Moving beyond the conflict between freedom of contract and copyright policies: in search of a new global policy for information licensing transactions

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Reference

Moving Beyond the Conflict Between Freedom of Contract and Copyright Policies: In Search of a New Global Policy for On-Line Information Licensing Transactions

A Comparative Analysis Between U.S. Law and European Law

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ABSTRACT

The development of on-line commerce as the main method of use of copyrighted works is likely to affect the longstanding relationship between contract law and copyright law. In the digital environment, copyright owners can directly enter into contractual agreements with end-users and potentially impose restrictive contractual provisions on them. Such an evolution may be problematic to the extent that these contractual provisions limit or even totally eliminate the various privileges enjoyed by users under the statutory regime of copyright law, such as fair use. The question therefore arises as to whether and to what extent the pre-existing statutory regime of copyright protection can validly be replaced by a private regime of contractual protection for the benefit of copyright owners. In other words, the issue is to determine whether the various exceptions and limitations to copyright protection are mandatory, or whether they can be overridden by contract. This Article analyzes this issue from a comparative perspective, focusing on U.S. and European law.

After a detailed analysis of the various legal doctrines which could potentially limit the principle of freedom of contract in the context of copyright licensing transactions under both U.S. and European law, this Article concludes that no general rule can be defined regarding the mandatory nature of the various exceptions and limitations to copyright protection due to the variety of these exceptions and limitations. While some exceptions are justified by public interest considerations (such as free speech) and are consequently considered mandatory,

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others have a more pragmatic rationale (market failure) and could be overridden by contract. More fundamentally, this Article concludes that the issue goes beyond copyright law, to the extent that digital content that would not be protected by copyright law (because it is in the public domain) can be licensed to users under overly-restrictive contractual conditions. Consequently, acknowledging the mandatory nature of the exceptions and limitations to copyright protection would not offer any solution in such circumstances. From this perspective, what is needed is a global information policy that moves beyond the narrower issue of the conflict between freedom of contract and copyright policies, and therefore balances protection of information with access to information in the digital environment. On the basis of the analysis undertaken in this Article (which encompasses in particular antitrust law and constitutional law in addition to copyright and contract law), a proposal for a global policy for information licensing is formulated under which the reasonable interests of the content providers are protected without jeopardizing the legitimate expectations of the users.

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INTRODUCTION

The year is 2010. With the closure of the last B&N-Walden-Borders-Broadway superstore in Upton, California, no more off-line retail content stores remain in the United States (apart from the Scholar’s Palazzo in Disneyland). Theatres, music venues and movie houses have all but disappeared in the wake of in-home—not to mention implantable—content delivery. Funding for public libraries and the arts has been diverted into providing each person in America with access to the all-purpose device for accessing anything—Microsquish Audiovisual Utilization System (MAUS).

Now, anyone who wishes to read poetry, browse great works of art, enjoy a novel, watch an epic feature film (or humble television show), or experience any other work of authorship can, as a practical matter, do so only through the instrumentality of the MAUS. To access any work through the MAUS, the user must first click “OK” (or, in the case of implantable access, blink a cortical acknowledgment) on the ubiquitous authorization screen. That screen lets the user acknowledge that she agrees to be obligated to abide by all terms and provisions of <http://www.contracts.com/usurious perpetual adhesive overreaching / 2001$$$.<yen>.html> This file (colloquially known as the “Gates from Hell Agreement”) contains a hundred pages of boilerplate initially setting forth the text of Title 17, United States Code, in haec verba, but thereafter subject to innumerable accretions, modifications and revisions designed to magnify the rights of proprietors.1

This pessimistic—though humorous—depiction of a potential future, made in a scientific article written by prominent copyright scholars, reflects, in the most palpable way, one of the fears that has been associated with the advent of the information society: the increasing power of copyright owners to impose overreaching contractual conditions on their users and the consequent disappearance of the public domain.2 In a fully digital world, where hard copies do

1. David Nimmer et al., The Metamorphosis of Contract Into Expand, 87 CAL. L. REV. 17, 20 (1999); I assume that the use of the excerpt of this article qualifies as fair use under 17 U.S.C. § 107, unless one might consider that this excerpt of 231 words (out of 36003 words) is “the heart” of the article. See Harper & Row Publishers v. Nation Enters., 471 U.S. 539, 565 (1985), (quoting the decision of the District Court, 557 F. Supp. 1067, 1072 (S.D.N.Y. 1983)).

2. Yochai Benkler, Free as the Air to Common Use: First Amendment Constraints on Enclosure
not exist anymore, content will be accessible only by accepting, that is, by “clicking-through,” unilaterally defined contractual terms and conditions, as the content will be safely protected against any unauthorized use by presumably unbreakable technological fences.\(^3\) This evolution has been criticized as the sign of the advent of a “pay-per-use” society.\(^4\)

The question has therefore been raised whether copyright law will still have any importance in a world dominated by contracts and technological protection measures:\(^5\) if copyright owners can directly impose any kind of restrictions upon end-users of their works, what is the remaining function of copyright law?\(^6\) The answer depends on the perspective from which this issue is considered. Viewed from the standpoint of copyright owners, the displacement of copyright law by contracts and technological protection measures is likely to be beneficial to their interests,\(^7\) as copyright law might not give them sufficient protection in an age of digital, decentralized (thus less controllable) networks.\(^8\) On the contrary, users of copyrighted works (as shown in the introductory story quoted above) are more at risk in this new environment, threatened as they are with the loss of the privileges granted to them under the copyright law regime.

Considered from a broader perspective, the debate over the extension of copyright law by contract should be seen in the context of other concerns raised by the recent enactment of allegedly overprotective copyright legislation, the prime example being the Digital Millennium Copyright Act (DMCA).\(^9\) Without entering

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into the details of these attacks on copyright law, it should be noted that both the extension of the duration of copyright protection, as well as the newly created legal protection of technological protection measures, have been claimed to be unconstitutional before different U.S. courts.

These cases demonstrate that the legitimacy of copyright law (without mentioning the similar fate of other intellectual property rights, in particular, patent law) is more and more scrutinized and questioned on the ground that the recently reinforced copyright regimes would no longer reflect the fundamental social balance between protection and access and the constitutional values anchored in copyright law. The growing importance of this concern is further shown by the commitment of several prominent academic institutions and individual scholars to protect the public domain (also referred to as the “commons”), as well as by the activities of other diverse groups of opponents to the extension of copyright

10. Eldred v. Ashcroft, 123 S. Ct. 769 (2003). In this case, Eldred sought a declaratory judgment that the Sonny Bono Copyright Term Extension Act of 1998 (Pub. L. No. 105-298, 112 Stat. 2827) was unconstitutional, arguing that the retrospective extension of copyright protection was beyond Congress’s enumerated power under the Copyright Clause (U.S. CONST. art. 1, § 8, cl. 8). The Court upheld the act. For a critical analysis of the lower court decisions, see Lawrence Lessig, Copyright's First Amendment, 48 UCLA L. REV. 1057 (2001).


12. Perhaps the most openly criticized aspect of intellectual property rights today is the issue of the access to patented AIDS related drugs in developing countries, see http://www.cptech.org/ip/health/aids/.

13. See the “Copyright’s Commons” project launched by the Berkman Center for Internet & Society at Harvard Law School (“Copyright’s Commons” being defined as “a coalition devoted to promoting a vibrant public domain”) at http://cyber.law.harvard.edu/cc; see the list of legal cases and projects launched at the Stanford Center for Internet & Society, at http://cyberlaw.stanford.edu/labour/dockets; see the recent creation of the Samuelson Law, Technology and Public Policy Clinic, at Boalt Hall School of Law at http://www.law.berkeley.edu/cenpro/samuelson/index.html; see the Center for the Public Domain at http://www.centerpd.org as well as the Intellectual Property and the Public Domain Fellowship Program created at Duke University School of Law, http://www.law.duke.edu/ip/programs.html#fellow and the newly created Information Law Institute at New York University School of Law, at http://www.law.nyu.edu/ili/.

14. Lawrence Lessig, Professor at Stanford Law School, argued for the plaintiff in the district court, circuit court and the Supreme Court in Eldred v. Reno; 74 F. Supp. 2d 1 (D.D.C. 1999), aff’d 239 F.3d 372 (D.C. Cir. 2001), aff’d sub nom. Eldred v. Ashcroft, 123 S. Ct. 769 (2003); Dean Kathleen Sullivan of Stanford Law School argued for the defendants (by challenging the constitutionality of the DMCA on the ground of free speech arguments) before the Second Circuit in Corley, 273 F.3d 429, a case that dealt with the circumvention of the technological protection measure of DVDs; in the same case, more than forty law professors joined in an amicus curiae brief arguing that the DMCA is unconstitutional, see http://www.eff.org/lP/Video/MPAA_DVD_cases/20010126_nylawprofs_amicus.html.

protection (among which are representatives of the scientific computer science community\textsuperscript{16} and the internet community\textsuperscript{17}), who are also raising voice against these new regimes.

In other words, the present analysis of the conflicting relationship between contract law and copyright law should be seen as an illustration of a broader challenge affecting the legitimacy of copyright law and other intellectual property rights in the digital age.\textsuperscript{18}

A. THE RELATIONSHIP BETWEEN COPYRIGHT LAW AND CONTRACT LAW

Contract law has always played an essential role in the system of copyright law\textsuperscript{19} because contracts have been the usual vehicle by which copyrighted works

\textsuperscript{16} Edward W. Felten, Associate Professor of Computer Science at Princeton University, filed an action against the Recording Industry Association of America (RIAA), and other parties, in the Federal District of New Jersey, seeking a declaratory judgment that the DMCA is unconstitutional. The RIAA had threatened Felton that by presenting the results of his research, which demonstrates how to crack technological protection measures developed by the Secure Digital Music Initiative (see www.sdmi.org), he would be in violation of the DMCA. See Elizabeth Douglass, Technology Professor Sues for Right to Publish Encryption Paper Technology: Researchers Seek to Discuss How They Cracked the Music Industry's Piracy Protection. Federal Law Might Bar Disclosure, L.A. TIMES, June 7, 2001, at C3; see http://www.eff.org/LegalUCases/Felten_v_RIAA/20010626_eff_felten_amended_complaint.html. The case was dismissed by the Federal District Court of New Jersey on Nov. 28, 2001. See Dave Wilson, Technology Professor's Suit Against RIAA Dismissed, L.A. TIMES, Nov. 29, 2001, at C3; http://www.eff.org/effector/HTML/effct14.37.html#1. Felten has decided not to appeal the decision on the assurance that his research would not be further threatened again by the recording industry (press release dated Feb. 6, 2002), see http://www.eff.org/IP/DMCA/Felten_v_RIAA/20020206_eff_felten_pr.html; on this issue, see Pamela Samuelson, Anti-Circumvention Rules Threaten Science, 293 SCIENCE 2028 (2001). In another widely publicized case which led to the first indictment under the DMCA, a Russian computer programmer named Dmitry Sklyarov working for a Russian software company (Elcomsoft), was arrested on July 17, 2001 in Las Vegas after having delivered a speech at a technology conference on the weaknesses of the technological copy protection measure used in Adobe eBooks Reader program. On Aug. 28, 2001, a United States grand jury indicted Elcomsoft along with Sklyarov on charges of trafficking and conspiracy to traffic in a copyright circumvention device. According to the indictment, Elcomsoft and Sklyarov are alleged to have conspired, for commercial advantage and private financial gain, to traffic in a technology that was primarily designed and produced for the purpose of circumventing, and was marketed by the defendants for use in circumventing, the Adobe Acrobat eBook Reader. The indictment alleges that prior to June 20, 2001, Sklyarov and others wrote a program called the Advanced eBook Processor ("AEBPR"), the primary purpose of which was to remove any and all limitations on an ebook purchaser's ability to copy, distribute, print, have the text read audibly by the computer, or any other limitation imposed by the publisher or distributor of the ebook. See United States v. Elcom Ltd., 203 F.Supp.2d 1111 (N.D. Cal. 2002) (refusing to dismiss the case against Elcom and upholding the constitutionality of the DMCA); http://www.freesklyarov.org; the press release of the Department of Justice (Aug. 28, 2001), available at http://www.usdoj.gov/usao/can/press/html/2001_08_28_skyarov.html. On Dec. 17, 2001, a jury found Elcomsoft not guilty on all counts. See Yochi J. Dreazen, Russian Company Passes First Test of Copyright Law, WALL ST. J., Dec. 18, 2002, at B4.

\textsuperscript{17} See the "Campaign for Audiovisual Free Expression" launched by the Electronic Frontier Foundation, at http://www.eff.org/cafe/.

\textsuperscript{18} The patentability of business methods is also being criticized by public domain advocates. See State St. Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998), cert. denied, 525 U.S. 1093 (1999).

\textsuperscript{19} Raymond T. Nimmer, Breaking Barriers: The Relation Between Contract and Intellectual
have been put to use. Authors have generally licensed or transferred one or several of the rights in their works to intermediary entities that subsequently distributed those works to the public. In all the specialized markets that have developed around the various types of protected works, the basic rule has always been freedom of contract. However, "this peaceful coexistence [between contract law and intellectual property] has not been free of discordant notes." As a result, several limitations to the principle of freedom of contract have been adopted in order to protect authors from harmful contractual provisions that would excessively threaten their economic or artistic interests. In this respect, it is worth noting that provisions protecting the authors have been implemented in both the continental European droit d'auteur regime and in the U.S. common law copyright regime, even though the droit d'auteur regime generally tends to be more author-protective.

Property Law, 13 BERKELEY TECH. L.J. 827, 888 (1998) ("Copyright and other forms of intellectual property law cannot, and have never been able to, foster active development and distribution of information products in society without relying extensively on contracts."); Nimmer et al., supra note 1, at 63 ("Contracts can not only coexist within the overarching copyright framework, but are essential for its proper implementation. Because U.S. copyrights are infinitely divisible, contract is the only sensible means for dividing up spheres of exploitation."); see also Paul Goldstein, Copyright and Its Substitutes, 1997 WIS. L. REV. 865, 866; Pamela Samuelson & Kurt Opsahl, The Tensions Between Intellectual Property & Contracts in the Information Age: An American Perspective, in EUROPEES PRIVAATRECHT 1998: OPSTELLEN OVER INTERNATIONALE TRANSACTIES EN INTELLECTUELE EIGENDOM 163 (1998); as a result of this interaction, copyright statutes usually regulate particular aspects of copyright related transactions, for instance by defining the conditions of termination of transfers and licenses granted by the author (17 U.S.C. § 203) or the required form of a transfer of rights or exclusive license (§ 204).


If they were not deprived of their rights on the basis of a specific statutory regime, like the "work for hire" doctrine provided for by 17 U.S.C. § 201 (b).

Each of the exclusive rights granted to the copyright holder can be transferred or licensed independently pursuant to § 201 (d)(2) of the U.S. Copyright Act.

In view of the specificities of each industry, specialized bodies of copyright licensing laws have progressively developed; for a detailed presentation of U.S. law, see ENTERTAINMENT INDUSTRY CONTRACTS: NEGOTIATING AND DRAFTING GUIDE (Donald C. Farber ed., 2001); for a recent and extremely comprehensive analysis of all types of copyright related contracts under German law, see the collection of contributions in URHEBERVERTRAGSRECHT, FESTGABE FÜR GERHARD SCHRICKER ZUM 60. GEBURTSTAG (F.K. Beier et al. eds., 1995).


Samuelson & Opsahl, supra note 19, at 163.

The U.S. Copyright Act specifically addresses the issue of the waivability of specific rights granted to the authors: 17 U.S.C. § 106A (e)(1) (moral rights provided for by this section can be waived by a written instrument signed by the author); § 203 (a)(5) (termination of transfers of rights "may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.")


