

Solving Europeana's mass-digitization issues through Extended Collective Licensing?

By LL.M., MSc Johan Axhamn and Dr. Lucie Guibault

Introduction

The ever increasing use of the Internet and of digitization technologies have opened up new possibilities for distributing and accessing creative content online,¹ including for cultural heritage institutions.² However, the digitization and dissemination of a substantial proportion of the collections held by European cultural institutions may be considerably hindered due to high transaction costs related to clearance of copyright and related rights.³ This holds equally true for the cultural institutions taking part in the *Europeana* project.⁴

A recent study – *Cross-border extended collective licensing: a solution to online dissemination of Europe's cultural heritage?*⁵ – examines whether the Nordic “extended collective licensing” (ECL) model could provide a viable solution to the problems of digitization and dissemination of copyright protected works⁶ held by cultural heritage institutions, with a brief incursion into the issue of the cross-border dissemination of works. The study was produced by the Institute for Information Law (IViR) of the University of Amsterdam as part of work package 4 (Europeana Licensing Framework), led by the National Library of Luxembourg, within the of EuropeanaConnect project⁷. The principal author of the study is Johan Axhamn, PhD candidate in intellectual property law at the

¹ Creative content in a European Digital Single Market: Challenges for the future. A reflection document of DG INFO and DG MARKT (2009), p. 2.

² Commission Green Paper, Copyright in the Knowledge Economy, COM(2010) 245 final/2, p. 7. Cultural institutions are institutions with a public mission to store, preserve and grant access to our common cultural heritage to the public, such as libraries, museums and archives.

³ Loc. cit.

⁴ Europeana's partners and collaborators are listed at <http://www.europeana.eu/portal/partners.html>.

⁵ The report is available at <http://su.diva-portal.org/smash/get/diva2:465947/FULLTEXT01> and http://www.ivir.nl/publicaties/guibault/ECL_Europeana_final_report092011.pdf.

⁶ For the purposes of this article, unless specified otherwise, when mention is made of “copyright” or “works”, it shall include related rights as well, including rights on performances, phonograms, films and broadcasts.

⁷ EuropeanaConnect is a “best practice” network funded by the European Commission within the area of Digital Libraries of the eContentplus Programme. Cf. <http://www.europeanaconnect.eu/> and http://ec.europa.eu/information_society/activities/econtentplus/index_en.htm.

Faculty of Law, Stockholm University, who worked in close collaboration with Dr. Lucie Guibault of the Institute for Information Law of the University of Amsterdam. This article summarises the main findings of the study.

It must be mentioned at the outset that of the many possible solutions to the right-clearance problem only those related to “extended collective licensing” are examined in the report. While the analysis is based on the ECL systems of the Nordic countries, it is worth pointing out that other forms of ECL exist outside Scandinavia, including those set up in Canada and in Eastern and central Europe.⁸ Other options have also been put forward to solve the rights clearance issue, based on new kinds of contractual arrangements focusing on the out-of-commerce nature of many works and different cut-off dates. It should be stressed that it is highly unlikely that one single solution can be applied for all types of works, domains and territories. The pragmatic approach for a cultural institution would be to adopt a flexible and innovative perspective, select and even “pick and mix” appropriate solutions adapted to a specific rights clearance situation.

Copyright challenges related to digitization and cross-border online dissemination

In general, the digitization and dissemination of content protected by copyright normally involves the accomplishment of acts that are exclusively reserved to the rights owner, including the reproduction and the communication of the work to the public. As regards cultural institutions, two core issues have emerged: the production of digital copies of materials held in the cultural institutions’ collections (for preservation purposes) and the online dissemination of this content to users. Apart from situations where the content is in the public domain or an exception or limitation to copyright applies, such acts require the consent of the right holders. To the extent that the digital rights are not vested in one hand, whether with a publisher or a collective management organization (CMO), it can prove very burdensome for cultural heritage institutions to clear the rights individually with every author, especially in case of multiple authorship. Indeed, if the transaction costs for such rights clearance are higher than the expected value, the institution will probably not carry out any rights clearing efforts. As a result, a lot of content held by the cultural heritage institutions cannot be digitized or made available online to the public.

⁸ Gervais, “Application of an Extended Collective Licensing Regime in Canada: Principles and Issues Relating to Implementation”, Study prepared for the Department of Canadian Heritage, University of Ottawa (June 2003), pp. 5, available at http://aix1.uottawa.ca/~dgervais/publications/extended_licensing.pdf; Bouchard, “Extended Collective Management as a Possible Solution to Current Copyright Dilemmas” (July 2011), available at <http://competencesinculture.pl/static/documents/report.pdf>; and Gyenge, “The Hungarian model of licensing orphan works” (March 2010), available at http://www.mcu.es/principal/docs/MC/PresidenciaUE2010/Aniko_Gyenge_presentation.pdf.

