des Klägers als deren Mitveranstalter (vgl. dazu BGH, Urteil vom 29. April 1970 - I ZR 30/68, GRUR 1971, 46, 47 - Bubi Scholz, dort bezogen auf die Fernsehausstrahlung).

cc) Das Verhalten der Beklagten kann demnach auch nicht deshalb als unzulässig angesehen werden, weil sie sich damit Leistungen Dritter, die erfahrungsgemäß nur gegen eine angemessene Vergütung zur Verfügung gestellt werden, ohne Erlaubnis aneigneten und kostenlos zur Förderung des eigenen gewerblichen Gewinnstrebens ausnutzten (vgl. dazu BGHZ 33, 20, 28 - Figaros Hochzeit). Zwar mag im Einzelfall wegen eines besonderen Zuschauerinteresses auch eine Fernseh- oder sonstige Übertragung von Teilen eines Verbandsspieles des Klägers in Betracht kommen. In diesem Fall kann sich der Kläger die ausschließliche wirtschaftliche Verwertung jedoch dadurch sichern, dass er über das Hausrecht des Berechtigten Filmaufnahmen Dritter unterbindet oder nur gegen Entgelt zulässt. Die dem Kläger danach im Einzelfall offenstehende Möglichkeit der ausschließlichen Verwertung wird durch das Angebot der Beklagten als solches nicht beeinträchtigt. Neben dieser Möglichkeit des Klägers, sich die in Rede stehende Verwertung im Zusammenwirken mit den ihm angehörigen Vereinen über deren Hausrecht zu sichern, ist bei der Abwägung der beiderseitigen Interessen maßgeblich zu berücksichtigen, dass auf der anderen Seite - wie die Inanspruchnahme des Angebots der Beklagten zeigt - gerade auch im Amateurbereich ein Informationsinteresse der Allgemeinheit (Art. 5 Abs. 1 GG) besteht, das angesichts der Vielzahl der Spiele durch die Medien nicht befriedigt werden kann (vgl. dazu Ohly, GRUR 2010, 487, 493).

dd) Der Umstand, dass die gewerbliche Leistung der Beklagten überhaupt erst durch die Planung und Durchführung der betreffenden Fußballspiele - also zumindest auch durch den in diesem Rahmen erbrachten organisatorischen Beitrag des Klägers - ermöglicht wird, führt gleichfalls als solcher nicht zur Unzulässigkeit des Verhaltens der Beklagten. Das Angebot gewerblicher Leistungen, die auf Arbeitsergebnissen von Mitbewerbern aufbauen, ist, wie beispielsweise die Zulässigkeit des Vertriebs von Ersatzteilen und Zubehör zu den Waren eines anderen zeigt, grundsätzlich rechtlich nicht zu beanstanden (vgl. bereits BGH, Urteil vom 22. April 1958 - I ZR 67/57, BGHZ 27, 264, 267 f. - Box-Programme). Es ist weder wettbewerbsrechtlich noch zum Schutz des Rechts am eingerichteten und ausgeübten Gewerbebetrieb geboten, denjenigen, der eine Leistung erbringt, grundsätzlich auch an allen späteren Auswertungsarten seiner Leistung zu beteiligen (vgl. BGHZ 37, 1, 21 - AKI). Dazu kann zwar Anlass bestehen, wenn die betreffende Leistung Dritten ohne weiteres zugänglich ist und sich durch die diesen dadurch gegebene Möglichkeit der ungehinderten Ausbeutung die wirtschaftliche Position des Leistenden verschlechtert (vgl. BGHZ 37, 1, 21 - AKI). Diese Voraussetzungen sind im vorliegenden Fall jedoch nicht gegeben, weil die in Rede stehende Verwertung Dritten gegenüber durch die Ausübung des Hausrechts abgegrenzt werden kann.