This can be explained by the traditional difference existing between the droit d'auteur theory which is rooted in a natural rights concept of copyright law, while the justification for the copyright monopoly under U.S. copyright law lies in the public interest in promoting "the progress of science and
Considered from a broader perspective, these provisions can be seen as legislative responses adopted to correct an imbalance of bargaining power between the contracting parties.\textsuperscript{29} In this context, authors, as initial copyright owners, were traditionally presumed to be the weaker party to the agreement.\textsuperscript{30} The creation of direct contractual relationships between copyright owners\textsuperscript{31} and end-users might change this view. With the increased use of standard adhesion contracts both in the on-line and off-line environments,\textsuperscript{32} by which copyright owners are potentially able to impose restrictive contractual provisions on end-users, these users, as consumers of standard products or services, can be considered the weaker party to these agreements. One could consequently view this evolution as a paradigmatic shift from an author-centered to a user-centered conception of copyright law.\textsuperscript{33} This radical view should, however, be moderated, in the sense that the importance of users’ interests in copyright licensing transactions will not reduce or eliminate the pre-established need for a statutory protection of authors’ interests. The new need for protection of users in copyright law does not provide any reasons for neglecting the preexisting author protective statutory provisions, as authors (in particular in the traditional artistic fields of literature, music or visual arts) will still need to be protected against restrictive contractual provisions imposed by their powerful contracting parties in the future.\textsuperscript{34}

\textsuperscript{29} In exceptional cases, some authors enjoying an unusually strong bargaining power will, however, manage to reinforce their position by way of contractual agreements.


\textsuperscript{31} Who are generally not the authors themselves, but subsequent transferees of the copyrights, or initial beneficiaries of the copyright on the basis of the work for hire doctrine.

\textsuperscript{32} That is, both by “click-through” and “shrink-wrap” license agreements.

\textsuperscript{33} See Mark A. Lemley, \textit{Beyond Preemption: The Law and Policy of Intellectual Property Licensing}, 87 Cal. L. Rev. 111, 171-72 (1999) (concluding his article by stating that “[i]nstead of being primarily a creator protection statute, intellectual property will become more and more a consumer protection law”); see also Guibault, supra note 24, at 151, explaining that:

 Usually, rules on contractual relations in copyright matters aim at protecting the traditionally weaker party to the negotiations: the author. It is somewhat of a reversal of fortune that we should now look at protecting the interests of users of copyright material, for fear that copyright owners try to unduly extend their rights through mass market licenses.

\textsuperscript{34} In this respect, it is worth mentioning that the German Parliament has recently adopted an amendment to the German Copyright Act of 1965 in order to reinforce the contractual position of authors, see Gesetz zur Stärkung der vertraglichen Stellung von Urhebern und ausübenden Künstlern, v. 22 März 2002, BGBl. I S. 1155 available at http://www.urheberrecht.org/UrhGE-2000/download/bgb1102021s1155.pdf; see also art. 1(1) of the recently adopted Directive 2001/84/EC
Perhaps what the appearance of consumer protection concerns in copyright law does is to make the balancing of competing interests, which is anchored in copyright law, somewhat more complex, as a new set of interests needs to be taken into account in the balancing process. The critical need to find an appropriate balance is emphasized in the digital era, as the role of each party in the distribution chain becomes potentially interchangeable.\footnote{35} Now, consumers of digital works might easily become authors and publishers of their own works. As a result, the interactivity of the medium makes it even more critical to adopt a balanced legal regime, which does not unduly tip the balance for the benefit of any of the interested parties. By adopting a regime that would unduly favor copyright owners, the stronger monopoly granted would prevent the subsequent creation and distribution of other works. On the other hand, a too “user friendly” approach would potentially affect the incentive to create works in the first place. The question therefore arises whether the imbalance of bargaining power between copyright owners and end-users needs to be corrected (by analogy to what has previously been done for the benefit of authors) by creating a set of mandatory provisions protecting the users in the context of copyright licensing transactions.

**B. THE INTERACTION BETWEEN CONTRACTS AND TECHNOLOGICAL PROTECTION MEASURES IN THE DIGITAL ERA**

The increasing use of contracts to control the use of copyrighted works in a digital networked environment\footnote{36} is closely related to the implementation of efficient technological protection measures\footnote{37} preventing the unauthorized access to

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of the European Parliament and of the Council of Sept. 27, 2001 on the resale right for the benefit of the author of an original work of art, 2001 O.J. (L 272) 32 which specifically grants an unwaivable right to the authors by stating that:

Member States shall provide, for the benefit of the author of an original work of art, a resale right, to be defined as an inalienable right, which cannot be waived, even in advance, to receive a royalty based on the sale price obtained for any resale of the work, subsequent to the first transfer of the work by the author.

For the view that users are likely to become the primary licensors of information (thus justifying the unrestrained enforceability of standard form contracts), see Lorin Brennan, *The Public Policy of Information Licensing*, 36 Hous. L. Rev. 61, 103-113 (1999); these cases of interchangeability should however remain rather exceptional, as the bulk of on-line licensing transactions are likely to be concluded by standard form agreements imposed by powerful copyright owners on individual end-users.


The circumvention of technological protection measures is made unlawful by art. 11 of the WIPO Copyright Treaty (WCT), which provides:

Contracting Parties shall provide adequate legal protection and effective legal remedies against the circumvention of effective technological measures that are used by authors in connection
and use of these works. If users can access the works without being prevented by any technical restriction, they will not agree to be bound by restrictive contractual provisions. It is only when access to the works is protected by at least an access control mechanism or some other form of technological fence that the copyright owners/content providers will be able to impose contractual conditions by a click-through agreement. In other words, users will not be obligated to enter by the gate (thus agreeing to the contractual terms and conditions) if there are no digital fences protecting the content. In this sense, technological protection measures can be considered a condition of the widespread use of contract-based distribution models on the internet. Taken together, technological protection measures and contracts create a very strong framework of protection for copyright owners in the digital age.

Technological protection measures allow a perfect control over the use of the works by defining precisely what uses are authorized and technologically prohibiting any other use. Technological protection measures not only help in defining the scope of the uses authorized, but may also automatically enforce any violation, thus creating “not only private law, but self-executing private law.” In

with the exercise of their rights under this Treaty or the Berne Convention and that restrict acts, in respect of their works, which are not authorized by the authors concerned or permitted by law.

WIPO Copyright Treaty (WCT), art. 11, Dec. 20, 1996, 36 I.L.M. 65 (1997). As the issue of the legal protection of technological protection measures is quite complex, it cannot be fully analyzed in this article; for a comparative overview, see Jacques de Werra, The Legal Protection of Technological Protection Measures Under the WIPO Treaties, the Digital Millennium Copyright Act and Other National Laws (Australia, Japan), 189 REVUE INTERNATIONALE DU DROIT D'AUTEUR [RIDA] 66 (2001); in short, technological protection measures are defined as technologies used by copyright owners to prevent the unauthorized access or use of their works; for a detailed definition of technological protection measures under U.S. law, see 17 U.S.C. § 1201.


41. For instance, the “copy switch” technology used by RealNetworks’s RealPlayer product defines whether the user has only the right to “stream” the digital musical or audio work, or whether she has the right to copy it on the hard drive of her computer. See RealNetworks, Inc. v. Streambox, Inc., No. C99-2070P, 2000 U.S. Dist. LEXIS 1889, at *6-7 (W.D. Wash. Jan. 18, 2000).

42. See David Friedman, In Defense of Private Orderings: Comments on Julie Cohen’s “Copyright and the Jurisprudence of Self-Help”, 13 BERKELEY TECH. L.J. 1151, 1154 (1998) (considering that “technology has the potential to provide, for at least some forms of intellectual property, self-protection greatly superior in effectiveness and flexibility to the protection now provided by copyright law—and considerably less costly to enforce”).

this respect, it has been argued that technology, also referred to as “code”\textsuperscript{44} or “Lex Informatica,”\textsuperscript{45} will regulate cyberspace in a much more powerful (and menacing) way than do contracts, because technology is, by itself, not subject to any legal limits, while contracts are enforced by courts and consequently remain under judicial scrutiny.\textsuperscript{46} The difficulty of implementing a fair and balanced technological solution is particularly evidenced in the context of the regulation of technological protection measures, as these measures can be considered “blind”\textsuperscript{47} in the sense that they cannot make any distinction between the fair and infringing uses that are made of the works.\textsuperscript{48} As a result of this blindness, technological protection measures implemented by copyright owners typically adopt a general prohibition against unauthorized access to the works (to maximize protection),\textsuperscript{49} or strictly limit the number of authorized copies of the works,\textsuperscript{50} while adopting narrowly defined exceptions to the prohibition.\textsuperscript{51}

In a digital world, the flexibility and balance of copyright law (as best shown in the fair use doctrine) is at risk of being replaced by a much more rigid and more extensive system of technological protection. This means that the preservation of the copyright balance might be more difficult to maintain in a world dominated by technological protection measures.\textsuperscript{52} This situation could, however, change in the future with the

\textsuperscript{44} LESSIG, supra note 36, at 6 ("In real space we recognize how laws regulate—through constitutions, statutes, and other legal codes. In cyberspace, we must understand how code regulates—how the software and hardware that make cyberspace what it is regulate cyberspace as it is.") and at 126 ("Code can, and increasingly will, displace law as the primary, defense of intellectual property in cyberspace. Private fences, not public law.").


\textsuperscript{46} LESSIG, supra note 36, at 136, stating:

But contracts are not as bad as code. Contracts are a form of law. If a term of a contract is inconsistent with a value of copyright law, you can refuse to obey it and let the other side get a court to enforce it. The ultimate power of contract is a decision by a court—to enforce the contract or not.

\textit{Id.} Gimbel, supra note 43, at 1685.

\textsuperscript{47} Present technologies cannot distinguish whether a particular use is for commercial or educational purpose; more generally, technologies cannot reflect the complexity and flexibility of the fair use doctrine.

\textsuperscript{48} If they do not prohibit all types of activities, the risk is that they will not efficiently prevent the infringement of copyrights.

\textsuperscript{49} Technological protection measures strictly limit the number of copies that can be made of a digital work, without consideration of a potential application of the fair use doctrine; for a practical example, see Wade Roush, Breaking Microsoft’s e-Book Code (Nov. 2001), at http://www.technologyreview.com/articles/innovation11101.asp (about the Microsoft “owner-exclusive” Reader, which is configured so that only two copies of Microsoft Reader can be activated for a user, known as the “two-persona” rule, so access to owner-exclusive e-books is limited to the devices on which those two copies of the software are installed).

\textsuperscript{50} See the complex regulation of the exceptions permitting the circumvention of technological protection measures provided for in the DMCA, 17 U.S.C. § 1201 (d)-(f) (exemptions for nonprofit libraries, archives, and educational institutions; law enforcement, intelligence, and other governmental activities; reverse engineering; encryption research; exceptions regarding minors; protection of personally identifying information and security testing).

\textsuperscript{51} Acknowledging this need for flexibility in the context of a changing technological environment, some regulations of technological protection measures provide for a self-adapting system
development of more sophisticated technology that might lead to the computerized conclusion of "digital contracts," which will be automatically negotiated between electronic agents in order to meet the specific expectations of the contracting parties, thus permitting users of digital works to bargain for the preservation (or even the expansion) of their privileges under copyright law, such as fair use, in certain circumstances.\(^\text{52}\)

However promising or threatening this technological future appears, it should not overshadow the importance of the legal solutions to the issues raised by the extension of copyright protection by contract in the context of copyright licensing transactions. It is (and indeed will remain) critical to define legal standards applicable to on-line copyright licensing transactions, so that these policies may be implemented in the code.\(^\text{53}\) In short, technology should serve justice and not the other way around.

**C. PURPOSE AND STRUCTURE OF THIS ARTICLE**

Before discussing the structure of this Article, two remarks should be made about its purpose. First of all, this Article will focus on substantive law. It will therefore analyze under what circumstances (i.e., by application of what legal doctrines) the principle of freedom of contract may be limited in the context of copyright licensing transactions. As a result, it will be assumed that the contracts containing the disputed provisions have been validly formed and are formally binding upon the parties. Because of this, the conditions of contract formation (and other aspects of the formal validity of these contracts) will not be analyzed, even though this issue can (of course) be determinative of the outcome in many cases\(^\text{54}\)

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by which regulations are to be reviewed periodically in order to make sure that they do not threaten the public domain; for the U.S. regulation, see § 1201 (a)(1)(D); on this issue, see de Werra, supra note 37, at 116-124 and 150-152.

52. Brennan, supra note 35, at 108 ("Electronic agents will search the Net on their [the customers'] behalf, challenging merchants to provide the best alternatives across a range of price and value-added options. The agents will even conduct the entire negotiation using strategic criteria designated by the user.") For a definition of electronic agents, see Brennan, at 106-109; for another proposal aiming at the implementation of a "fair use button", see Kenneth W. Dam, Self-Help in the Digital Jungle, in EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY, INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY 103, 113 (Rochelle C. Dreyfuss et al. eds, 2001), commenting:

But it would be possible to go further to encourage or even require a content provider to take technical steps to facilitate some kind of negotiation between licensor and licensee in certain defined 'fair use' types of situations. Indeed, one can imagine a scenario in which a recipient upon clicking, for example, a reviewer button would thereby obtain unrestricted access but be representing that access is for the purpose of writing a review and that copies will not be used for non-review distribution. Since the putative reviewer could later be legally held to this representation, content providers who seek reviews for their own success would likely find this kind of 'fair use' button access attractive.

Id.

53. The books of Lessig, supra note 15 and 36, generally emphasize the importance of defining legal rules by public decision making processes in order to prevent the domination of cyberspace by the code.

54. In the absence of a valid contract, the contractual restrictions have no importance whatsoever.
and has also been intensively discussed in the context of shrinkwrap and click-through licensing transactions on both sides of the Atlantic.  

Secondly, this Article will focus on a comparative analysis of U.S. and European laws, in spite of the fact that this issue is also discussed in other parts of the world.  

Further, it should be noted that the analysis of European law will deal primarily with the law of the European Union.  

The final purpose of this comparative analysis will be to formulate global rules based on a synthesis of the two systems.  

The goal of this Article is to define whether and to what extent the basic principle of freedom of contract is or should be limited in the context of international copyright licensing agreements on the basis of essential copyright policies, which define the conditions and the scope of protection of the works, for the benefit of the users of the works. In other words, to decide to what extent "private legislation" resulting from contracts can displace the public policy defined by copyright law.  

This issue necessitates revisiting the relationship between contract law and copyright law in light of the newly identified risk that contract law might be used to overstretch the legal protection granted by copyright beyond its natural limits.  

To achieve this purpose, this Article will present the different legal doctrines and scholarly proposals that have been respectively evoked and formulated in order

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57. Some references will, however, be made to other non-European Union legal sources (most specifically to Swiss law) when deemed useful for the purpose of this research; on the relative complexity of the copyright system existing in the European Union, see infra Part III.B.

58. Pamela Samuelson & Kurt Opsahl, Licensing Information in the Global Information Market: Freedom of Contract Meets Public Policy, 21 EUR. INTEL. PROP. REV. 385, 390 (1999) ("[T]here needs to be an international conversation on the extent to which private contracts, or indeed, technical protection systems, can override public policy. Each nation will have to address the fundamental question: how far can private parties contract around public policy?").

59. Copyright policies define the object of protection (original works fixed in a tangible medium are protected by copyright law under U.S. law, to the exclusion of ideas and facts), the duration of protection as well as the statutory limits of protection (statutory privileges granted to users such as fair use).

