



ASSOCIATION LITTÉRAIRE ET ARTISTIQUE INTERNATIONALE

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OPINION

on the cross-border effect of licences granted for digitization and communication of out-of-commerce works by cultural heritage institutions under a regime of Extended Collective Licences (ECL)¹

In its September 14, 2016 meeting in Rome the Executive Committee of The International Literary and Artistic Association (l'Association Littéraire et Artistique Internationale - ALAI), has unanimously adopted the following Opinion:

EXECUTIVE SUMMARY

The Executive Committee of the Association Littéraire et Artistique Internationale (ALAI) decided at its meeting in Paris on 5 March, 2016, to launch the preparation of an opinion in response to two questions on the cross-border effect of licences granted under a regime of extended collective licences (ECL). This Opinion addresses those questions, which were limited to the cross-border effect of the use of out-of-commerce works by cultural heritage institutions.² The Opinion does in no way prejudice the potential other cross-border uses of ECL's. The questions are as follows:

Question 1: Can the extended effect of ECL have cross-border effect?

Question 2: If a mechanism in EU law was to be established to provide for such cross-border effect, how to ensure that essential conditions for ECL – the representativeness of the collective management society granting the licence – is met? Is there a need to establish a link with the country of first publication?

¹ This opinion was prepared by a study group under the presidency of Jukka Liedes, with as members Johan Axhamn; Valérie-Laure Benabou; Mihail Ficsor; Jane Ginsburg; Igor Gliha; Marie-Christine Janssens; and Paul Torremans.

² The conditions and qualifications laid down in the Memorandum of Understanding - Key Principles on the Digitisation and Making Available of Out-of-Commerce Works (2011) are taken into account. The MoU is available here: http://ec.europa.eu/internal_market/copyright/out-of-commerce/index_en.htm

Brief replies to the questions follow; the remainder of the paper offers a fuller analysis. It is to be noted that the Opinion applies both to those cases where the effect of a license granted by a voluntarily established collective management organization (hereinafter: CMO) is explicitly extended by statutory law (under certain conditions discussed below) to the rights of those rightholders who have not entrusted the CMO with the management of their rights and to those cases where this effect is achieved by a legal (statutory) presumption under which the effect of such a license, unless the contrary is proved, covers the rights of all rightholders in the given category. Thus, when reference is made to ECL systems, also such presumption-based systems are meant. This is, of course, under the condition that such systems are equipped with sufficient safeguards for the rightholders who are not directly represented by the CMO's. At the same time, the Opinion does not cover mandatory collective management; *i.e.* management in the case of which – where it is allowed as a limitation of the right concerned under the international treaties and the EU directives – a right may only be applied through collective management without the possibility of opting out for individual exercise of rights.

For digitization the right of reproduction is relevant and for providing cross-border access, both the right of reproduction and the right of communication are applicable.

This Opinion does not in any way concern the application of ECL mechanisms currently in place in many countries and which regulate domestic uses.

Question 1:

Consistently with Article 5(2) of the Berne Convention ECL agreements based on national ECL provisions may under certain conditions be used in cross-border situations. Without a specific EU provision the cross-border effect of the ECL, or a combined ECL effect, may be achieved by joint licensing by CMO's in two or more countries providing an ECL. However, current ECL mechanisms operating at national level cannot, as such, permit or otherwise regulate uses of works³ that are carried out in other countries (*i.e.* on other territories) than the country which provides for the extended effect in its national legislation. A true cross-border effect may be achieved through a bilateral or multilateral arrangement between the states, or by a specific EU provision to that effect, within the flexibility provided by international norms. Any such arrangement is on the condition that the relevant CMO has a mandate from the rightholders it represents to license cross-border use, and if they contain sufficient safeguard measures to secure the rights of outsiders, *i.e.* rightholders who are not represented by the relevant CMO.⁴

The Opinion presents a list of requirements that must be met in order that an ECL system, in case of its application for cross-border licenses, may be compatible with international norms. In countries that currently have ECL mechanisms in force, these requirements are often of a statutory nature – *i.e.* they need to be fulfilled for the ECLs to obtain the extended effect by operation of the law. Among the most important specific conditions are – sufficiently broad representativeness of the organisation concluding ECL agreements, mandates given to the organisation by rightholders, adequate treatment of the non-represented rightholders, and reasonable possibility of an opt-out from the extension effect of the ECL. The conditions include furthermore, for the non-represented rightholders, a right to individual remuneration for the use, and conditions concerning the remuneration paid for the uses in the ECL area. In addition, good

³ Where reference is made to works, depending on the context, may also mean other protected subject matter.