Soweit das Berufungsgericht seine gegenteilige Beurteilung unter Berufung auf die Rechtsprechung des Bundesgerichtshofs (auch) damit begründet hat, bereits die Aufnahme von Teilen von Fußballspielen im Verbandsgebiet des Klägers sei unlauter und damit rechtswidrig, wenn sie ohne Erlaubnis vorgenommen werde, kann dem gleichfalls nicht zugestimmt werden. Bei der vom Berufungsgericht in diesem Zusammenhang angeführten Senatsentscheidung „Vortragsabend“ (BGHZ 39, 352) ging es um die wettbewerbsrechtliche Beurteilung der Tonbandaufnahme des Vortragsabends eines Kabarettisten, die von einer Rundfunkanstalt für eine Rundfunksendung angefertigt worden war. Der Senat hat darin eine nach § 1 UWG 1909 unlautere Wettbewerbsmaßnahme der zum Veranstalter des Vortragsabends in einem Wettbewerbsverhältnis stehenden Rundfunkanstalt gesehen, weil bereits die Festlegung der Veranstaltung auf einem Tonband die Gefahr begründet, dass die Leistung des Veranstalters zu Zwecken ausgewertet wird, die der Nachfrage nach den von ihm angebotenen Unterhaltungsdarbietungen in Form von Vortragsabenden abträglich sein könnten (BGHZ 39, 352, 356 f. - Vortragsabend). Damit ist der vorliegend zu beurteilende Sachverhalt nicht vergleichbar. Die Nachfrage nach den vom Kläger (mit)veranstalteten Amateur-Fußballspielen in seinem Verbandsgebiet wird – wie dargelegt (oben Rn. 26) – nicht dadurch berührt, dass einzelne Privatpersonen Teile davon aufnehmen und diese Filmausschnitte über das Internetportal der Beklagten der Öffentlichkeit zugänglich machen. Ob – wie das Berufungsgericht weiter gemeint hat – durch derartige Filmaufnahmen bereits als solche und stärker noch durch deren Veröffentlichung das allgemeine Persönlichkeitsrecht oder das Grundrecht auf Ehrenschutz von Spielern und Zuschauern verletzt werden, indem sie ungefragt und oft in unvorteilhaften Posen oder Szenen aufgenommen und zur Schau gestellt werden, ist in diesem Zusammenhang ebenfalls ohne Bedeutung, weil etwaige Rechtsverletzungen dieser Art nicht vom Kläger geltend gemacht werden könnten. Außerdem rügt die Revision mit Recht, dass es sich bei der Annahme des Berufungsgerichts, die Aufnahmen und deren Weiterverbreitung stellten häufig Persönlichkeitsrechtsverletzungen der abgebildeten Personen dar, um eine bloße Vermutung handelt. Die rechtliche Beurteilung, ob Persönlichkeitsrechte Dritter im Einzelfall verletzt werden, setzte Feststellungen zu konkreten Einheiten der auf der Internetplattform der Beklagten eingestellten Filmaufnahmen, insbesondere zu deren genauem Inhalt und zu einem möglichen (ausdrücklich oder konkludent erklärten) Einverständnis der betroffenen Personen voraus. Solche Feststellungen hat das Berufungsgericht nicht getroffen.

3

Die auf Unterlassung gerichteten Klageansprüche sind auch nicht nach § 823 Abs. 1, § 1004 BGB wegen

eines rechtswidrigen Eingriffs der Beklagten in einen eingerichteten und ausgeübten Gewerbebetrieb des Klägers begründet. Entgegen der Auffassung des Berufungsgerichts greifen die Beklagten mit dem Angebot ihres Internetportals, in das Filmaufzeichnungen von Fußballspielen im Verbandsgebiet des Klägers ohne dessen Erlaubnis eingestellt und Dritten zum Abruf zugänglich gemacht werden können, aus den vorstehend genannten Gründen nicht in den rechtlichen Zuweisungsbereich eines eingerichteten und ausgeübten Gewerbebetriebs des Klägers ein. [...]. Das Berufungsurteil stellt sich auch nicht aus anderen Gründen als richtig dar (§ 561 ZPO). Aus den vorstehenden Ausführungen folgt, dass die Klageansprüche ferner nicht nach §§ 3, 4 Nr. 10 UWG begründet sind. Die in dem Angebot der Beklagten liegende Ausnutzung (auch) der (Vor-)Leistungen des Klägers ist keine gezielte Behinderung im Sinne des § 4 Nr. 10 UWG; vielmehr stellt sie sich aus den oben (Rn. 19 ff.) angeführten Gründen lediglich als eine dem Wettbewerb eigene Beeinträchtigung der wettbewerblichen Entfaltungsmöglichkeiten des Klägers dar, die dieser als solche wie jeder Wettbewerber hinzunehmen hat (vgl. BGH, Urteil vom 17. Mai 2001 - I ZR 216/99, BGHZ 148, 1, 5 - Mitwohnenzentrale.de; Urteil vom 11. Januar 2007 - I ZR 96/04, BGHZ 171, 73 Rn. 21 - Außendienstmitarbeiter). Sonstige besondere Umstände, die die Unlauterkeit eines Verhaltens wie des in Rede stehenden Angebots der Beklagten begründen können, wie etwa eine Irreführung der angesprochenen Verkehrskreise über die Herkunft dieses Leistungsangebots (vgl. BGHZ 27, 264, 268 f. - Box-Programmheft; BGH, Urteil vom 19. Dezember 1961 - I ZR 117/60, GRUR 1962, 254, 255 - Fußball-Programmheft), sind im vorliegenden Fall nicht festgestellt. [...]