60. The term "private legislation" was coined by Friedrich Kessler to define contracts of adhesion that were standard throughout an industry. See Friedrich Kessler, Contracts of Adhesion—Some Thoughts About Freedom of Contract, 43 COLUM. L. REV. 629 (1943).

to solve the conflict between the principle of freedom of contract and the respect of copyright policies both in the U.S. and the European legal systems. The resulting structure of the Article is straightforward: Part I will address the issue under U.S. law; Part II will address it under European law; and, on the basis of this comparative analysis, Part III will then formulate a proposal for a global information licensing policy.

I. U.S. LAW

A. INTRODUCTION

In the United States, the question of the relationship between contract law and copyright law has already been intensively discussed for several years. This issue was first raised in the context of the validity of a contractual provision prohibiting reverse engineering of software products, and has become a hot topic since the adoption of the Uniform Computer Information Transactions Act (UCITA) after the controversial decision of the 7th Circuit in ProCD, Inc. v. Zeidenberg in 1996.

In view of the significant impact of ProCD on U.S. law, the analysis will start with a detailed examination of this case. It will be followed by an analysis of the diverse legal doctrines that have been invoked as potential sources for a solution to the conflict between copyright policies and freedom of contract. These doctrines


64. The text of the latest version of UCITA which has been approved by the National Conference of Commissioners on Uniform States Law and recommended for enactment in all the States at its annual conference meeting in 2001 (Aug. 23, 2001), is available at http://www.law.upenn.edu/bll/ulc/ucita/ucita01.htm. The relevant sections of the UCITA will be discussed in Part II.D., infra.

65. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996).

66. As reflected by the numerous (critical) comments and analyzes that this case has provoked, see infra note 108.

67. Part I.B infra.

68. Part I.C infra.
can be divided into two categories, depending on whether or not they are specific to copyright law. While some doctrines are limited to copyright law (like the copyright misuse doctrine) or have a specific meaning in copyright law (like the federal preemption doctrine implemented by § 301 of the Copyright Act), other doctrines come from legal fields external to copyright law, such as the law of contracts or antitrust law. Due to the potential influence of the UCITA on the future resolution of the issue, uniform contract law will also be presented. Finally, as the concern has been expressed that neither these doctrines nor the UCITA would offer a satisfactory solution to the issues at stake, several commentators have formulated more or less detailed proposals to resolve them. These proposals will also be presented.

B. PROCD v. ZEIDENBERG

1. Facts of the Case

In 1994, Matthew Zeidenberg, a Ph.D. computer science student, purchased a CD-Rom produced by ProCD, Inc. called “Select Phone TM CD-Rom” consisting of a general database of telephone directories that had been compiled by ProCD at a high cost. The CD-Rom contained telephone listings and a software program used to access, retrieve and download the data. The package was sold in boxes containing a set of discs and a user guide. The user guide included general terms and conditions entitled “Single User License Agreement.” In addition, while using the database, most computer screens contained the following warning:

The listings on this product are licensed for authorized users only. The user agreement provides that copying of the software and the data may be done only for individual or personal use and that distribution, sublicense or lease of the software or the data is prohibited. The agreement provides expressly that: You will not make the Software or the Listings in whole or part available to any other user in any networked or time-share environment, or transfer the Listings in whole or in part to any computer other than the computer used to access the Listings.

69. Samuelson & Opsahl, supra note 19, at 165; see also, under comparative law, Thomas Dreier, Balancing Proprietary and Public Domain Interests: Inside or Outside of Proprietary Rights, in EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY, INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY 295, 303-312 (Rochelle C. Dreyfuss et al. eds. 2001).

70. Even though federal preemption is not a specificity of copyright law, the Copyright Act directly addresses this issue by a specific provision (17 U.S.C. § 301).

71. Part I.D infra.


73. Based on the decision of the District Court for the Western District of Wisconsin, 908 F. Supp. 640 (W.D. Wis. 1996).

74. Pro CD Inc. v. Zeidenberg, 908 F. Supp. 640, 644 (W.D. Wis. 1996) (“Plaintiff spent millions of dollars creating a comprehensive, national directory of residential and business listings. Plaintiff compiled over 95,000,000 residential and commercial listings from approximately 3,000 publicly available telephone books.”).

75. Id.

76. Id. at 645.
The box mentioned the agreement in one place in small print, without detailing the specific terms of the license.\(^{77}\)

In April 1995, Zeidenberg incorporated Silken Mountain Web Services, Inc. (a one-person corporation) for the purpose of making a database of telephone listings available over the internet and started to create his own database, partly containing databases from ProCD’s product. Zeidenberg wrote a new computer program to run his own database.\(^{78}\) In May 1995, Zeidenberg made the newly created database available on the internet until the Federal District Court for the Western District of Wisconsin issued a preliminary injunction on September 22, 1995. Prior to that, Zeidenberg’s database registered approximately 20,000 hits per day.\(^{79}\)

2. The Decision of the District Court for the Western District of Wisconsin

ProCD sued Zeidenberg and Silken Mountain Web Services, Inc. (“the Defendants”) in the Federal District Court for the Western District of Wisconsin for copyright infringement, breach of the express terms of the parties’ software agreement, a violation of Wisconsin’s Computer Crimes Act, misappropriation and unfair competition in a civil action for injunctive and monetary relief. The District Court found for the defendants (a) by denying any copyright infringement and (b) by denying any breach of the software agreement.\(^{80}\)

\(\text{a. Copyright Infringement}\)

Based on the holding of Feist Publications, Inc. v. Rural Telephone Service, the district court excluded the protection of ProCD’s unoriginal databases by copyright law.\(^{81}\) The district court decided that the use of ProCD’s protected software made by the defendants in downloading and accessing the data would in any case be privileged under §117 of the Copyright Act. As a result, the claim of copyright infringement was rejected.\(^{82}\)

\(\text{b. Breach of the Software Agreement}\)

Regarding the question of the formal validity of the shrinkwrap agreement, the district court held that “because defendants did not have the opportunity to bargain or object to the proposed user agreement or even review it before purchase and they did not assent to the terms explicitly after they learned of them, they are not bound by the user agreement.”\(^{83}\) Therefore, the district court held that there was no binding contract between the Defendants and ProCD. Even though the district

\(^{77}\) Id. at 645.
\(^{78}\) Silken Mountain’s software permits searches based only on two criteria (name and standard industrial code).
\(^{79}\) 908 F. Supp. at 646.
\(^{80}\) Id. at 640.
\(^{82}\) 908 F. Supp. at 647-650.
\(^{83}\) Id. at 655.
court could have stopped there, it further analyzed (at length) the issue of federal
preemption of the contract by assuming its validity, and holding that this question
was critical in this context, as the issue of contract enforceability depends on its
potential preemption under § 301 of the Copyright Act.

Section 301 of the Copyright Act governs preemption of state law claims that
conflict with the federal copyright policies embedded in the Copyright Act. Preemption applies if two conditions are met: 1) The work in which the state law
right is asserted must come within the “subject matter” of copyright (as specified in
17 U.S.C. §§ 102 and 103); 2) The state contract law right asserted must be

Concerning the first condition, the district court held that “[t]he telephone
listings on the Select Phone TM CD-ROM are a compilation of facts that would
qualify for copyright protection under § 103 if they were sufficiently original; that
they lack the necessary originality does not affect their status as coming within the
subject matter of copyright.” As a result, the District Court found that the first
prong of the preemption test under § 301 was met, because the work at issue was
within the subject matter of copyright.

With regards to the second condition, the district court stated that:

[a] right is equivalent to one of the rights set forth in § 106 if it ‘is infringed by the
mere act of reproduction, performance, distribution or display.’ . . . To avoid
preemption, a cause of action defined by state law must incorporate an ‘extra element’
beyond those necessary to prove copyright infringement.”

Considering that the contractual claim of ProCD was precisely designed to protect
against the reproduction and the distribution of the database, this cause of action
was held equivalent to the right of reproduction and distribution granted under
copyright law. As a consequence, the district court held that the contract claim
preventing a commercial use of the database was preempted under § 301 of the
Copyright Act.

Due to the existence of federal case law holding that breach of contract claims
are not preempted by § 301 because such a cause of action is not equivalent to the
rights granted by copyright, the district court stated that the “extra element”, which
is required to avoid preemption, means that the state law claim must be
“qualitatively different” from the copyright claim. After having analyzed and
distinguished the cases which held that contract claims were not automatically
preempted by copyright law, the district court held that “[i]t is only when a contract
erects a barrier to access to information that under copyright law should be
accessible, that § 301 operates to protect copyright law from individually crafted

84. Thus trying to reduce the chances that the decision will be successfully reversed on appeal.
85. For a detailed analysis of the federal preemption under § 301, see infra Part II.C.1.a.
86. 908 F. Supp. at 657.
87. Id. (internal reference omitted).
88. Id.
89. Id. at 658 with references.
Considering that this was precisely the case here, the district court held that ProCD's contract claim was preempted by § 301 by noting that it would be illogical and "ironic" to offer any protection to ProCD, which had benefited precisely from the absence of copyright protection (on the basis of Feist) in the process of creating its own database.

As a final remark, it should be noted that even though the district court considered the economic impact of its decision, it refused to take this factor as a justification for protecting the important investment made by ProCD.

3. The Decision of the Court of Appeals for the Seventh Circuit

The first thing to note about the decision of the Court of Appeals for the Seventh Circuit is that it was written by Judge Easterbrook, a prominent advocate for economic analysis of the law and leading member of the "Chicago school." It is therefore not surprising that Judge Easterbrook's view of the case was essentially based on an economic analysis of the case, which particularly took into account the dual pricing system adopted by ProCD to market its product. As noted by Judge Easterbrook, ProCD engaged in price discrimination for its product: a cheaper price for private customers and a more expensive price for corporate customers. This system was considered to be beneficial to the public because it allowed each category of customers to obtain the product at a reasonable price.

Id. at 659.

Id. ("The Supreme Court's decision in Feist allowed plaintiff to avoid these problems and create its database without any fear of copyright infringement. It is ironic that after plaintiff [ProCD] has attained the benefits of copyright law, it wants to prevent others from receiving that same protection.").

Id. at 646 ("Plaintiff's arguments boil down to the proposition that it is unfair and commercially destructive to allow defendants to take the information plaintiff assembled with a significant investment of time, effort and money, and use it for commercial purposes without paying any compensation to plaintiff.").

Id. at 647 ("Feist's result may well serve as a disincentive to companies considering the compilation of factual databases ... but Feist struck the 'careful balance' between fact and expression in copyright law by allowing facts to be copied at will in order to advance the development of science and art. That disincentives might result was not considered important.").

86 F.3d 1447 (7th Cir. 1996).

See Samuelson & Opsahl, supra note 19, at 177 n.71 ("the Chicago School is a school of thought originated at the University of Chicago, which emphasizes economic analysis of the law").

Approximately U.S. $150. See 86 F.3d at 1449.

Id. at 1449. The court reasoned:

If ProCD had to recover all of its costs and make a profit by charging a single price—that is, if it could not charge more to commercial users than to the general public—it would have to raise the price substantially over $150. The ensuing reduction in sales would harm consumers who value the information at, say, $200. They get consumer surplus of $50 under current arrangement but would cease to buy if the price rose substantially. If because of high elasticity of demand in the consumer segment of the market the only way to make a profit turned out to be a price attractive to commercial users alone, then all consumers would lose out—and so would the commercial clients, who would have to pay more for the listings because ProCD could not obtain any contribution towards costs from the consumer market.

Id.
Easterbrook further stated that the key to the success of a system based on price discrimination is controlling arbitrage.\textsuperscript{99} For ProCD, the only way to control arbitrage was to impose contractual obligations on its customers.\textsuperscript{100} Based on this economic reasoning, it can be understood why Judge Easterbrook held that the contract was enforceable and not preempted by federal copyright law.

After a detailed analysis of several provisions of the UCC and by applying (once again) an economic and market-based analysis to the case,\textsuperscript{101} Judge Easterbrook concluded that as a formal matter the agreement was plainly enforceable.

Considering the two-prong preemption test, Judge Easterbrook first conceded, with respect to the first prong, that ProCD’s product was within the “subject matter of copyright” even though it was not protectable under copyright law, thus agreeing with the district court on this point.\textsuperscript{102}

However, with regard to the second prong of federal preemption, Judge Easterbrook held that rights created by contract are not “equivalent to any of the exclusive rights within the general scope of copyright.”\textsuperscript{103} In a formula that has since become quite well known, Judge Easterbrook wrote that, “[a] copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create ‘exclusive rights.’”\textsuperscript{104} To buttress his position, Judge Easterbrook gave some (more or less relevant) examples in order to affirm that contracts bearing on intellectual property subject matters remain generally enforceable and should therefore not be preempted by federal copyright law.\textsuperscript{105} Concluding on a cautious note, Judge Easterbrook, by making reference to a then-recent decision of the Supreme Court,\textsuperscript{106} stated that it

\textsuperscript{99}. Id. at 1450.
\textsuperscript{100}. Jerome H. Reichman & Jonathan A. Franklin, Privately Legislated Intellectual Property Rights: Reconciling Freedom of Contract with Public Good Uses of Information, 147 U. PA. L. REV. 875, 922 n.206 (1999) (“In ProCD, the only way the licensor could open a useful subsidiary market, while avoiding massive appropriation of the fruits of his investment, was to forbid users who purchased the ‘home use’ version of his national telephone directory from competing with his own efforts to license the same directory commercially.”).
\textsuperscript{101}. 86 F.3d at 1453. The court explained:

Competition among vendors, not judicial revision of a package’s contents, is how consumers are protected in a market economy. ProCD has rivals, which may elect to compete by offering superior software, monthly updates, improved terms of use, lower prices, or a better compromise among these elements. As we stressed above, adjusting terms in buyers’ favor might help Matthew Zeidenberg today (he already has the software) but would lead to a response, such as a higher price, that might make consumers as a whole worse off.

\textit{Id.} (internal reference omitted).

\textsuperscript{102}. Id. at 1453.
\textsuperscript{103}. Id.
\textsuperscript{104}. Id. at 1454.
\textsuperscript{105}. One of the examples given by Judge Easterbrook is the case of a customer renting a video from a video store on the basis of an agreement limiting the use of the tape to home viewing and requiring its return in two days. Id. at 1454. The question of Judge Easterbrook (“May the customer keep the tape, on the ground that § 301(a) makes the promise unenforceable?”) is not to the point to the extent that the obligation to return the tape is clearly not “equivalent” to any rights granted by copyright law and therefore constitutes an “extra element” which bars a preemption under § 301(a) of the Copyright Act. On the extra-element test of the preemption doctrine, see infra Part II.C.1.a.2.
was "prudent to refrain from adopting a rule that anything with the label 'contract' is necessarily outside the Preemption Clause: the variations and possibilities are too numerous to foresee." 107

4. Analysis of ProCD v. Zeidenberg

ProCD has provoked a lively debate among commentators about the two distinct legal issues decided in the case, contract law and copyright law. 108 The issue of contract law was to decide under what circumstances a shrinkwrap contract would be valid and enforceable. 109 This issue, which may seem somehow obsolete post-UCITA 110 (and given the growing importance of electronic commerce transactions, i.e., of click-through agreements instead of shrinkwrap agreements), will not be the focus of the present analysis. 111

The second issue relates to the copyright preemption analysis made by the 7th Circuit. As noted above, the basic rationale guiding the entire decision of the 7th Circuit was the need to find a way to protect the uncopyrightable database created by ProCD against acts of "unfair competition." 112 To reach this result, the court had to admit first the existence of an enforceable contract between the parties, and

107. 86 F.3d 1447, 1455 (7th Cir. 1996).
109. As noted by O'Rourke, there are actually two questions of contract law:

[C]onceptually, the issue of the enforceability of the shrinkwrap license is divided into two questions: (i) whether, as a matter of contract formation, a valid contract may be formed in the manner employed by ProCD; and (ii) assuming such a contract may be formed, whether and what terms of that contract should be enforced.