⁴ Without a specific provision between the states there is no role in the country of reception for the copyright law of the country where the communication to the public originates. An ECL can therefore be effective only if there is also an ECL in the country of reception that mirrors the system in the state where the communication to the public originates and accepts the cross-border effect of such a licence.

governance, need to provide transparency, and the need to take into consideration the nature of the repertoire and the types of uses licenced, are important aspects of the quality of the ECL system.

Furthermore, this Opinion briefly assesses the compatibility of cross-border ECL and the international copyright and related rights treaties.

Question 2:

It is central to the rationale of the ECL system that the relevant CMO is sufficiently broadly representative for the rights of rightholders in a given field – in order to become eligible to issue licences that have an effect also on rightholders whom the CMO does not represent. The requirements for CMOs that are eligible to conduct negotiations on ECLs are of paramount interest. These are addressed in connection with the first question. ALAI is of the opinion that the extended effect of the license to works whose rightholders are not represented by the national CMO should in certain cross-border situations be limited to works whose country of origin coincides with the country of the national CMO.

The extended coverage of works of foreign origin can be achieved by acquiring broader representativeness through reciprocal agreements among national CMOs. To ensure representativeness, transparency and consistency across Member States in this respect too, it may be desirable to introduce harmonized EU norms on cross-border use of ECL systems in accordance with the criteria discussed more in detail below.

Question 1: Can the extended effect of ECL have cross-border effect?

Consistently with Article 5(2) of the Berne Convention ECL agreements based on national ECL provisions may under certain conditions be used in cross-border situations. Without a specific EU provision the cross-border effect of the ECL, or a combined ECL effect, may be achieved by joint licensing by CMO's in two or more countries providing an ECL. However, current ECL mechanisms operating at national level cannot, as such, permit or otherwise regulate uses of works that are carried out in other countries (*i.e.* on other territories) than the country which provides for the extended effect in its national legislation. A true cross-border effect may be achieved through a bilateral or multilateral arrangement between the states, or by a specific EU provision to that effect, within the flexibility provided by international obligations.

For an ECL to work at national level, it must fulfil certain conditions. In countries that currently have ECL mechanisms in force, these requirements are often of a statutory nature – *i.e.* they need to be fulfilled for the ECLs to obtain the extended effect by operation of the law. The ECL may function properly only if the numbered conditions below are met. The two last of them are matters of the quality of the functioning of the ECL system, and especially the last (item 9) deals with the practical conducting of the business of the CMO.

1. *Well-functioning CMO regime.* The basic condition is the existence of a well-functioning collective rights managing organization, or several of them in collaboration.
2. *Mass use.* The licensing situations must pass the normal “subsidiarity and proportionality” threshold in relation to the feasibility of individual licensing (individual licensing not possible or highly impractical). The licensing must involve mass use, large repertoire(s), large number of rightholders, and large number of use transactions.

3. *Representativeness.* The CMO must be a sufficiently broadly representative one. The extended effect of a license – within the country where a national ECL system is applied – is related to the requirement of sufficient representativeness.
4. *Mandates.* It is elementary that the licensing of cross-border uses is provided in the mandates given by the rightholders. Such clauses in the mandates should preferably be explicit and they may contain specifications on the uses to be licensed, on the types of uses etc.
5. *Equal treatment and individual remuneration.* The represented rightholders and outsiders must be treated under the ECLs on equal terms and conditions. The outsiders shall have a right to individual remuneration.
6. *Opt-out.* Possibility for an opt-out from the extension effect of an ECL is one of the most important conditions for the use of the ECL in cross-border situations. It should suffice for an author or rightholder who is not represented by the CMO in the work's country of origin to effect the opt-out in the country of origin. (Multiple national opt outs should *not* be required.) The opt-out would be notified to the CMO or/and to the user as provided by law. EU-wide guidelines or enforceable norms would be useful to specify the means of opting-out.
7. *Remuneration for domestic and foreign uses.* Remunerations and other conditions agreed in the licensing agreement with the user shall take into account all aspects of the use, including the area of use, potential and actual public using the protected items at the end-use end, as well as the extent of use. The rights management systems must contain the necessary arrangements to monitor the use.
8. *Good governance and transparency.* The ECL places a good deal of trust in the organisations from the legislator's side. There is all reason – also to safeguard the non-represented rightholders' interests – to require good governance and transparency from the rights management organisations, so that the non-represented rightholders have a realistic opportunity to make use of the safeguard measures.