- 1 Annotations and referring articles in German by: Hoeren/Schröder, MMR 2008, 553; Maume, MMR 2008, 797.
- 2 Annotations and referring articles in German by: Fesenmair, NJOZ 2009, 3673; Maume, MMR 2009, 398; Musiol, FD-GewRS 2009, 281523; Ohly, GRUR 2010, 487; Paal, CR 2009, 438.
- 3 Literally translates to “hard court heroes” and refers to clay courts that are typically played on in amateur football. The pun understanding “court” as “law court” in this context does unfortunately not work in German language.
- 4 The term is used for association football in this article.
- 5 WFV stands for “Württembergischer Fußballverband“, a south-western German regional football association; the federalistic organisational structure of German football reflects roughly the country’s political structure.
- 6 Directive 2005/29/EC concerning unfair business-to-consumer commercial practices; see Article 1 for the scope towards consumer protection. Directive 84/450/EEC concerning misleading and comparative advertising also focuses on consumer protection (see recitals), but is also aimed at the protection of competitors and the general public (see Article 4) and is applicable not only in a consumer context.
- 7 Unfair commercial practices are mainly regulated by “UWG” – “Gesetz gegen den Unlauteren Wettbewerb” (Act Against Unfair Competition) in Germany.

- 8 See BGH, Case I ZR 128/82, Judgement of 8 November 1984 (“Tchibo ./ . Rolex I”).
- 9 BGH, Case KZR 37/03, Judgement of 8 November 2005 (“Hörfunkrechte”); Case KVR 4/88, Judgement of 14 March 1990 (“Sportübertragungen”).
- 10 It is questionable whether this could work in amateur football, as many clubs play on municipal courts or on other courts where they might not be entitled to establish house rules; furthermore, many amateur courts – in contrast to professional football stadiums – allow insight from public ground.
- 11 See also BGH, Case V ZR 44/10, Judgement of 27 December 2010, “Preußische Schlösser und Gärten” – photos of Prussian palaces taken from within the private property around them.
- 12 See BGH, Case I ZR 67/57, Judgement of 22 April 1958, “Box-Programmheft”.
- 13 See BGH, “Hörfunkrechte” (above fn 9).
- 14 See above under II.
- 15 BGH, “Sportübertragungen” (above fn 9); BGH, Case KVR 7/96, Judgement of 11 December 1997, “Europapokalheimspiele”.
- 16 Article 12 of the German constitution (Grundgesetz).
- 17 Article 5 (1) Grundgesetz.
- 18 Also in article 5 (1) Grundgesetz.
- 19 See BGH, Case I ZR 64/58, Judgement of 31 May 1960 (“Figaros Hochzeit”).

Memorandum of Understanding

Key Principles on the Digitisation and Making Available of Out-of-Commerce Works

Whereas:

- (1) The scope of these principles are books and journals which have been published for the first time in the country where the Agreement is requested, and are to be digitised and made available by publicly accessible cultural institutions as contained within Art 5.2 (c) of the European Union Directive 2001/29/EC¹.*
- (2) "Agreement" for the purpose of this document, means a written understanding that leads to a collective licensing scheme. This is without prejudice to individual agreements with the rightholders.*
- (3) For the purpose of this document "rightholders" refer to authors of literary and artistic works and publishers.*
- (4) Considering that the large-scale digitisation and making available of Europe's cultural heritage contained in the collections of publicly accessible cultural institutions is in the public interest as well as in the interest of the cultural and creative sector.*
- (5) Being aware that the creation of such "digital libraries" has to respect the moral rights of the authors, as well as the intellectual property rights of authors and their assigns.*
- (6) Recognising that the rightholders shall always have the first option to digitise and make available an out-of-commerce work.*
- (7) Recommending that the Agreement covers embedded images in literary works, whilst having regard to the fact that efficient electronic identification of images is not yet developed.*
- (8) Recommending that embedded images are dealt with within the same Agreement as the literary work in which they are contained by the collective management organisation for visual works or the collective management organisation which is mandated to represent visual works.*
- (9) Recognising that legislation might be required to create a legal basis to ensure that publicly accessible cultural institutions and collective management organisations benefit from legal certainty when, under an applicable presumption, the collective management organisations represent rightholders that have not transferred the management of their rights to them.*
- (10) Recommending that Member States, in keeping their international obligations, may give effect to the key principles mentioned below in accordance with their national legal mechanisms and collective licensing traditions.*
- (11) Calling on the European Commission, to the extent required to ensure legal certainty in a cross-border context, to consider the type of legislation to be enacted to*

¹ 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

ensure that publicly accessible cultural institutions and collective management organisations which enter into a licence in good faith applying these key principles are legally protected with regard to licensed uses of works of rightsholders who have been presumed to be within the scope of the licence.