O'Rourke, Preemption, supra note 108, at 57.

110. The consequence of which is precisely to make shrinkwrap contracts more broadly enforceable, see infra Part I.D.

111. For a detailed analysis, see O'Rourke, Preemption, supra note 108, at 58-71.

112. See supra text accompanying notes 95-100.
then the validity of the contract under a copyright preemption analysis. While the outcome of ProCD has been criticized because it admitted the existence of an enforceable agreement and rejected the preemption of the contractual claim in ways which were detrimental to consumers,\textsuperscript{115} some commentators have approved it, as a matter of general policy, by finding it "pro-competitive and socially beneficial."\textsuperscript{114}

Perhaps the most important problem faced in ProCD originates in the landmark decision of the Supreme Court in Feist, in which the Supreme Court rejected the sweat of the brow doctrine of protection for databases, by stating that:

> It may seem unfair that much of the fruit of the compiler's labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not 'some unforeseen by-product of a statutory scheme.' \ldots It is, rather, 'the essence of copyright,' \ldots and a constitutional requirement.\textsuperscript{115}

*Feist* created a gap in the legal protection of databases by making clear that unoriginal databases would not be protected by copyright law.\textsuperscript{116} This decision was highly troublesome for database producers in the United States (like ProCD)\textsuperscript{117} because, as a result of *Feist*, many valuable databases did not enjoy any legal protection under copyright law.\textsuperscript{118} This was the reason why providers of databases tried to protect their products by contracting with their clients (which is precisely what ProCD did).\textsuperscript{119}

From the perspective of copyright law, the decision of the 7th Circuit in ProCD
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was criticized because it enforced the contractual protection of content that was not copyrightable. This result was said to be inconsistent with *Feist*, because the absence of protection by copyright (because of a lack of originality) should bar any legal protection (even by contract) for such uncopyrightable content.  

A further criticism was that the 7th Circuit did not analyze preemption under the Supremacy Clause because it focused only on the statutory preemption provided for by § 301 of the Copyright Act, even though constitutional preemption should have been considered. In addition, the very narrow interpretation of statutory preemption adopted in *ProCD* created a result wherein almost no contract provisions relating to copyright would be subject to preemption. As noted by a commentator:

By following the Seventh Circuit's analysis... it is hard to imagine any type of contract that could be preempted by section 301(a) of the Copyright Act. After *ProCD*, the mere existence of an enforceable licensing agreement, regardless of the restrictions it imposes upon the end-user, is sufficient to avoid preemption by copyright law.

In spite of the concerns generated by *ProCD*, which has indeed paved the way for a broader validity (and continuous use) of shrinkwrap licenses, it should be kept in mind that this case did not actually threaten the fundamental social values which have typically been associated with the "privatization" or "shrinkwrapping" of copyright law, such as innovation, competition or free speech. First, *ProCD* did not deal with protected content, but only with an unprotected database of telephone directories. Therefore, it did not raise the question of exclusion or restriction on the access (either by competitors or by the general public) to an original and creative work of authorship. *ProCD* did not remove anything from the public domain, because competitors could still, by investing the required time and effort, create their own database with a similar or better (more accurate or more comprehensive) content.

120. This was the view of the district court in *ProCD*. See 908 F. Supp. at 659 (stating that the contract at issue was "an attempt to avoid the confines of copyright law and of *Feist*"); see 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 1.01[B][1][a], at 1-19 n.77.13 (2001) ("[t]he contract at issue in this case was specifically designed to undo the results of a unanimous Supreme Court ruling: it is therefore infirm under the doctrine of conflict preemption").

121. Nimmer et al., supra note 1, at 51; Lemley, supra note 33, at 143.

122. Jaccard, supra note 7, at 648; see, e.g., Vault Corp. v. Quaid Software Ltd., 655 F. Supp. 750, (E.D. La. 1987), aff'd, 847 F.2d 255 (5th Cir. 1988); see other cases mentioned by PAUL GOLDSTEIN, COPYRIGHT § 15.3.3., at 15:36 n.32 (2d ed., 2002); on constitutional preemption, see infra Part II.C.b.


124. In this respect, the holding of *ProCD*, which relates to shrinkwrap licenses, is already outdated, as on-line distribution models have already replaced shrink wrap licenses.

125. See Charles R. McManis, The Privatization (or "Shrink-Wrapping") of American Copyright Law, 87 CAL. L. REV. 173 (1999); on these values which were identified in the context of UCITA, see infra Part II.D.5.b.

126. One could however consider that *ProCD* is problematic because it would precisely create a quasi-copyright protection for unoriginal content.

127. This rationale was expressly mentioned by Judge Easterbrook. *ProCD*, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996).
Second, the contractual restriction at issue merely prevented the licensee (Zeidenberg) from making commercial use of the database.\(^\text{128}\) As such, this restriction was perfectly reasonable,\(^\text{129}\) because it did not restrict any "fair use"\(^\text{130}\) of the database, nor did it jeopardize any constitutional rights, or reduce innovation or fair competition.

As a result, ProCD, or more precisely, Zeidenberg, cannot be considered as the best example of an oppressed private user on whom the content owner would have imposed unduly restrictive contractual conditions, appearing instead as a free-riding competitor. Viewed from a transatlantic perspective, Zeidenberg's activities would typically have been prohibited by general unfair competition laws or laws specifically protecting database producers,\(^\text{131}\) so that the thorny issues regarding both the validity of the contract and the preemption analysis could have been totally avoided.\(^\text{132}\)

**C. SOLUTIONS OFFERED BY EXISTING LEGAL DOCTRINES**

1. Federal Preemption

Preemption is a constitutional principle deriving from the Supremacy Clause,\(^\text{133}\) resulting from the federalist structure of American law, whose purpose is to ensure that state laws do not compromise the unifying purpose of federal laws.\(^\text{134}\) As preemption can apply to all types of conflicts between federal and state law, its scope of application is very broad and reaches far beyond the field of intellectual property law.\(^\text{135}\) Even though the first target of the preemption doctrine is state

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128. The whole pricing system of ProCD was precisely based on price discrimination between private and professional users, see *supra* text accompanying notes 95-101.

129. See O'Rourke, *Preemption, supra* note 108, at 70.

130. Even by assuming that the licensed database would be protected by copyright, a contractual provision prohibiting any commercial use of the database by the licensees would not affect the fair use privilege granted by § 107 of the Copyright Act, because commercial use is basically not fair use; this aspect of ProCD has sometimes be misread, see Lessig, *supra* note 36, at 197 ("[T]here is some controversy in the United States about the extent to which fair use rights can legitimately be modified by contract. In an important opinion, Judge Easterbrook of the 7th Circuit Court of Appeals said, in effect, that these rights can plainly be modified through contract.").

131. This would be achieved by application of the European Database Directive (as implemented in the legal systems of the Member States); on this directive, see *infra* Part III.C.2.

132. See *infra* Part III.A.

133. The Supremacy Clause reads:

> This Constitution, and the Laws of the United States which shall be made, and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

> U.S. CONST. art. VI, cl. 2.

134. BLACK'S LAW DICTIONARY 1197 (7th ed. 1999) (preemption is "the principle derived from the Supremacy Clause that a federal law can supersede or supplant any inconsistent state law or regulation").

legislation, private contracts are not immune from a preemption analysis because the law governing contracts and their enforcement is also state law. In the context of copyright law, preemption can apply when federal copyright law conflicts with state-based contract law.

Except for the cases in which the Copyright Act specifically provides that some rights are waivable or unwaivable so that parties cannot “contract around” these federal rules, two types of federal preemption have been identified as being applicable in the context of transactions in the field of copyright law: (1) the copyright preemption expressly provided for by § 301 of the Copyright Act, and (2) the Constitutional preemption directly resulting from the Supremacy Clause of the U.S. Constitution.

a. Copyright Preemption (Statutory Preemption)

Section 301 was one of the key provisions of the 1976 Copyright Act. Its purpose was to suppress the complicated dual system of protection existing before the 1976 Act took effect, the distinction being based on whether the work was published or not. Under the 1909 Copyright Act, works were protected by common law copyright before publication and by federal copyright law after publication. Under the 1976 Act, the key criterion is no longer the publication of the work, but its “creation,” that is, its “fixation” in a tangible medium. In this context, § 301
implemented the new uniform system of copyright protection by preempting common law copyright and any other means by which a state could create rights equivalent to the exclusive rights enumerated by the Copyright Act. 146

In its original text, § 301(b)(3) included a list of examples of causes of action that were not pre-empted, 147 this list being "intended to illustrate rights and remedies that are different in nature from the rights comprised in a copyright and that may continue to be protected under State common law or statute." 148 Breach of contract was one of those examples. 149 This list was, however, later removed from the bill, so one can hardly infer anything from its previous presence in the bill regarding the issue of the preemption of breach of contract claims, 150 except that the Copyright Act did not generally preempt this type of claim. 151

Under the enacted version of § 301, a cause of action will be preempted when two cumulative conditions are met: (a) the subject matter of the state claim is "works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103," and (b) the state claim involves "legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106." 152 A preemption analysis under § 301 therefore encompasses two prongs: (a) a subject matter test and (b) an equivalent rights test.

1) The Subject Matter Test

The purpose of the subject matter test is to prevent States from expanding "the

146. See Rice, supra note 63, at 602-603.
147. See text reproduced by ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT, CASES AND MATERIALS 802 (5th ed. 1999) and by Nimmer & Nimmer, supra note 120, § 1.01[B][1][a], at 1-14.
149. Id. ("nothing in the bill derogates from the rights of parties to contract with each other and to sue for breaches of contract"); see Nimmer & Nimmer, supra note 120, § 1.01[B], at 1-17.
150. GORMAN & GINSBURG, supra note 147, at 806 (stressing that the list of unpreempted state claims provided for by § 301(b)(3) "was deleted, after a brief and confusing dialogue that left the significance of the deletion altogether unfathomable"). But cf. Wolff v. Inst. of Elec. & Elec. Eng'rs, Inc., 768 F. Supp. 66, 69 (S.D.N.Y. 1991) (relying on the subsequent elimination of the list in order to conclude that an action for breach of contract is preempted). For a critical analysis of this decision, see Nimmer & Nimmer, supra note 120, § 1.01[B], at 1-16.
151. Maureen O'Rourke, Drawing The Boundary Between Copyright and Contract: Copyright Preemption of Software License Terms, 45 DUKE L.J. 479, 518 (1995) [hereinafter O'Rourke, Boundary]. O'Rourke explains:

Although it is always speculative to infer congressional intent, both the original inclusion of breach of contract as an example of cause of action that would survive preemption and the reason for deletion of the list of examples suggest that Congress did not intend, as a general rule, to preempt breach of contract actions under the Act.

Id. But cf. Goldstein, supra note 122, at 15:19 (history suggests that, with the possible exception of misappropriation, courts should refer to the equivalent state doctrines as examples of unpreempted state laws since in one form or another the examples had been associated with section 301 from the beginning, providing a benchmark by which the section's thrust was understood and measured).
152. O'Rourke, Boundary, supra note 151, at 518.
perimeters of copyright protection to their own liking," by granting protection to works that would not qualify for protection under the federal Copyright Act. As a consequence, a work of authorship is generally said to come "within the subject matter" of copyright pursuant to § 301, when it fits within the general subject matter of §§ 102 and 103, whether or not the work qualifies for actual protection. As a result, unoriginal collections of data or works that are in the public domain are within the general subject matter of §§ 102 and 103, even though they are not protected by copyright law. However, whether facts and ideas are "within the subject matter" of copyright for purposes of preemption is less clear. State laws can still protect them without being preempted by § 301. Such state protection can nevertheless be preempted under the Supremacy Clause on the basis of a "conflict preemption" or under the First Amendment as codified in the Fourteenth Amendment.

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154. ProCD, 86 F.3d 1447, at 1453.
155. As this was expressly admitted in the legislative history:

As long as a work fits within one of the general subject matter categories of section 102 and 103, . . . section 301(a) prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify, or because it has fallen into the public domain. H.R.Rep. No. 1476, 94th Cong., 2d Sess. 131 (1976), reprinted in 1976 U.S.C.C.A.N. 5659, 5747. It could however be argued that the wording of § 301 might be imprecise in the sense that the reference to "works of authorship" (emphasis added) could be interpreted as implying that these works need to be original, because they have been created by an "author", pursuant to the constitutional meaning of this word; in Feist, the Supreme Court noted, by referring to two older cases, that "this Court defined the crucial terms 'authors' and 'writings'. In so doing, the Court made it unmistakably clear that these terms presuppose a degree of originality. Feist Publications, Inc. v. Rural Telephone Serv. Co. Inc., 499 U.S. 340, 346 (1991).

157. See Mayer v. Josiah Wedgwood & Sons, Ltd., 601 F. Supp. 1523 (S.D.N.Y. 1985) ("state laws that protect ideas, as distinct from their expression, are without the subject matter of copyright").
158. Against the application of § 301 to ideas, see Goldstein, supra note 122, § 15.3, at 15:29; for the opposite view, see U.S. Ex Rel. Berge v. Board of Trustees of Univ. of Ala., 104 F.3d 1453, 1463 (4th Cir. 1997), cert. denied, 522 U.S. 916 (1997) (holding that the "ideas embodied in a work covered by the [Act]" are nevertheless within the subject matter of copyright for purposes of preemption because "scope and protection are not synonyms . . . moreover, the shadow actually cast by the Act's preemption is notably broader than the wing of its protection").
160. See infra Part II.C.1.b.
161. See Goldstein, supra note 122, § 15.2.3. at 15:23 and § 15.3.3, at 15:36; Hoeling v. Universal City Studios, Inc. 518 F.2d 972, 980 (2d Cir. 1980), cert. denied, 449 U.S. 841 (1980) (by relying on constitutional preemption doctrine, the court held that, "Where, as here, historical facts, themes, and
The broad definition of works that come "within the subject matter" of copyright means that the subject matter test is easily met, which consequently emphasizes the importance of the equivalent rights test.

2) The Equivalent Rights Test

The equivalent rights test has proven more difficult to apply. Its precise meaning was apparently not clear even for Congress at the time of adoption of the 1976 Copyright Act. This test purports to preempt a state-created right if it is "equivalent" to one of the rights enumerated in § 106 of the Copyright Act (the right to reproduce the work, to prepare a derivate work, to distribute, to perform and display it publicly). The equivalent rights test has been interpreted as meaning that "state claims are preempted if the right defined by state law is infringed by an act that would, in and of itself, violate one of the exclusive rights under section 106" of the Copyright Act. Some courts have applied this test by showing the presence of an "extra element" in the state claim, which makes the state claim "qualitatively different" from (thus, not equivalent to) rights granted by copyright law. This extra element is shown when the basis for a breach of contract is different from a mere act of copyright infringement. On the contrary, "a breach of contract alleging nothing more than an act of [copyright] infringement is pre-empted."

research have been deliberately exempted from the scope of copyright protection to vindicate the overriding goal of encouraging contributions to recorded knowledge, the states are preempted from removing such material from the public domain.