Current legal framework

Directive 2001/29/EC on copyright in the information society⁹ establishes the main legal framework at the European level for the protection of works. Accordingly, authors enjoy the exclusive rights to reproduce and make their works available to the public online. On the basis of article 5 of the Directive, Member States are allowed to introduce limitations to these rights that are specifically directed at the activities of these institutions:

- a limitation to the reproduction right for specific acts of reproduction for non-commercial purposes (article 5(2)(c) of Directive 2001/29/EC), and
- a narrowly formulated limitation to the communication to the public right and the making available right for the purpose of research or private study by means of dedicated terminals located on the premises of such establishments (article 5(3)(n) of Directive 2001/29/EC).

In practice, the implementation of article 5(2)(c) of Directive 2001/29/EC in the laws of the Member States is generally too narrow to cover the mass-digitization of whole or large parts of the collections held by cultural institutions. Furthermore, reproductions made on the basis of this limitation may not be used as a basis for online dissemination. Similarly, the limitation in article 5(3)(n) of Directive 2001/29/EC does not allow the making available (online) of whole or large parts of the collections held by cultural institutions. More specifically, it only covers uses made on the premises of the institution, where such uses must be for the purpose of research or private study. Also, the fact that the limitation does not apply to content that is made available subject to purchase or licensing terms to the contrary, may constitute an additional obstacle for the institutions, depending on how they obtained the copy of the content in the first place. In other words, to digitize the works in their collections and make them available to the public, the cultural heritage institutions participating in the *Europeana* project cannot rely on the limitation laid down in the Directive and would need to obtain the prior authorization of the rights holders beforehand for fear of facing infringement actions.

In addition to the challenges posed by rights clearance at national level, the cross-border dissemination of the content held by each cultural heritage institution raises separate difficulties. Although efforts have been made during the past twenty years to harmonize some aspects of copyright law in the European Union, the current European copyright system is still based on the principle of territoriality. In such a fragmented landscape, two rules could be invoked to pinpoint the law applicable to the dissemination of works in a cross-border online environment: the international private law rule of *lex protectionis* and the principle of country of reception. On the basis of the international private law rule of

⁹ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ L 167, 22.6.2001, p. 10–19.

lex protectionis, the making available of works over the Internet seems to imply that the legality of such acts has to be assessed according to as many laws as there are countries where the making available can be received. In addition, the scope of the right of making available content over the Internet seems to be that the copyright relevant act occurs in every country where the content can be accessed, or in other words received (“principle of country of reception”).

The combination of the principles of *lex protectionis* and country of reception is that cultural institutions would have to clear rights for every country where their content can be accessed online. Traditionally, the CMOs have operated on a territorial basis. However, this practice has been challenged inter alia with the prospect of disseminating content online on a cross-border basis. There is at present no legislative or voluntary measure between national CMOs that allows a cultural institution to obtain a licence covering the rights represented (“repertoires”) by several CMOs for use in several territories, i.e. a *multi-repertoire, multi-territory licence*. With respect to the cross-border use of works from authors who have entrusted their rights to a CMO, this means that a licence must be obtained in each of the 27 EU Member States. Therefore transaction costs incurred in cross-border dissemination of content represented by several CMOs may be detrimental to the exploitation of European cultural works outside their national markets.

Possible solution to challenges posed by rights-clearance at national level: The extended collective license

In view of the vast amount of works for which the rights have to be cleared, the problems related to the mass-digitization and online dissemination of copyright protected items held by cultural institutions would best be solved through collective licensing. Among the different options available in the area of collective licensing is the Nordic extended collective licensing (ECL) model. The model has been an important part of the copyright acts of the Nordic countries ever since the first introduction in relation to primary broadcasting at the beginning of the 1960s. This system offers a solution to the high level of transaction costs associated with mass-digitization.

Referring only to its most characteristic, basic elements, a provision on ECL in the copyright acts of the Nordic countries establishes that the effects of a freely negotiated collective agreement between a user of a work and a representative CMO pertaining to specific forms of exploitation of works is extended to right holders who are not members of the organization. The agreement which is given the “extended” effect is referred to as an ECL agreement. Once an ECL agreement has been concluded, the user may use the works covered by the agreement and does not run the risk of getting a claim, either legal or financial, from a non-represented right holder (sometimes referred to as “outsiders”). A user who enters into an ECL agreement with a representative organization is thus assured that the organization will meet all claims from those affected by the extension. To safeguard their interests, the non-represented right holders have a right to individual remuneration and in most cases, a right to opt out of the

agreement. In addition the requirement of representativeness of the eligible CMO gives the model legitimacy as a means of managing outsider's rights.