The undersigned participants to the Stakeholder Dialogue agree to the following guiding principles:

DEFINITION

For the purpose of the dialogue on out-of-commerce works, a work is out of commerce when the whole work, in all its versions and manifestations is no longer commercially available in customary channels of commerce, regardless of the existence of tangible copies of the work in libraries and among the public (including through second hand bookshops or antiquarian bookshops).

The method for the determination of commercial availability of a work depends on the specific availability of bibliographic data infrastructure and therefore should be agreed upon in the country of first publication of the work.

Principle No. 1 – Voluntary Agreements on Out-of-Commerce works

1. Agreements for the digitisation and making available of out-of-commerce works contained in publicly accessible cultural institutions, which are not for direct or indirect economic or commercial advantage, are to be negotiated on a voluntary basis amongst all relevant parties including authors and publishers ("contracting parties"). These contracting parties shall define the scope of the Agreement and applicable remuneration for rightsholders, which should be defined by mutual consent.
2. The contracting parties shall agree on the type and number of works covered by the Agreement and on the fact that these works are out of commerce. The determination by the parties of whether a work is out of commerce or not shall be conducted according to the customary practices in the country of first publication of the work. Each Agreement shall stipulate the steps that have to be taken in order to verify whether a work is out of commerce.
3. Without prejudice to existing exceptions and limitations in the copyright legislations of the Member State in which the publicly accessible cultural institutions are located, each Agreement shall define commercial or non-commercial uses and shall specify which uses are authorised.
4. Each Agreement shall stipulate the author's right to claim authorship of the work, to acknowledge this authorship when known, and the author's right to object to any distortion, mutilation or other modification of his work. The author's right to object to other derogatory action in relation to the said work, which would be prejudicial to his honour or reputation, shall also be safeguarded.

Principle No. 2 – Practical Implementation of Collective Agreements

1. Licences for works that are out of commerce will only be granted by collective management organisations in which a substantial number of authors and

publishers affected by the Agreement are members, and appropriately represented in the key decision making bodies.

- 2. Each digital library project shall be widely publicised so that all stakeholders whose rights and interests might be affected can decide whether or not to participate in the project in full knowledge of its scope; and communication to rightholders shall be made sufficiently in advance of any scanning or use.**

If the scope of the Agreement includes translations, a specific procedure should be undertaken in order to reach the rightholders in translated works.

- 3. It is recommended that represented rightholders are notified individually by rightholders organisations and collective management organisations.**
- 4. For the purpose of such an Agreement, where a rightholder whose work was first published in a particular Member State has not transferred the management of his rights to a collective management organisation, the collective management organisation which manages rights of the same category in that Member State of first publication shall be presumed to manage the rights in respect of such work. In order to benefit from this presumption the collective management organisation shall make its best efforts to alert rightholders in question in accordance with information procedure methods agreed upon with organisations representing rightholders in the country where the collective management organisation is based. The rightholder organisations will commit to assist the collective management organisation in the work to alert authors and publishers.**
- 5. Rightholders shall have the right to opt out of and to withdraw all or parts of their works from the licence scheme derived from any such Agreement.**

Principle No. 3 – Cross Border Access to Digital Libraries

- 1. If the scope of an Agreement entered into pursuant to Principle No. 1(2) and No. 1(3) includes cross-border and/or commercial uses, the collective management organisation may limit its licence of works that are out-of-commerce to those of represented rightholders.**
- 2. Where a licence between a collective management organisation and a publicly accessible cultural institution implementing an Agreement which includes in its scope cross-border and/or commercial uses, should rely on the presumption referred to in Principle No. 2(4), a specific procedure should be considered in order to reach the rightholders who are presumed to be represented and whose works are used frequently or intensively. It shall be a matter to be agreed between the parties concerned to decide if and when to set specific procedures and to define the relevant parameters and arrangements.**
- 3. Subject to Principle No. 3(2), the presumption set out in Principle No. 2(4) shall also apply to acts of use of the work covered by the licence which occur in a Member State which is not the Member State in which the licence was agreed.**

Signatories:

Association of European Research Libraries (LIBER)

Conference of European National Librarians (CENL)

European Bureau of Library, Information and Documentation Associations (EBLIDA)

European Federation of Journalists (EFJ)

European Publishers Council (EPC)

European Writers' Council (EWC)

European Visual Artists (EVA)

Federation of European Publishers (FEP)

International Association of Scientific, Technical & Medical Publishers (STM)

International Federation of Reprographic Rights Organisations (IFRRO)

As witnessed by:

Michel Barnier

Commissioner for Internal Market and Services

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