In the European Union, the ongoing implementation of the Directive on Collective Management of Rights will contribute to achieving these objectives. ECL-specific requirements could, in addition, contain publication of information on ECL organisations as well as information on the ECL agreements that have been concluded.

9. *Scope of the acts licenced.* The acts of cross-border use licenced through an ECL should be limited to the communication to the public (and the necessary reproduction), more precisely providing an on-demand access to the work. A self-evident condition is that the mandate to the collective management organization shall cover also uses abroad. If the licensing conditions and the mandates given by the right holders to the rights management organization allow, the agreed uses may also extend to the making of a hard copy of the protected work, *i.e.* downloading the work.

Without a framework arrangement providing certainty of the validity of the extension effect, it would not be advisable to try to stretch the applicability of the ECL agreement concluded in one country to acts that are taking place in another country's territory. Normally, the subsequent uses after the reception of the work should be subject to licensing in the country of reception, but could be covered by reciprocal ECL agreements among national collecting societies.

Question 2 (first part): If a mechanism in EU law was to be established to provide for such cross-border effect, how to ensure that essential conditions for ECL – the representativeness of the collective management society granting the licence – is met?

It is, in the first place, a matter for the CMO and the user, to assess the representativeness of the CMO for licensing a given use in a given sector. Both parties are normally professional operators in their respective fields of activities. The criteria of the requirement of the representativeness is set in the national law⁵, and it is of high interest for both parties to be careful in this respect. For the user, the sufficient representativeness of the CMO is a matter of obtaining a licence and legal certainty. For the CMO's, to secure sufficient representativeness is the key prerequisite to be able to be engaged in their core business.

If the national law of the ECL-granting CMO contains the requirement of an authority's approval of the organisation to conclude ECL agreements, the authority will examine the representativeness of the CMO on the basis of the information provided to it by the organization and in comparison with the authority's applicable criteria for representativeness.

Question 2 (second part): Is there a need to establish a link with the country of first publication?

It is reasonable, especially in the case of an ECL concerning the cross-border activities of a cultural heritage institution and out-of-commerce works, to limit in a statutory way the extended effect for cross-border licenses by a CMO to cover only works the country of origin of which is the same as its country of establishment, and in respect of those works too only if sufficiently broad representativeness is ensured through authorizations for such licenses by the rightholders concerned.

Compatibility of the cross-border ECL with the Berne Convention

The cross-border effect may trigger the application of the Berne Convention, the TRIPS Agreement, the WCT and the WPPT. International norms do not govern the treatment of a work in its country of origin (Berne Article 5(3)), but once the work is exploited in other countries, it is entitled to international protection. The provisions which might raise some questions of compatibility with international treaties of ECL systems are Article 5(2) of the Berne Convention on prohibition of formalities, and Article 9(2) of the Convention, Article 13 of the TRIPS Agreement, and Article 10 of the WCT and Article 16 of the WPPT on confinement of exceptions and limitations to those that pass the three step test. However, for the reasons discussed below, no conflict of an ECL system with those norms emerges (provided it fulfils the above-discussed criteria).

With respect to formalities, the question arises whether the opt-out that would preclude extended CMO coverage of a non-member work is a condition on the "enjoyment and exercise" of

⁵ It should be noted that the extended effect of the existing ECL's in the Nordic Countries cover all works regardless of whether they are from the country of establishment of the CMO or from other countries.