The fact that the ECL model is based on free negotiations should in most cases be for the benefit of the outsider, as the CMO will be able to negotiate a level of remuneration which would normally be higher than a level of remuneration granted under a compulsory license or a statutory license. At least in theory, the principles of equal treatment and right to (separate) remuneration should provide the outsider with enough safeguards to ensure that he will not always find himself in a less favourable position under an ECL than he would be under a statutory or compulsory license. However, the belief that free negotiations always lead to higher remuneration, is of course a presumption which does not always find support in practice. Thus, as long as the right holder has not opted out of an ECL agreement, he is subject to the remuneration agreed upon by others. He is also subject to the internal remuneration scheme of the CMO upon which he has no influence, as he is not a member. Even if the mentioned rights of equal treatment and remuneration are said to address these issues, their application in practice is to a great extent dependent on the governance and transparency of the CMO. It may, for example, be very burdensome or impossible for an outsider to prove that his work has been used. In addition, even if he can prove such use, some of the Nordic countries do not provide for a simplified arbitration mechanism in cases where an outsider is not satisfied with the level of remuneration offered by the CMO. It seems unlikely that an ordinary author will bring his claim for remuneration to court otherwise than in extreme cases where his work has been considerably used.

The Nordic countries have a longstanding tradition of collective management, which has resulted in a well-developed structure and culture of activities of CMOs. Thus, the functioning and legitimacy of the ECL model in another context than the Nordic countries may well be dependent on the existence of a well-developed structure and culture of collective management. If the ECL model is to be established in countries where the structure and culture of collective management is not as developed, the model may need to be supplemented by rules of good governance.

Since it allows cultural institutions to use an outsider's work without prior authorization, the ECL system actually amounts to a limitation on the outsiders' exclusive rights. The ECL *agreement* (rather than the ECL statutory provision) must therefore comply with the so-called 'three-step test' laid down in article 9(2) of the Berne Convention, article 10 of WIPO Copyright Treaty, and article 13 of Agreement on Trade Related Aspects of Intellectual Property (TRIPS), which governs the introduction in national legislation of exceptions and limitations on copyright.¹⁰ This test holds that a contracting state must con-

¹⁰ A provision in national law which permits the unauthorized use of a work even if the use normally falls within the scope of an exclusive right granted by the conventions is deemed to be an exception or limitation on the exclusive right. An unauthorized use without payment of remuneration to the right owner is considered an "exception", while an unauthorized use for which remuneration is paid to the rights owner, is a "limitation" on the rights of the owner. Whereas

fine limitations and exceptions on exclusive rights to i) certain special cases, ii) which do not conflict with a normal exploitation of the work, and iii) do not unreasonably prejudice the legitimate interests of the right holder. In our opinion, the characteristics of the ECL statutory provisions reduce the risk that ECL agreements come into conflict with the three-step test. These characteristics are the freely negotiated agreements between a representative CMO and the user, the principles of equal treatment and right to (separate) remuneration and the possibility to opt out from the arrangement. However, the consistency of the ECL model with the three-step test and other international copyright norms such as the principle of national treatment in article 5(1) of the Berne Convention would presuppose that the principle of equal treatment and right to remuneration operate well in practice. Otherwise the effects of an ECL agreement may turn out to be less favourable to the outsiders' rights than a more in theory far-reaching restriction on the exclusive rights, such as a compulsory or statutory license.

Assessing the ECL model in the light of the transaction cost challenges posed to *Europeana* content providers, an ECL provision could be put in place for cultural institutions participating in *Europeana*. As regards the eligible users, the provision would best address the same beneficiaries as those of the limitations in articles 5(2)(c) and 5(3)(n) of Directive 2001/29/EC: certain museums, libraries and archives. However, to the extent they are not already covered by the notion "archive", broadcasters' archives and film heritage institutions should be included among the beneficiaries. The ECL provision should be broad enough to cover all forms of digitization and making available online, but it could be restricted to content that is "not contemporarily commercially available". The precise legal definition of this notion would have to be decided by the legislator in consultation with the representative CMOs and the cultural heritage institutions.¹¹ In order to increase legal certainty for the content providers, the ECL provision could include a rule according to which content created before a certain date would be presumed to no longer be commercially available and therefore covered by the ECL provision unless the right holder opts out. The decision on whether the ECL would apply to content that has been previously pub-

the ECL system would probably be qualified as a limitation within the meaning of the international conventions on copyright, the issue of the compatibility of such a limitation with the closed list of limitations listed in article 5 of Directive 2001/29/EC is addressed by recital 18 of the Directive, which states that the text "is without prejudice to the arrangements in the Member States concerning the management of rights such as extended collective licences." Thus, it appears that the closed list of limitations does not encompass ECL provisions and related ECL agreements. Needless to say, for the members of the contracting CMO, the "ECL agreement" is an ordinary collective agreement to which they have given their consent. The members are thus "exercising" their rights.