162. Kaijala, supra note 108, at 527; O'Rourke, Boundary, supra note 151, at 519.
163. GORMAN & GINSBURG, supra note 147, at 802.
164. Kaijala, supra note 108, at 527; Wrench LLC v. Taco Bell Corp., 256 F.3d 446, 456 (6th Cir. 2001) ("[e]quivalency exists if the right defined by state law may be abridged by an act which in and of itself would infringe one of the exclusive rights"); see also Harper & Row, Publishers, Inc. v. Nation Enters., 723 F.2d 195, 200 (2d Cir. 1983), rev'd on other grounds, 471 U.S. 539 (1985).
165. Goldstein, supra note 122, § 15.2.1, at 15:10 ("[c]ourts generally hold that a state right is not equivalent to copyright, and thus is not subject to preemption, if the state cause of action, contains an operative element that is absent from the cause of action for copyright infringement.").
166. Nimmer et al., supra note 1, at 46.
168. Taquino v. Teledyne Monarch Rubber, 893 F.2d 1488, at 1501 (5th Cir. 1990). In this case, the contract at issue prohibited the defendant from representing a competing company prior to termination. The court explained that:

[T]he right to claim this breach of contract is not preempted by copyright laws. 17 U.S.C. § 301 only preempts rights equivalent to the exclusive rights within the general scope of copyright law. A right is equivalent if the mere act of reproduction, distribution, or display infringes it. This action for breach of contract involves an element in addition to the mere reproduction, distribution, or display....

Id. (citations omitted) (quoting opinion of district court).
169. Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l Inc., 991 F.2d 426, at 431 (8th Cir. 1993); see also Am. Movie Classics Co. v. Turner Entm't Co., 922 F. Supp. 926 (S.D.N.Y. 1996) (no qualitative difference between breach of exclusive exhibition rights agreement and copyright claim for infringing right of public performance leading to preemption of state contract claim); see other
As an example, in *National Car Rental System, Inc. v. Computer Associates Int’l Inc.*, the licensing agreement provided that the licensed computer program could be used by National “only for the internal operations of Licensee [National] and for the processing of its own data.” In this case, the 8th Circuit held that the extra element test was met, finding that the contract claim was qualitatively different from a copyright claim: the contractual restriction that prohibited National from processing data for third parties did not involve the infringement of a copyright, so that the breach of contract did not allege an act of copyright infringement and was therefore qualitatively different from a copyright claim. The court therefore held that the action for breach of contract was not preempted by § 301.

Other courts following *ProCD*, however, have adopted a narrower interpretation of the equivalent rights test by stating that a contract, conceived as a negotiated agreement between private parties, cannot create rights that are “equivalent” to the statutory rights granted by the Copyright Act. In this perspective, contracts will generally not be preempted under § 301.

While it has been argued that contracts are simply “different” from copyright rights because they do not have any effect against third parties (the absence of effect *erga omnes* results from the basic principle of privity of contract), this view is not undisputed, the main argument in opposition being that standard adhesion contracts, which are likely to become the usual way of distributing works over the internet due to the creation of direct contractual relationships between copyright owners and end-users, have the potential to be so widely used so that

references quoted by Karjala, supra note 108, at 528 n.57.
170. 991 F.2d 426 (8th Cir. 1993).
171.  Id. at 427 (internal citations omitted).
172.  See the analysis of the case by Minassian, supra note 108, at 603.
173.  991 F.2d at 433. The court explained:

Absent the parties’ agreement, this restriction would not exist. Thus, CA [Computer Associates] is alleging that the contract creates a right not existing under the copyright law, a right based on National’s promise, and that it is suing to protect that contractual right. The contractual restriction on use of the programs constitutes an extra element that makes this cause of action qualitatively different from one for copyright.

Id.

174.  See supra Part II.B.
175.  See Architectronics, Inc. v. Control Sys. Inc., 935 F. Supp. 425, 441 (S.D.N.Y. 1996) (stating that “the consensus among courts and commentators appears to be that breach of contract claims are qualitatively different from claims for copyright infringement and therefore are not preempted”); considered from a broader perspective, this question illustrates the difficulties in delineating property from contract; on this issue, see Thomas W. Merrill & Henry E. Smith, *The Property/Contract Interface*, 101 COLUM. L. REV. 773 (2001).
176.  *ProCD*, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996) (“Whether a particular license is generous or restrictive, a simple two-party contract is not ‘equivalent to any of the exclusive rights within the general scope of copyright’ and therefore may be enforced.”); Architectronics, Inc. v. Control Sys., Inc., 935 F. Supp. 425, 438-41 (S.D.N.Y. 1996); Nimmer, supra note 19, at 863 (stating that “property rights and contract rights are simply not equivalent”).
177.  See Lemley, supra note 33, at 147-151.
178.  Jane Ginsburg notes that that in the digital environment, contract protection may not be the fragile creature presumed in prior intellectual property preemption decisions. If access to works could be obtained only through the information
they would amount to private legislation. In these circumstances, contracts should be considered “equivalent” to copyright rights and should therefore be submitted to the preemption analysis under § 301 of the Copyright Act. As a result, standard shrinkwrap or click-through agreements might be preempted, because “it is the element of actual bargaining that distinguishes a nonpreempted state contract claim from the preempted nominal ‘contract’ claim under a shrinkwrap license.”

Due to the diverging opinions expressed by the courts regarding its scope, the system of statutory preemption under § 301 is complex. What remains clear is that, as a general matter, contractual claims are not preempted under § 301. One of the reasons for this rule is that, under normal contractual conditions, proof of a bilateral promise itself provides the “extra element” which bars any preemption under the equivalent rights test provided for by § 301. As a result, it takes more “than a mere label from a state statute or court that a claim is ‘contractual’ to avoid preemption under section 301.”

If the narrow interpretation of preemption adopted by the 7th Circuit in ProCD (resulting from the definition of the equivalent rights test) prevails in the future, it is likely that § 301 may not offer any protection against contractual provisions extending the scope of protection of copyright law.
Supremacy Clause Preemption (Constitutional Preemption)

Apart from the statutory preemption mechanism provided for by § 301, state contract provisions can also be directly preempted by the Supremacy Clause of the U.S. Constitution. The rationale for the constitutional preemption doctrine is that rights granted under state law should not stand as "an obstacle to the full purposes and objectives of Congress." As a result, this type of constitutional preemption is sometimes referred to as "conflict pre-emption." In the context of copyright licensing transactions, the essence of the constitutional preemption doctrine is that private agreements should not affect copyright’s "delicate balance" between the interests of the copyright owners and those of the public at large in the free flow of information. This balanced approach, which results directly from the Copyright Clause of the Constitution, is best reflected in the fair use doctrine. As a result, a contractual provision that would restrict the fair use privilege might be preempted under the constitutional preemption doctrine because such a provision "frustrates the Act's overall objectives by contractually prohibiting the licensee from engaging in uses that would otherwise be sanctioned by the fair use provisions of the Act." Constitutional preemption could also apply in the context of contractual restrictions regarding public domain material, on the ground that state laws or contracts should not protect what is deemed to be unprotected under federal copyright law. For instance, it has been argued that the shrinkwrap contract in ProCD should have been preempted on the basis of the Supremacy Clause.

187. O'Rourke, Boundary, supra note 151, at 534.
188. Hines v. Davidowitz, 312 U.S. 52, 67 (1941); as noted by Nimmer et al., supra note 1, at 41 n.91, the issue of constitutional preemption of a competing state law regime was addressed in the first copyright case to go before the Supreme Court. See Wheaton v. Peters, 33 U.S. (8 Pet.) 591 (1834) (holding that federal copyright law preempts state common law protection for published works).
189. Storer Cable Communications v. City of Montgomery, 806 F. Supp. 1518, 1531 (M.D. Ala. 1992); GORMAN & GINSBURG, supra note 147, at 839-840.
190. ProCD Inc. v. Zeidenberg, 908 F. Supp. 640, 658 (W.D. Wis. 1996); Nimmer/Nimmer, supra note 120, § 1.01[B][3][a], at 1-60.
191. O'Rourke, Boundary, supra note 151, at 534; Samuelson & Opsahl, supra note 19, at 179.
192. U.S. CONST., art. 1, § 8, cl. 8 ("The Congress shall have the power... To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries"); as stated by the Supreme Court: the monopoly privileges that Congress may authorize are neither unlimited nor primarily designed to provide a special private benefit. Rather, the limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.
193. O'Rourke, Boundary, supra note 151, at 535.
194. Id.
196. This was the result of the decision of the district court, which however did not expressly refer to the constitutional preemption doctrine, but rather limited its preemption analysis to § 301 of the Copyright Act. See 908 F. Supp. at 659 ("Plaintiff's [ProCD] license agreement is an attempt to avoid the confines of copyright law and of Feist. Its prohibition on the distribution of public information..."
because it contravenes "one of the core policies of the Copyright Act by extending quasi-copyright protection to works that do not qualify as 'original.'" 197

Courts have applied constitutional preemption to strike down state laws and contract provisions which were deemed to conflict with federal copyright law, for instance with respect to the validity of contractual provision prohibiting reverse engineering, 198 or with respect to the ability of a party to terminate a copyright licensing agreement at will. 199

The scope of application of the constitutional preemption remains unclear, however. The question has been raised whether constitutional preemption applies to all types of contracts, or only to standard adhesion contracts. 200 Another source of uncertainty originates in a decision of the Supreme Court predating the enactment of the 1976 Copyright Act, and thus preceding the entry into force of § 301. 201 In Goldstein v. California, 202 the Supreme Court stated that the States have
kept some power to protect authors in areas not covered by federal copyright law, the limit being when a State attempts “to protect that which Congress intended to be free and free that which Congress had protected.” Even if the issue in Goldstein was the potential preemption of a state statute, its holding might still have a certain impact in the context of state-based contracts that would create quasi-copyright protection. As a result of this, the potential function of the constitutional preemption for copyright licensing transactions remains unclear, the uncertainty further increased by the fact that no court decisions have applied it in the context of fair use or public domain materials as of today.

c. Conclusion on the Preemption Doctrine

Because of its unclear scope of application, it is unlikely that the preemption doctrine will offer any valuable guidance to help define the conflicting relationships between contract law and copyright law.

Starting first with the statutory preemption doctrine of § 301, the risk is that this type of preemption might not be applied to contracts, on the assumption that contracts are conceptually different from exclusive rights granted by copyright law. On this basis, if the equivalent rights test relies on a difference of the nature of the rights at issue (following ProCD), a contract will not be considered equivalent to a property right and preemption will never occur. Moreover, even holding that contracts are “equivalent” to copyrights in spite of ProCD, the application of the extra element test, as defined in case law, might be of no valuable assistance to the users, precisely because the disputed contract provisions would extend the scope of copyright beyond its statutory limits. These provisions therefore might arguably meet the extra element test, at least for some types of contractual provisions.

As a result, the statutory preemption mechanism set forth by § 301 does not

203. Id. at 560 (“The States have not relinquished all power to grant to authors ‘the exclusive Right to their respective ‘Writings.’ “).
204. Id. at 559.
205. As noted supra II.B.4, neither the District Court nor the Court of Appeal for the 7th Circuit considered this issue in ProCD.
206. To the best of the author’s knowledge.
207. Lemley, supra note 33, at 115 (stating that “the law of preemption is a mess”); O’Rourke, Preemption, supra note 108, at 76 (“the confusion and inconsistency of preemption law makes preemption issues notoriously difficult to resolve”); see also Nimmer & Nimmer, supra note 120, § 1.01[B][3][c], at 1-66.2 (2000).
208. This is precisely the point made by Mark Lemley’s article, supra note 33, as already resulting from its title which emphasizes the need to go “beyond preemption.”
209. See also GORMAN & GINSBURG, supra note 147, at 835.
210. On the assumption that contracts of adhesion amount to private legislation, see supra text accompanying notes 178-179.
211. In this sense, these state created claims are no more “equivalent” to rights granted under copyright law, but are rather “superior”; see however, Rice, supra note 63, at 613, arguing that this type of provisions should also be preempted.
212. For instance, a contractual provision restricting the ability of the user to criticize the licensed work would be qualitatively different from a copyright infringement claim.
appear to offer any protection to users against overreaching contractual clauses. Consequently, the only remedy would be the constitutional preemption doctrine based on the Supremacy Clause. In this respect, the fact that the courts in ProCD have avoided any discussion of constitutional preemption casts some doubt on the future ability of this doctrine to impose limits on contractual restrictions imposed by copyright owners.

In addition to these specific problems resulting from each type of preemption discussed above, some more fundamental characteristics of the preemption doctrine might also hinder its regulatory function in the field of copyright licensing transactions. First, the very broad scope of application of preemption, which basically encompasses all cases of conflicts between state and federal law, is also one of its major weaknesses: by being too general, preemption “lacks nuance.”

As some commentators have noted about the application of preemption in the context of contracts, “the preemption doctrine naturally tends to paint with a broad brush that validates or invalidates whole classes of contracts, such as ‘shrink-wrap’ contracts, on the basis of abstract concerns about the workings of the federal system.”

As a result, preemption does not seem to be the appropriate tool to capture the delicate balance of copyright law. In addition, preemption might be problematic because it is not a politically neutral tool: preemption is a concept deriving from federalism and it is quite possible that courts will be reluctant to set aside state contract claims in the absence of a clear federal policy urging them to do so, which might be lacking in copyright law.

However, one interesting aspect of the preemption doctrine is that by raising the issue of when contracts may be considered equivalent to “copyrights” under the equivalent rights test provided for by § 301, the problem of standard adhesion contracts has been identified as the most critical source of concern.

2. Copyright Misuse

The doctrine of copyright misuse derives from the doctrine of patent misuse, which was acknowledged as an equitable defense to patent infringement more than eighty years ago by the Supreme Court. The basic idea of patent and copyright
misuse is to prohibit an intellectual property right from being used to extend the constitutionally granted monopoly in a manner contrary to public policy.\(^\text{219}\)

The doctrine of copyright misuse was created by the Fourth Circuit in \textit{Lasercomb America, Inc. v. Reynolds.}\(^\text{220}\) Lasercomb America, Inc. ("Lasercomb") and Holiday Steel Rule Die Corporation\(^\text{221}\) (for which Reynolds was working as a computer programmer) were competitors in the manufacture of steel rule dies that are used to cut and score paper and cardboard for folding into boxes and cartons. Lasercomb created a software product, called Interact, with which a designer could create a template of a cardboard cutout, after which the software would direct the mechanized creation of the conforming steel rule die.\(^\text{222}\) Lasercomb licensed four pre-release copies of Interact to Holiday Steel before the commercialization of the software.\(^\text{223}\) The defendants circumvented the protection measures implemented by Lasercomb\(^\text{224}\) and made three additional unauthorized copies of Interact to be used on their own computers. The defendants also created a software program called "PDS-1000" which was "almost entirely a direct copy of Interact."\(^\text{225}\) Lasercomb sued Holiday Steel and Reynolds for copyright infringement and breach of contract (among other claims). The defendants raised the defense of copyright misuse by arguing that Lasercomb had misused its copyright by including contractual clauses that prevented licensees from creating a CAD/CAM computer program for a period of 99 years in its standard licensing agreement.\(^\text{226}\) It is important to note that Holiday Steel was not bound by the standard licensing agreement.\(^\text{227}\) The

\begin{itemize}
  \item \textit{Lemley, supra note 33, at 153; see generally Aaron Xavier Fellmeth, Copyright Misuse and the Limits of the Intellectual Property Monopoly, 6 J. INTELL. PROP. L. 1 (1998).}
  \item \textit{911 F.2d 970 (4th Cir. 1990).}
  \item \textit{Holiday Steel Rule Die Corporation ("Holiday Steel") is a company owned and run by Larry Holliday ("Holliday"), who was also personally party to the procedure, though he went bankrupt during the legal action and was therefore no longer a party to the appeal before the Court of Appeal for the Fourth Circuit; Holiday Steel, Holliday and Reynolds, will be collectively referred to as "the defendants."}
  \item Technically, this type of software is called CAD/CAM ("computer assisted design and computer assisted manufacture"). \textit{Id. at 971 n.2.}
  \item \textit{Id. at 971.}
  \item The "chronoguards" prevented unauthorized access to Interact. \textit{Id.}
  \item \textit{Id.}
  \item The provisions of the licensing agreements read:
  \begin{enumerate}
    \item Licensee agrees during the term of this Agreement [ninety-nine years] that it will not permit or suffer its directors, officers and employees, directly or indirectly, to write, develop, produce or sell computer assisted die making software.
    \item Licensee agrees during the term of this Agreement and for one (1) year after the termination of this Agreement, that it will not write, develop, produce or sell or assist others in the writing, developing, producing or selling computer assisted die making software, directly or indirectly without Lasercomb’s prior written consent ....
  \end{enumerate}
  \textit{Id. at 973.}
  \item Holliday did not sign the agreement sent by Lasercomb. \textit{Id.}
\end{itemize}
defendants, however, argued that (at least) one Interact licensee had entered into the standard agreement.\footnote{228}