The previous reference to national authors in the provisions on the representativeness criterion in the Nordic laws has been replaced by a reference to "works used in [Denmark/Finland/Norway/Sweden]", which takes into account the mixed nature (national and foreign) of the repertoires used in different areas of the application of the ECL's.

exclusive rights. Were it so considered, then even if it sufficed to effect an opt-out only in the country of origin, that act would be necessary to preserve the author's rights in other countries, and would run afoul of Berne because other Berne Union countries thus would indirectly be conditioning the enjoyment or exercise of rights on compliance with formalities.

But the opt-out may in fact be better understood not as a condition on the existence or enforcement of rights, but rather on their ownership. If the opt-out goes to a presumption of grant of an exclusive or non-exclusive license, then that measure would exceed the scope of Article 5(2) because declaratory measures concerning transfers of ownership go neither to the existence or enforcement of the right. The right exists and may be enforced; the question is not whether, but by whom, the right may be enforced. Thus, these kinds of declaratory measures are not "formalities" in the prohibited Berne sense. Accordingly, if the national law were structured to presume a transfer of digitization rights to a local collecting society, which would in turn issue licenses to qualifying users or to foreign CMOs, then an opt-out procedure would fall outside Article 5(2).

With respect to the compatibility of the extended effect of ECLs with Berne and TRIPS limitations on the scope of exclusive rights, the same argument would stress that ECL does not affect the scope of the rights the national CMO is presumed to be empowered to license to foreign CMOs for cross-border exercise. The scope of the rights in the countries of exploitation remains the same whether or not the authors in the country of origin were members of the licensing CMO. Whether the countries of exploitation will recognize the effectiveness of the presumption of transfer is a distinct question, but that turns on those countries' private international law rules concerning copyright contracts, as potentially modified by EU norms regarding the transparency and representativeness of ECL agreements.

Cross-border ECL Supported by EU Legislation

Should the national ECL provisions be supplemented by EU norms to facilitate their use and to make the model better to fit to cross-border situations?

The answer to this question is yes. European Union legislation would be needed in the form of a directive.⁶ Such a legislative act should be limited to the cross-border application of the ECL's and should prescribe harmonized conditions of representativeness, opting out and other elements of ECL's in cross-border situations as discussed above. Such a measure would remove all concerns on the legal certainty – also from the point of view of the users – and the validity of the extension effect of an ECL (fulfilling the conditions discussed above) granted by a national CMO with trans-border effect also in the countries of reception and end use.

A harmonizing measure referred to above could be complemented by a mechanism of mutual recognition. The model of mutual recognition would add to the legal certainty and have several other noteworthy effects. The ECL agreements could be negotiated and concluded in any country providing an ECL, and through the recognition they would become valid in all Member States of the Union which have introduced a corresponding ECL. Only one national law would be applicable for the licence.⁷

⁶ It is to be noted that this Opinion does not cover the issues of mandatory collective management. If the cross-border use of such a mechanism would be considered, it would be desirable that a directive offers harmonised norms also on mandatory collective management.

⁷ For non-contractual obligations the Rome II Regulation would in any case apply (Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II)). According to Article 8.1. of the Rome II the "law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the

This arrangement would be subject to having an ECL or an equivalent system adopted in each Member State of the EU and EEA.

Similar effect could be achieved using the model found in Article 3.2 to 3.4 of the Satellite and Cable Directive⁸ which provides for a solution through an ECL, applicable cross-border, for the acquisition of the rights for satellite broadcasting. For out-of-commerce works and activities of cultural heritage institutions, there would be no need for specific conditions in the style of this directive, dictated by the satellite context.

For authors or rightholders who are not represented by the CMO and who wish to opt out of the license's coverage, it would be sufficient to effect the opt-out only in the country of the work's origin (whether by notifying the national CMO, or any other means provided by law). Certain features of the very mechanism of the ECL would also need to become standardized or harmonized. In order to support the functioning of the cross-border ECL, a system of notification of ECL agreements and opt-outs would probably become necessary in the same way as the notifications of the results of a diligent search under the Orphan Works Directive⁹.

country for which protection is claimed”.

⁸ Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, (93/83/EEC).

⁹ Directive 2012/28/EU of the European Parliament and of the Council of 25 March 2012 on Certain Permitted Uses of Orphan Works, 2012 O.J. (L 299).