¹¹ Due to decreased costs for inventory and distribution, doing business over the Internet is said to be characterised by a so-called "long tail" distribution of demand, i.e. selling a large number of unique items in relatively small quantities rather than selling few popular items in large quantities. See e.g. Anderson, *The Long Tail: Why the Future of Business Is Selling Less of More* (2006). The presence of "long tail" distribution of demand for cultural content over the Internet may pose a challenge for establishing a legal definition of "not contemporarily commercially available".

lished or communicated to the public could be left to the negotiations between the CMOs and the users, supplemented by the possibility for the right holder to opt out and by a feature giving priority to existing agreements over any ECL agreement.

To stimulate the coming into being of agreements between *Europeana* content providers and CMOs, an ECL provision for the benefit of cultural institutions should include rules on mediation. Whereas a provision on mandatory arbitration could be prejudicial to the right holders' interests, a voluntary simplified arbitration mechanism should be available to any outsider to deal with disputes against a CMO, regarding e.g. the level of remuneration. Such a provision may have a positive correlated effect on the contents of the agreements concluded by a CMO and the user, for the CMO would presumably be reluctant to fix levels of remuneration that are in conflict with the interests of outsiders, if the outsiders have a right to submit the issue to a simplified arbitration mechanism.

Solutions to the cross-border challenges

The pan-European online dissemination of the collections held by cultural institutions is seriously hampered due to the territorial segmentation in the licensing practices. The harmonisation of copyright and related rights in the EU has so far done relatively little to alleviate these challenges. EU institutions and legal scholars have, however, stressed the need to overcome these problems and have brought forward several proposals over the years.

Two solutions are more readily amenable to overcome the challenges posed by the territorial segmentation of current licensing practices. The first one is a solution based on a country of transmission principle, inspired by the definition of "country of transmission" in Directive 93/83/EEC on Cable and Satellite¹², i.e. a principle stating that cultural institutions should only be obliged to obtain a license in the country where the institution initiated the online dissemination. This solution would require legislative intervention at the EU level.

The second solution is based on voluntary measures by the CMOs, and essentially means that the CMOs would give each other a mandate to issue multi-territory licenses – similar to the IFPI Simulcasting Model Agreement.¹³ This solution is realistic considering the support it currently receives from the Commission¹⁴ and the fact that it would not deprive the right holders in the coun-

¹² Cf. Article 1.2 (b) of Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, OJ L 248, 6.10.1993, p. 15–21.

¹³ Cf. Commission Decision of 08.10.2002 relating to a proceeding under Article 81 of the EC Treaty and Article 53 of the EEA Agreement (Case No COMP/C2/38.014 – IFPI "Simulcasting").

¹⁴ See e.g. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Single Market for Intellectual Property Rights. Boosting creativity and innovation to provide economic growth, high quality jobs and first class products and services in Europe, COM(2011) 287 final, Brussels 24.5.2011, p. 9 ff.

tries of reception of their rights. For this solution to work in practice, it presupposes the existence of representative CMOs in every country of reception. It would arguably also need to be supported by legislative intervention both as regards licensing practice and rules on good governance and transparency. To stimulate the coming into being of mandates between the CMOs, the national ECL provision could be made conditional on such mandates.

Conclusion

The ECL model is premised on the existence of a representative CMO in the intended field of use. The practical functioning of the model and its consistency with international and EU norms is also based on the presumption that the CMO carries out its activities in a transparent manner and in compliance with principles of good governance. In other words, the model presupposes an environment characterized by sound structure and culture of CMOs. Should the ECL model be exported to other countries, it may need to be supplemented by statutory provisions on good governance and transparency.

As regards cross-border solutions, the report puts forward two main solutions. The solution based on a country of transmission principle is quite far-reaching from the right holders' perspective as it takes away their legal and bargaining position in the countries of reception. It could also be argued that it does not solve the problem of territorial delineation, as the right holder may still, through contractual provisions, limit the use of the content to certain territories.¹⁵ The other proposed solution consists in stimulating the CMOs to give each other mandate to issue multi-territory, multi-repertoire licenses.

Note that both proposed solutions are discussed globally and may have different outcomes depending on whether a uniform rights clearance system is introduced at the European level or whether Member States have some leeway in adopting a solution for the clearance of rights for the mass-digitization and dissemination of works by cultural institutions. The report does not take a position on the desirability of either course of action. Further research will have to be carried out in the future to take account of the fact that if Member States adopt different solutions, this is bound to have an effect on the cross-border situation, e.g. because not every right is managed by a CMO in every country.

¹⁵ Cf. Joined Cases C-403/08 and C-429/08, *Football Association Premier League and Others*. The ECJ rendered its decision after the date of publication of the report upon which this article is based.