The Fourth Circuit found for the defendants by holding the copyright misuse doctrine applicable by analogy to the doctrine of patent misuse, that is, by stating that public policy "forbids the use of [copyright] to secure an exclusive right or limited monopoly not granted by the [Copyright Office] and which is contrary to public policy to grant."\footnote{229} The Fourth Circuit further stressed the fact that copyright misuse should be assessed independent of any antitrust violation.\footnote{230}

For the Fourth Circuit, the question was "whether the copyright [was] being used in a manner violative of the public policy embodied in the grant of a copyright."\footnote{231} Applying this reasoning to the case at issue, Judge Sprouse, writing for the Fourth Circuit, held that even though Lasercomb had a copyright on the Interact software, it could not validly prevent (at least one of)\footnote{232} its licensees from developing or assisting in developing any kind of computer-assisted die making software, which would be merely based on the idea of Interact.\footnote{233} As a result, "the misuse arises from Lasercomb’s attempt to use its copyright in a particular expression, the Interact software, to control competition in an area outside the copyright, i.e., the idea of computer-assisted die manufacture, regardless of whether such conduct amounts to antitrust violation."\footnote{234} Finding for the defendants on the grounds of copyright misuse, the Fourth Circuit rejected the claim for copyright infringement brought by Lasercomb.\footnote{235}

As a consequence of Lasercomb, copyright misuse was adopted in a few federal circuits,\footnote{236} even though it has not yet been acknowledged by the Supreme Court.\footnote{237} In spite of this relative success, it remains questionable whether Lasercomb
represented the right opportunity to "create" the copyright misuse doctrine. First of all, the defendants in Lasercomb, due to their fraudulent conduct, do not appear to fit ideally in the category of potential beneficiaries of the copyright misuse defense, as a result of their blatant "unclean hands." What they did was to create a knock-off software product by circumventing a technological protection measure protecting the original software. More generally, from a policy perspective, the application of the copyright misuse defense in Lasercomb did not foster any pro-competitive result, even though the very purpose of the copyright misuse doctrine appears precisely to be the promotion of competition.

The pro-competition purpose of copyright misuse was better served in Alcatel USA, Inc. v. DGI Technologies, Inc. Alcatel USA, Inc. ("Alcatel") manufactures telephone switching systems ("phone switches"), one component of which is a microprocessor card. When a microprocessor card is inserted into the mass storage frame of the phone switches system (which contains the copyrighted operating system software ["the operating system"] of Alcatel which runs the entire switching system), it must "boot up" by downloading the operating system in its random access memory. Alcatel sells its microprocessor cards, but only licenses its operating system on the basis of a licensing agreement which prohibits licensees from (1) using the operating system in conjunction with products manufactured by other companies and (2) making copies of the operating system or disclosing it to third parties. DGI wanted to sell a competing microprocessor card that would be compatible with Alcatel's operating system. For that purpose, DGI needed to gain access to Alcatel's operating system in order to develop (and test) its microprocessor card to make sure that it would be compatible with it (i.e., that it would download Alcatel's operating system upon booting up). With the assistance of one of Alcatel's licensees, DGI made unauthorized copies of the operating system. Alcatel sued DGI for copyright infringement (among other grounds). The Fifth Circuit found for DGI by applying the copyright misuse defense on the ground that Alcatel had "used its copyrights to indirectly gain commercial control" over uncopyrighted and unpatented products, i.e., the microprocessor cards, used in connection with the copyrighted software product.

238. The Fourth Circuit confirmed the District court's finding of fraud against the defendants. See 911 F.2d 970, 980.
239. See Atari Games Corp. v. Nintendo of Am., Inc., 975 F.2d 832, 846 (Fed. Cir. 1992) (holding that the copyright misuse defense, considered as an equitable defense, could not be asserted by a defendant with unclean hands); but see Alcatel USA, Inc. v. DGI Techs., Inc., 166 F.3d 772, at 794-95 (5th Cir. 1999) (discussed immediately below) (applying the copyright misuse defense in spite of the unclean hands of the defendants).
240. As of today, this act of circumvention would by itself be subject to criminal sanctions pursuant to 17 U.S.C. § 1204(a).
241. 166 F.3d 772 (5th Cir. 1999).
242. Alcatel USA, Inc. was formerly known as DSC Communications Corporation.
243. See the description of the technical facts in DSC Communications Corp. v. DGI Techs., Inc., 81 F.3d 597 (5th Cir. 1996).
244. 166 F.3d at 793.
245. Id. at 793-94.
On the basis of these two leading cases, the question becomes whether the copyright misuse doctrine can be usefully applied to solve the conflict between copyright law and contract law. As a first remark, one can wonder whether the copyright misuse doctrine offers any significant protection, because its leading cases could potentially have been resolved on another legal basis.

Copyright misuse might still be useful, because it specifically applies to copyright licensing agreements. In this respect, one of the most appealing features of the doctrine is that it was applied for the benefit of parties that were not bound by the restrictive licensing term at issue. As such, copyright misuse could typically be of assistance in the context of standard licensing agreements, given that third parties might invoke the defense, even though they would not be bound by the disputed agreement.

However, one of the key problems of the copyright misuse doctrine lies in its unclear relationship with antitrust law. Even though some court decisions have stressed that copyright misuse should be assessed independently from antitrust law as a matter of public policy, other courts have considered that copyright misuse...
should be evaluated under traditional antitrust law principles. Consequently, the relationship existing between them remains blurry. It is therefore difficult to predict the future evolution of the copyright misuse doctrine. In any case, this doctrine seems to offer a solution only in cases where “anticompetitive licensing provisions” are challenged. Several consequences result from this focus: first, this means that copyright misuse will be applicable primarily with respect to functional works (as case law illustrates, computer software has been the primary category of works for which copyright misuse has been applied so far). Second, it seems that only “professional” licensees, who are actual or “would be” competitors, might be affected by the anticompetitive agreements and could thus give rise to a misuse of copyright defense, the converse is not necessarily true—a misuse need not be a violation of antitrust law in order to comprise an equitable defense to an infringement action. The question is not whether the copyright is being used in a manner violative of antitrust law (such as whether the licensing agreement is “reasonable”), but whether the copyright is being used in a manner violative of the public policy embodied in the grant of a copyright. 

Id. See also Practice Mgmt. Info. Corp. v. Am. Med. Ass’n, 121 F.3d 516, 521 (9th Cir. 1997), amended by 133 F.3d 1140 (9th Cir. 1998), and the other decisions quoted by Elkin-Koren, supra note 28, at 213 n.91. 252. See Saturday Evening Post Co. v. Rumbleseat Press, Inc., 816 F.2d 1191, 1200 (7th Cir. 1987). Judge Posner, writing for the court, notes the convergence of patent-misuse principles with antitrust principles, and quotes USM Corp. v. SPS Technologies, Inc.: If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested? Our law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the date to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty.’ This point applies with even greater force to copyright misuse, where the danger of monopoly is less. 694 F.2d 505, 512 (7th Cir. 1982).

253. Some commentators have proposed a reconciling approach between the antitrust-based copyright misuse and the public policy-based copyright misuse. See Frischmann & Moylan, supra note 236, at 901-02; for a European approach to copyright misuse doctrine, see Hanns Ulrich, Intellectual Property, Access to Information, and Antitrust: Harmony, Disharmony, and International Harmonisation, in EXPANDING THE BOUNDARIES OF INTELLECTUAL PROPERTY, INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY 365, 379-80 (Rochelle C. Dreyfuss et al. eds, 2001). 254. Reichman & Franklin, supra note 100, at 924 (arguing that the copyright misuse doctrine is weakened by the “controversies and lack of doctrinal cohesion that plague antitrust laws in general”). 255. Lemley, supra note 33, at 157. 256. See Lasercornb, supra note 220 (prohibition to create a competing software product); Practice Mgmt. Info. Corp. v. Am. Med. Ass’n, 121 F.3d 516 (9th Cir. 1997), amended by 133 F.3d 1140 (9th Cir. 1998) (prohibition to use competing products); Alcatel, supra note 242 (prohibition to create a competing microprocessor card).

257. See James A.D. White, Misuse of Fair Use: That is the Software Copyright Question, 12 BERKELEY TECH. L.J. 251, 310 (1997), reasoning that: Because copyright law provides excessive power to software copyright owners, the copyright misuse doctrine is needed to retain the balance of rights necessary to accomplishing the public policy underlying the intellectual property laws. The excessive power received by software copyright owners arises as a combination of the functional aspects of computer software, the ability to protect underlying ideas and expression when distributing software in object code format, the ability to protect trade secrets in a matter akin to patent law when distributing software in object code format, and unique aspects of the software industry which provide network externalities to some producers of software. For related reasons, a software copyright misuse doctrine separate from antitrust law is needed.  

Id.
benefit from the copyright misuse doctrine, to the exclusion of private end-users. Third, given its focus on anticompetitive practice, this doctrine remains of no assistance in the cases where other fundamental values (like free speech and fair use) are threatened by restrictive licensing agreements. Fourth, given that restrictive licensing practices could also arise in connection with unprotected content (i.e., Feist-type databases), copyright misuse, which is logically based on the existence of a valid copyright, would not be applicable in such cases. Finally, commentators have argued that copyright misuse may be of no help in cases where the restrictive contractual clauses at issue do not closely relate to the rights granted by copyright law. In these circumstances, proving copyright misuse will be even more uncertain.

As a consequence, copyright misuse, even though potentially helpful in the context of competition policy, does not offer a general solution to the various issues resulting from the tension between contract law and copyright law.

3. Public Policy

Public policy—defined as the “principles and standards regarded by the legislature or by the courts as being of fundamental concern to the state and the whole society”—is a broad and indeterminate concept, but one that is frequently invoked as a solution of last resort when no other legal doctrines are successful.

In the context of contract law, and as stated in the Restatement (Second) of Contracts, “a promise or other term of an agreement is unenforceable on grounds of

258. See Reichman & Franklin, supra note 100, at 925 (stressing that “essentially consumer-driven doctrines of misuse (unless otherwise reinforced) would not adequately sensitize courts to the kind of public-interest concerns familiar from classical intellectual property laws—including concerns about the ability of the educational, scientific, research, and library communities to access the building block of knowledge at affordable prices”).

259. See Lemley, supra note 33, at 157 (stating that copyright misuse “is of uncertain applicability in cases in which copyright denies all protection for a work”); see also Elkin-Koren, supra note 28, at 215; for this reason, some commentators have proposed to extend the application of the misuse doctrine to non protected content, see Reichman & Franklin, supra note 100, at 951 (justifying their ‘public-interest unconscionability doctrine’ by stating that this doctrine “supplies a functional equivalent in contract law of that same [copyright] misuse doctrine, which courts can apply to standard form licenses of digitized information goods whether or not they also involve the exercise of intellectual property rights”).

260. See Lemley, supra note 33, at 157 (stating that “a plaintiff who truly does ‘opt out’ of copyright in favor of contract presumably would not be bound by the limits of the copyright misuse defense”); Reichman & Franklin, supra note 100, at 924 (considering that “the adverse consequences likely to arise under Article 2B [now UCITA] may seldom present the characteristics of an abuse of a statutory right specifically granted”).

261. BLACK’S LAW DICTIONARY 1245 (7th ed. 1999).

262. 6A CORBIN ON CONTRACTS, § 1375, 10 (2001) (noting, with reference to public policy, that “those two alliterative words are often used as if they had a magic quality and were self-explanatory”).

263. E. ALLAN FARNSWORTH, CONTRACTS 326 (3d ed., 1999) (quoting Judge Burrough, in Richardson v. Mellish, 130 Eng. Rep. 294, 303 (Ex. 1824: “[Public policy is] a very unruly horse, and when once you get astride it you never know where it will carry you. It may lead you from the sound law. It is never argued at all but when other points fail.”)).
public policy if legislation provides that it is unenforceable or the interest in its enforcement is clearly outweighed in the circumstances by a public policy against enforcement of such terms.\footnote{264} As this description makes clear,\footnote{265} legislation\footnote{266} is the primary source of public policy, and courts are generally not supposed to interfere with the legislative power to define public policy as a result of the principle of separation of powers.\footnote{267} Practically, this means that public policy is likely to be successfully invoked to strike down a contractual provision only in the presence of "crystal clear" legislation.\footnote{268} As legislation does not generally define what sanctions should result from the violation of public policy,\footnote{269} the courts are still needed to decide whether a contract that is not compatible with public policy should be enforceable.\footnote{270}

The requirement of a "crystal clear" public policy defined by legislation might be problematic in the context of copyright law, because the precise scope of some of the most important copyright policies, like the fair use doctrine\footnote{271} or the definition of the subject matter of copyright (idea/expression dichotomy), which are building blocks of a copyright public policy generally result from a case by case definition by the courts in spite of their statutory basis. As a result, the specific definition of public policy in copyright law might be considered rather elusive,\footnote{272} in spite of the broad statement made by the Supreme Court emphasizing "the strong federal policy in favor of the full and free use of ideas in the public domain."\footnote{273} This vagueness might be an important hurdle in the application of public policy to define the limits of enforceability of copyright licensing transactions. It might also explain why public policy was quite rarely applied in court decisions dealing with

\footnotesize{264. \textit{RESTATEMENT (SECOND) OF CONTRACTS} § 178(1) (1981).}
\footnotesize{265. Even if the formulation of the Restatement has not been widely adopted in the states, see Nimmer, \textit{supra} note 19, at 879.}
\footnotesize{266. Defined in a broad sense as comprising constitutions, statutes, local ordinances and regulations, Farnsworth, \textit{supra} note 263, § 5.5, 346.}
\footnotesize{267. Brennan, \textit{supra} note 35, at 65-66 with numerous references to case law; \textit{but see}, Corbin \textit{supra} note 262, 6A, § 1375 ("when a court holds a contract is valid or invalid, because it is or is not 'against public policy', the matter is plainly open to public view, and the question of what sound policy requires is plainly a judicial decision").}
\footnotesize{268. Reichman & Franklin, \textit{supra} note 100, at 925-26 ("The 'public policy' doctrine only works when the overriding statutory policy has become crystal clear and restraints on private agreements follow as a logical, self-evident consequence of prior legislative action.").}
\footnotesize{269. See Farnsworth, \textit{supra} note 263, § 5.5, at 344.}
\footnotesize{270. \textit{Id.} at 323 ("Occasionally the legislature simplifies the court's task by saying explicitly in a statute that agreements or portions of agreements that violate the statute are unenforceable . . . . In most cases, however, the court alone must decide whether a contravention to public policy is grave enough to warrant enforceability."). \textit{RESTATEMENT (SECOND) OF CONTRACTS} § 178, cmt. b ("Only infrequently does legislation, on grounds of public policy, provide that a term is unenforceable. When a court reaches that conclusion, it usually does so on the basis of a public policy derived either from its own perception of the need to protect some aspect of the public welfare or from legislation that is relevant to that policy although it says nothing explicitly about unenforceability.").}
\footnotesize{271. Nimmer et al., \textit{supra} note 1, at 67 (stating that "fair use is notoriously difficult to ascertain in the abstract. Indeed, one usually cannot know whether or not a use is fair until litigation is resolved at the level of the U.S. Supreme Court.").}
\footnotesize{272. Reichman & Franklin, \textit{supra} note 100, at 926.}
copyright law, except in the context of copyright misuse claims.274

It should be noted, however, that some specific rules of copyright law have been used to overrule contractual provisions on the ground of a federal copyright policy.275 In S.O.S., Inc. v. Payday, Inc.,276 a California rule of contract construction according to which the contract was to be interpreted against the drafter was not applied, because it conflicted with a "federal copyright policy" which limited the scope of a copyright licensing agreement to the rights specifically granted to the licensee.277

In the absence of a "crystal clear" public policy defined by copyright law against the enforcement of a contractual provision, it will be necessary to assess278 whether "the interest in [the] enforcement [of the contractual provision] is clearly outweighed in the circumstances by [the] public policy against the enforcement of such terms."279 This "balancing test,"280 which will require weighing the opposing interests on the basis of several criteria,281 will probably tip in favor of contract enforcement, unless strong evidence can be shown confirming the prevalence of

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274. Lasercomb Am., Inc. v. Reynolds, 911 F.2d 970, 978 (4th Cir. 1990) ("The question is not whether the copyright is being used in a manner violative of antitrust law (such as whether the licensing agreement is "reasonable"), but whether the copyright is being used in a manner violative of the public policy embodied in the grant of copyright.") (emphasis added); Alcatel USA, Inc. v. DGI Techs., Inc., 166 F.3d 772, 793 (5th Cir. 1999):

The grant to the author of the special privilege of a copyright carries out a public policy adopted by the Constitution and laws of the United States, 'to promote the Progress of Science and useful arts, by securing for limited Times to [Authors]... the exclusive Right'... to their 'original' works. [reference omitted]. But the public policy which includes original works within the granted monopoly excludes from it all that is not embraced in the original expression. It equally forbids the use of the copyright to secure an exclusive right or limited monopoly not granted by the Copyright Office and which is contrary to public policy to grant.

(emphasis added); on copyright misuse, see supra Part II.C.2.

275. Lemley, supra note 33, at 161-62.

276. 886 F.2d 1081 (9th Cir. 1989).

277. Id. at 1088; see also Fantastic Fakes, Inc. v. Pickwick Int'l, Inc., 661 F.2d 479, 483 (5th Cir. 1981) (noting that "it is possible to hypothesize situations where application of particular state rules of construction would so alter rights granted by the copyright statutes as to invade the scope of copyright law or violates its policy"); see also Jacob Maxwell, Inc. v. Veeck, 110 F.3d 749 (11th Cir. 1997).

278. Except for the rare cases when the statute itself provides that the provision is unwaivable; see, e.g., for instance, 17 U.S.C. § 203.

279. RESTATEMENT (SECOND) OF CONTRACTS § 178 (1).


281. RESTATEMENT (SECOND) OF CONTRACTS § 178 (2) provides that:

In weighing the interest in the enforcement of a term, account is taken of

(a) the parties' justified expectations,

(b) any forfeiture that would result if enforcement were denied, and

(c) any special public interest in the enforcement of the particular term.

(3) In weighing a public policy against enforcement of a term, account is taken of

(a) the strength of that policy as manifested by legislation or judicial decisions,

(b) the likelihood that a refusal to enforce the term will further that policy,

(c) the seriousness of any misconduct involved and the extent to which it was deliberate, and

(d) the directness of the connection between that misconduct and the term.
opposing public policy. In this respect, some commentators\textsuperscript{282} have emphasized that there is a clear public policy,\textsuperscript{283} and not merely an "interest,"\textsuperscript{284} supporting the unrestrained enforcement of contracts. As a consequence of this competition between conflicting public policies, it will be even more difficult to find a public policy sufficiently strong to prevent the enforcement of contracts in the context of copyright licensing transactions.

In this respect, it is worth noting that "political and economic welfare,"\textsuperscript{285} which can be considered as one of the essential values underlying public policy, might be considered to be promoted,\textsuperscript{286} and not threatened, by an enhanced protection of copyright owners (and thus, by the enforcement of contracts relating to copyright law).\textsuperscript{287} From this perspective, contracts relating to the transfer of copyright might not appear to endanger public policy to the same extent as other activities typically covered by the public policy exception to the enforcement of contracts (such as gambling,\textsuperscript{288} usury laws\textsuperscript{289} or even restraints of trade provisions in the form of promises to refrain from competition).\textsuperscript{290} As a consequence, it is quite likely that courts will be reluctant to invoke public policy to strike down contractual provisions related to copyright licensing transactions.\textsuperscript{291}

4. Doctrine of Unconscionability

The doctrine of unconscionability is a doctrine of contract law\textsuperscript{292} which makes a

\begin{itemize}
  \item 282. This position being further adopted in UCITA, see infra Part II.D.5.b.
  \item 283. Lorin Brennan, supra note 35, at 83 (stating that "public policy strongly favors freedom of contract").
  \item 284. \textsc{Restatement (Second) of Contracts} \textsection 178 (1).
  \item 285. See Corbin, supra note 262, \textsection 1375, at 14-15 ("the field of 'legality of contract' is one of those most violently affected by the fluxing of opinion on 'public policy'—on questions of political and economic welfare").
  \item 286. Mazer v. Stein, 347 U.S. 201, 219 (1954) ("The economic philosophy behind the clause empowering Congress to grant patents and copyright is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in 'Science and useful Arts'.") (emphasis added).
  \item 287. Even though the Supreme Court stated in Sony Corp. of Am. v. Universal City Studios, Inc., that "[copyright] protection has never accorded the copyright owner complete control over all possible uses of his work." 464 U.S. 417, 432 (1984).
  \item 288. Carnival Leisure Indus., Ltd. v. Aubin, 53 F.3d 716 (5th Cir. 1995).
  \item 289. See Farnsworth, supra note 263, \textsection 5.1, at 323 n.11.
  \item 290. \textit{Id.} at 331; this restrictive definition of public policy is also adopted in other legal systems, see, for instance, art. 3 (4)(a)(i) of the Directive 2000/31/EC of the European Parliament and of the Council of 8 June 2000 on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market [hereinafter Directive on Electronic Commerce], 2000 O.J. (L 178), 1, 9, which refers to public policy as one of the exceptional cases in which Member States can take measures to restrict the freedom to provide information society services. The concept of public policy is defined as "the prevention, investigation, detection and prosecution of criminal offences [sic], including the protection of minors and the fight against any incitement to hatred on grounds of race, sex, religion or nationality, and violations of human dignity concerning individual persons"; but see Benkler, supra note 2, at 439.
  \item 291. Nimmer, supra note 19, at 879.
  \item 292. This doctrine is codified in the U.C.C. and in the Restatement of Contracts.
\end{itemize}
contract term unenforceable when procedural unfairness (unfairness in the process of contract formation) and substantive unfairness (unfairness in the contract terms) is shown. To succeed, the claimant will typically have to demonstrate both procedural and substantive unfairness. As a consequence, the burden of proof is very high. Experience further confirms that courts rarely apply the doctrine of unconscionability to strike down contractual provisions.

As stated in the official comment to the U.C.C., the principle of unconscionability "is one of the prevention of oppression and unfair surprise [citation omitted] and not of disturbance of allocation of risks because of superior bargaining power," the basic question being "whether, in the light of the general commercial background and the commercial needs of the particular trade or case, the clauses involved are so one-sided as to be unconscionable under the circumstances existing at the time of the making of the contract."

If the court as a matter of law finds the contract or any clause of the contract to have been unconscionable at the time it was made the court may refuse to enforce the contract, or it may enforce the remainder of the contract without the unconscionable clause, or it may so limit the application of any unconscionable clause as to avoid any unconscionable result.

U.C.C. § 2-302 (1).

If a contract or term thereof is unconscionable at the time the contract is made a court may refuse to enforce the contract, or may enforce the remainder of the contract without the unconscionable term, or may so limit the application of any unconscionable term as to avoid any unconscionable result.

RESTATEMENT (SECOND) OF CONTRACTS § 208.


294. Madison, supra note 108, at 1118; Nimmer, supra note 19, at 873 (stating that "the fundamental case law pattern that has developed invalidates a term of a contract only if based on a conjunction of procedural problems and substantive abuses"); Armendariz v. Foundation Health Psychcare Servs., Inc., 24 Cal. 4th 83, 114, 6 P.3d 669, 690 (Cal. 2000), stating that:

Unconscionability has both a procedural and a substantive element, the former focusing on oppression or surprise due to unequal bargaining power, the latter on overly harsh or one-sided results . . . both must be present in order for a court to exercise its discretion to refuse to enforce a contract or clause under the doctrine of unconscionability. But they need not be present in the same degree. Essentially a sliding scale is invoked . . . the more substantively oppressive the contract term, the less evidence of procedural unconscionability is required to come to the conclusion that the term is unenforceable, and vice versa.

Id. (citations omitted).

295. Samuelson & Opsahl, supra note 58, at 386 (stating that "[u]nconscionability is a very difficult threshold to meet because it requires that the terms be shockingly oppressive"); see also Madison, supra note 108, at 1118.


298. Id.
a. Procedural Unconscionability

Procedural unconscionability "consists of an absence of meaningful choice by one party due to oppression and surprise."\(^{299}\) Procedural unconscionability particularly applies in the context of adhesion contracts,\(^{300}\) as it has been defined as "the lack of a meaningful choice, considering all the circumstances surrounding the transaction including 'the manner in which the contract was entered,' whether each party had 'a reasonable opportunity to understand the terms of the contract,' and whether 'the important terms [were] hidden in a maze of fine print ...."\(^{301}\)

To establish procedural unconscionability, it will generally be required to show that the "lack of a meaningful choice" was reflected by the fact that the consumers did not have another source of supply for the product or service at issue.\(^{302}\) In spite of its apparent support of consumers in the context of shrinkwrap and click-through licenses, for which consumers do not have the ability to negotiate contractual terms and might not have other sources of supply,\(^{303}\) application of procedural unconscionability in the context of standard copyright licensing contracts may be jeopardized in the present legal environment. First, ProCD held that shrinkwrap licenses do not by themselves involve any concern with respect to procedural unconscionability.\(^{304}\) Second, the system of the formation of contract adopted by the UCITA, in particular the system of "opportunity to review,"\(^{305}\) will further preclude the finding of procedural unconscionability (and was logically intended to


\(^{300}\) RESTATEMENT (SECOND) OF CONTRACTS § 208, cmt. a:

It is to be emphasized that a contract of adhesion is not unconscionable per se, and that all unconscionable contracts are not contracts of adhesion. Nonetheless, the more standardized the agreement and the less a party may bargain meaningfully, the more susceptible the contract or a term will be to a claim of unconscionability.

\(^{301}\) M.A. Mortenson Co. Inc. v. Timberline Software Corp., 998 P.2d 305, 315-316, 140 Wash. 2d 568, 588-589 (2000) (rejecting the application of the unconscionability doctrine in the case of a computer software licensing agreement, because the disputed provision limiting the remedies was "set forth in capital letters on each diskette pouch and on the inside cover of the instruction manuals" and the "license was also referenced in the opening screen of the software program.").


"Procedural" unconscionability includes the element of 'oppression,' which depends in part on the absence of meaningful choice by a contracting party; and even though a contract may be adhesive, the existence of 'meaningful' alternatives available to such contracting party in the form of other sources of supply tends to defeat any claim of unconscionability as to the contract in issue.

\(^{303}\) On the importance of this factor, see infra Part IV.C.3.a.

\(^{304}\) Judge Easterbrook noted that "'[s]hrink wrap licenses are enforceable unless their terms are objectionable on grounds applicable to contracts in general (for example if they violate a rule of positive law, or if they are unconscionable.)'" 86 F.3d at 1449 (7th Cir. 1996). Judge Easterbrook however admitted that the contractual provisions were not troublesome in this respect, thus rejecting the application of the doctrine of unconscionability in this case; in addition, as criticized by Madison, supra note 108, at 1118 at n.390, Judge Easterbrook "assumed away any question of the substantive fairness of license terms by declaring that the fairness of the license terms was a question for the market."

\(^{305}\) See infra, II.D.3.
do so, thus practically preventing the application of the doctrine of unconscionability as a whole in the context of electronic commerce transactions. It is therefore not surprising that the application of the doctrine of unconscionability was considered by the promoters of the UCITA as one of the few valid limitations to the enforceability of contracts, because this doctrine would not unduly limit the enforceability of electronic commerce transactions.

b. Substantive Unconscionability

Substantive unconscionability is defined as an "unconscionability resulting from actual contract terms that are unduly harsh, commercially unreasonable, and grossly unfair given the existing circumstances." As the unconscionability doctrine generally aims at correcting shockingly one-sided allocations of contractual risks between the parties, the substantive unconscionability test rule seems to apply mainly in the context of standard business contractual provisions (i.e., exclusion/limitation of liabilities, remedies and choice of jurisdiction) that are likely to affect drastically the allocation of risks. Its potential application with respect to contractual provisions, which would only extend the scope of protection of copyright beyond its natural limits or potentially create quasi-copyright protection for unprotected content, would most probably not be considered "one-sided or overly harsh." As a result, cases of substantive unconscionability will be difficult to find in the context of copyright licensing transactions, where potential contractual provisions might be found "shocking to the conscience", "monstrously harsh", and "exceedingly calloused" only in the most extreme cases.

306. As stated in the official comment to UCITA § 111, cmt. 2, "in this Act [UCITA], the concept requiring an ‘opportunity to review’ establishes a requirement that is not clearly present in common law and that resolves many procedural issues preventing unfair surprise"; see infra text accompanying note 463.
307. By assuming that both procedural and substantive unfairness must be established to show unconscionability; see supra text accompanying notes 292-298.
308. Samuelson & Opsahl, supra note 58, at 386.
309. BLACK’S LAW DICTIONARY 1526 (7th ed. 1999); see also Pennington’s, Inc. v. Brown-Forman Corp., No. 92-35243, 1993 WL 306155, at *7 (9th Cir. Aug. 11, 1993) ("Substantive unconscionability occurs when the contract terms result in overly harsh or one-sided results, or when the risks of the bargain are allocated in an objectively unreasonable or unexpected manner.").
310. Even though, as stated above, unconscionability does not purport to correct a mere "disturbance of allocation of risks because of superior bargaining power" (U.C.C. § 2-302, cmt. 1).
315. Id. at 131 (reference omitted).
316. See Elkin-Koren, supra note 28, at 202-3 (noting generally that "it may be difficult to prove that a restrictive term is so one-sided as to be unjust towards the user").
c. Conclusion on the Doctrine of Unconscionability

Both ProCD, with respect to shrinkwrap licenses, and the UCITA, with respect to on-line transactions, have created a legal framework in which it has become harder to demonstrate procedural unfairness, making it more difficult to strike down contractual provisions on the ground of unconscionability. In addition, because the substantive unconscionability test mainly applies in the context of excessively one-sided contractual terms, it does not appear to offer any valuable protection with respect to copyright licensing transactions where contractual provisions merely extending the scope of copyright protection might not be considered sufficiently one-sided to be held substantively unconscionable.

On a more general note, another essential problem of the unconscionability doctrine lies in its vagueness. As a result, this doctrine does not appear to offer any effective protection to users against overreaching contractual provisions in the context of copyright licensing transactions.

5. Antitrust Law

a. Introduction

While it is generally assumed that intellectual property law and antitrust law tend to conflict because antitrust law basically proscribes the abuse of monopoly power, while the purpose of intellectual property rights is to grant legal monopolies, albeit limited ones, this view overlooks the fact that both of them have the common goal of promoting innovation and consumer welfare. As a detailed presentation of the complex relationship existing between antitrust law and

318. By assuming that a claim will need to show both procedural and substantive unconscionability to be successful, see supra text accompanying notes 292-298.
319. O'Rourke, Preemption, supra note 108, at 70 ("Section 2-302 [of the U.C.C.] grants a court broad discretion in deciding whether or not, and how, to enforce a contract that contains an unconscionable clause. Unfortunately, it offers little guidance to courts on how to make the threshold determination of whether a particular clause is unconscionable."); for a critical analysis under California law, see Harry G. Prince, Unconscionability in California: A Need for Restraint and Consistency, 46 Hastings L.J. 459 (1995).
320. See Sherman Act, 15 U.S.C. § 2 (1994) ("[E]very person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of felony.").
intellectual property law would go beyond the scope of this Article, this analysis will focus on the issue of defining whether and to what extent the principle of freedom of contract can be affected by antitrust law in the context of copyright licensing transactions.

Regarding the relationship between antitrust law and copyright law, it should first be emphasized that the mere possession of a copyright does not presume monopoly power and does not raise any antitrust concern by itself. Secondly, as the purpose of antitrust law is to "protect the public interest in competition by prohibiting acts that exclude competitors from the market-place or restrict output and raise prices so as to harm consumer welfare," the application of antitrust law in the context of copyright law will be limited to the potential uses of intellectual property rights which will be harmful to a competitive market. This general focus of antitrust law therefore limits the scope of its application in the context of copyright law. Antitrust law will tend to apply more frequently to functional works, for which there is an increased risk of anticompetitive market power. It is therefore not surprising that computer software, as the most typical example of a functional work, has come under particular scrutiny under antitrust law, because monopolistic conduct is more likely to appear in the market of functional products where no substitute may be available. By contrast, traditional categories of artistic works (music, paintings, motion pictures) have generally been less likely to give rise to antitrust concerns, except in the context of activities that are typically unlawful under antitrust law, such as tying. One should, however,
bear in mind that the concentration process taking place in the media industries (in particular in the music and movie industries) makes antitrust issues more likely to appear, because of the concerted actions being undertaken by competitors, for instance with respect to the on-line distribution of music or movies over the internet.

As stated above, the general rule is that the monopoly granted by copyright law does not raise antitrust concerns by itself. Conversely, the mere possession of a copyright does not insulate its copyright holder from antitrust laws. The basic principle, however, remains that a copyright owner is free to deal with, i.e., to license, her works, to whomever she pleases and under whatever (restrictive) conditions she likes. In short, she has a right to refuse to deal. In certain circumstances, however, antitrust law might limit the basic freedom of the copyright owner and oblige her to license the works, by imposing on her a "duty to deal." Except for the specific case where the obligation to license is required as

Inc., 504 U.S. 451, 461 (1992) (quoting Northern Pacific R.R. Co. v. United States, 356 U.S. 1, 5-6 (1958)). A tying arrangement "violates § 1 of the Sherman Act if the seller has 'appreciable economic power' in the tying product market and if the arrangement affects a substantial volume of commerce in the tied market." Id. at 462. On this basis, movie studios were prohibited from imposing 'block-booking' to movie theaters, defined as "the practice of licensing, or offering for license, one feature or group of features on condition that the exhibitor will also license another feature or group of features released by the distributors during a given period." United States v. Paramount Pictures, Inc., 334 U.S. 131, 156 (1948).

330. Which can be analogized to pooling arrangements.


332. See Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 1185 n.63 (1st Cir. 1994) ("It is in any event well settled that concerted and contractual behavior that threatens competition is not immune from antitrust inquiry simply because it involves the exercise of copyright privileges.").

333. There is, however, no unanimity between federal courts as to what extent the intellectual property owner has the right to refuse to deal; some courts consider that this right of refusal takes the form of a rebuttable presumption. See Data Gen. Corp., 36 F.3d at 1187 (holding that "while exclusionary conduct can include a monopolist's unilateral refusal to license a copyright, an author's desire to exclude others from use of its copyrighted work is a presumptively valid business justification for any immediate harm to consumers") and Image Tech. Servs. v. Eastman Kodak Co., 125 F.3d 1195, at 1219 (9th Cir. 1997) (holding that a patent holder's refusal to deal is a presumptively valid business justification for any harm to consumers, but that the presumption can be rebutted by evidence that the patent holder's refusal to deal was not truly based on a desire to protect its intellectual property rights). By contrast, others courts reject this system of presumption and adopt an approach which is more favorable to intellectual property owners. See In Re Independent Serv Organizations Antitrust Litigation, 989 F. Supp. 1131, at 1141-44 (D. Kan. 1997) (holding that to escape antitrust liability, a patent holder need not show a legitimate business justification for a refusal to license or sell the patented invention and that "if a copyright is lawfully acquired, a copyright holder's unilateral refusal to sell or license its copyrighted expression does not constitute unlawful exclusionary conduct under the antitrust laws or copyright misuse").

334. See Stewart v. Abend, 495 U.S. 207, 229 (1990) (holding "that a copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work").

a measure imposed in order to approve a merger of companies, the obligation to license has received considerable attention in the context of the so-called "essential facility" doctrine, which will be addressed below. Even if the issue of a duty to license an intellectual property does not directly address the question of the potential unenforceability of overarching contractual provisions for the benefit of copyright owners, the two issues remain closely related. The duty to deal represents another potential limitation to the basic principle of freedom of contract, in the same way as does the potential prohibition against using restrictive terms in copyright licensing transactions. In addition, if a copyright owner is found to be under an obligation to license her works under certain specific circumstances (in particular, under the essential facility doctrine), the conditions of access to the works will be as important as the access itself and will consequently need to be controlled for their reasonableness. In this sense, the issues of access and conditions of access are strongly interrelated. Finally, as will be seen below, access control is taking up an increasingly important role in copyright law and it is even more important to define under what circumstances a copyright owner might be obliged to give access to its protected works.

b. The Essential Facility Doctrine

The essential facility doctrine is an antitrust doctrine that has been applied by U.S. courts in situations where a dominant firm owns or controls a facility that is indispensable to its competitors and refuses to grant access to that facility. The essential facility doctrine creates a duty to deal for the dominant firm. In the context of intellectual property law, the essential facility doctrine creates a duty to license and might consequently be compared to an extra legem "compulsory license" giving to its beneficiary access to the protected content.

The essential facility doctrine can be applied if the plaintiff (a competitor) proves four cumulative conditions:

336. For instance, when Thomson acquired West, West agreed to license its star pagination system to all other interested legal publishers at conditions (prices) set by a consent decree. See United States v. Thomson Corp., No. 96-1415, 1997 U.S. Dist. LEXIS 2790 (D.D.C. Mar. 7, 1997); as the protection by copyright of the star pagination system was later denied, Matthew Bender & Co. v. West Publ'g Co., 158 F.3d 674, 683-687 (2d Cir. 1998), this case does not have strong value as a binding precedent.

337. See generally Thomas F. Cotter, Intellectual Property and the Essential Facilities Doctrine, 44 ANTITRUST BULL. 211 (Spring 1999).

338. It would be of no use to grant access to a work, if the conditions of use would still remain excessively restrictive. For instance, if access is given to the source code of a computer software product, but the contract governing the access still prohibits to use the source code to create an interoperable software product, then there is no use in obtaining access to the source code for a competitor.

339. See infra Part IV.A.1.


341. MCI Communications Corp. v. AT&T, 708 F.2d 1081, 1132-33 (7th Cir. 1983).
1. Control of the essential facility by a monopolist;
2. A competitor's inability practically or reasonably to duplicate the essential facility;
3. Denial of the use of the facility to a competitor;
4. Providing the competitor access to the facility is feasible.

In the context of copyright law, the application of the essential facility doctrine has been discussed for the software market, in particular in connection with contractual provisions prohibiting decompilation. In these circumstances, the application of the essential facility doctrine for the case of a dominant provider of operating system software has been suggested by a commentator. The operating system provider's monopoly power would allow her to control the interface specifications of the operating system software, and the interface could be considered an "essential facility" because access to it is necessary for competitors to create compatible software products running on the operating system (condition 1). Because the provider of the operating system denies any access to the interface specifications (on the basis of a contractual restriction in the license agreement prohibiting decompilation and/or because the documentation is incomplete), competitors are reasonably or practically unable to duplicate the interface specifications of the operating system (conditions 2 and 3). Access to the interface specifications could be easily achieved by giving them to the competitors (condition 4). In these circumstances, it has been argued that the essential facility doctrine should strike down contractual provisions that would prohibit the decompilation of the operating system software imposed by the dominant firm, so that competitors could get access to the interface specifications of the operating system software.

On the face of it, the case of Microsoft appears as the perfect candidate for applying the essential facility doctrine in the context of computer software, given the dominance of the operating system Windows. This doctrine, however, was not applied by the district court (and not even mentioned by the Department of Justice in its complaint) in finding a Section 2 Sherman Act violation by Microsoft. The reason may have been that there was some doubt as to whether the operating system Windows could be considered an "essential facility," because

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343. See O'Rourke, Boundary, supra note 151, at 547.
344. Id. at 546-548.
345. Obtaining the interface specifications of the operating system is the only way to create a compatible software application product that can run on the dominant operating system.
it was arguably not indispensable for other application developers, given that other competing operating systems were available as alternatives to Windows.\textsuperscript{349} By assuming the application of the essential facility doctrine to Microsoft, Microsoft could have been ordered to license its Windows source code to its competitors.\textsuperscript{350}

On November 6, 2001, some of the plaintiffs\textsuperscript{351} and Microsoft submitted a revised proposed final judgment ("proposed judgment")\textsuperscript{352} to the Federal District Court for the District of Columbia for the purpose of having the proposed judgment confirmed and entered by the Court, once all formal requirements were met.\textsuperscript{353} Among the various obligations of Microsoft under the proposed judgment, the ones relating to the voluntary disclosure of information regarding interoperability to the companies offering ancillary and complementary products or services (such as Internet Access Providers, Internet Content Providers and Original Equipment Manufacturers) are of particular importance in the context of this Article.\textsuperscript{354} These obligations confirm the critical importance of timely access to technical information\textsuperscript{355} in the digital network environment. From this perspective, it is

\begin{enumerate}
\item[349.] Like Unix, Linux or Netware, see Opi, \textit{supra} note 322, at 473.
\item[350.] Opi, \textit{supra} note 322, at 473.
\item[351.] These plaintiffs are the United States and the States of New York, Ohio, Illinois, Kentucky, Louisiana, Maryland, Michigan, North Carolina and Wisconsin; the other plaintiffs did not agree to the proposed judgement and are continuing the case against Microsoft.
\item[352.] The revised proposed Final Judgment (Nov. 6, 2001) is available at: http://www.usdoj.gov/atr/cases/f9400/9495.pdf.
\item[353.] The Final Judgment (Nov. 12, 2002) is available at: http://www.usdoj.gov/atr/cases/f200400/200457.htm; on the Microsoft settlement, see generally http://www.usdoj.gov/atr/cases/ms_index.htm. Two states (Massachusetts and West Virginia) have declared that they will appeal the Final Judgment to obtain tougher remedies against Microsoft, see the press releases at http://www.ago.state.ma.us/press_rels/microsoft2.asp?head1=Press+Releases&section=5 and http://www.state.wv.us/wvag/press/2002/dec/2.htm.
\item[354.] These obligations are set forth by sections III D and E of the proposed judgment which provide:
\begin{itemize}
\item[D.] Starting at the earlier of the release of Service Pack 1 for Windows XP or 12 months after the submission of this Final Judgment to the Court, Microsoft shall disclose to [the companies offering ancillary and complementary services, such as Internet Access Providers, Internet Content Providers and Original Equipment Manufacturers] for the sole purpose of interoperating with a Windows Operating System Product, via the Microsoft Developer Network ("MSDN") or similar mechanisms, the APIs [Application Programming Interfaces, see definition \textit{infra} at note 355] and related Documentation that are used by Microsoft Middleware to interoperate with a Windows Operating System Product. 
\item[E.] Starting nine months after the submission of this proposed Final Judgment to the Court, Microsoft shall make available for use by third parties, for the sole purpose of interoperating with a Windows Operating System Product, on reasonable and non-discriminatory terms..., any Communications Protocol that is, on or after the date this Final Judgment is submitted to the Court, (i) implemented in a Windows Operating System Product installed on a client computer, and (ii) used to interoperate, or communicate,natively (i.e., without the addition of software code to the client operating system product) with a Microsoft server operating system product.
\end{itemize}
\item[355.] An example of such technical information is the Application Programming Interfaces and Communication Protocols. As defined in the Final Judgement, \textit{supra} note 353, section III.D., Application Programming Interfaces (APIs) means: "the interfaces, including any associated callback interfaces, that Microsoft Middleware running on a Windows Operating System Product uses to call upon that Windows Operating System Product in order to obtain any services from that Windows
important to note that the disclosure obligation imposed on Microsoft goes one step further than merely declaring that a contractual prohibition on reverse engineering would be unlawful and consequently unenforceable. On the basis of the proposed judgment, Microsoft is not only (implicitly) prevented from contractually prohibiting access to the interface specifications of its software, but must spontaneously grant access to these specifications to interested third parties.

As shown by the Microsoft case, the essential facility doctrine does not appear to be broadly applicable in the context of intellectual property rights. More generally, the applicability of this doctrine has been put into question due to its lack of clarity, as its criteria for application are considered to shift away from strict antitrust law principles toward undefined standards of unfairness.356 As a result, it has been argued that this doctrine would not be more than an “epithet” without substantive content.357 This can explain why the essential facility doctrine has not been frequently applied by the courts358 and cannot be generally relied upon as a source of solution to the issue addressed in this Article.

c. Conclusions on Antitrust Law

In spite of the shortcomings of antitrust law discussed above, the market inquiry underlying the application of antitrust law might be a useful tool when assessing the validity of a copyright licensing contractual provision, by showing the importance of the potential market impact of the contractual provision at issue, as this aspect is generally not taken into account by courts when applying other traditional legal doctrines (like public policy, unconscionability or preemption).359 For instance, in ProCD the question would have been whether ProCD gained near monopoly power in the market for the information (telephone books) that it licensed to Zeidenberg.360 If this had been the case (which it was not, precisely

356. Ullrich, supra note 253, at 397 (“the essential facilities doctrine, probably in part due to its suggestive name, tends to substitute thorough analysis of the alleged anticompetitive effects by vague and indeterminate criteria of reasonableness . . . . Court decisions may become unpredictable as the emphasis shifts from competition to fairness between the parties.”).


358. O’Rourke, Boundary, supra note 151, at 546; Ullrich, supra note 253, at 397; several cases have refused to apply the essential facility doctrine. See Intergraph Corp. v. Intel Corp., 195 F.3d 1346, 1356-59 (Fed. Cir. 1999); City of Anaheim v. Southern Cal. Edison Co., 955 F.2d 1373 (9th Cir. 1992); Alaska Airlines v. United Airlines, 948 F.2d 536 (9th Cir. 1991); Illinois ex rel. Burris v. Panhandle E. Pipe Line, 935 F.2d 1469 (7th Cir. 1991).

359. But see O’Rourke, Preemption, supra note 108, at 91 (who precisely suggests that this market-based approach should be undertaken in the context of the preemption analysis). See also the proposal of a “public-interest unconscionability” (infra text accompanying notes 504-517) formulated by Reichman & Franklin, supra note 100, at 930 (stating that “[t]he level of judicial scrutiny under this clause [i.e., their proposal, infra text at note 504] may thus vary appropriately with such factors as the market power of the party imposing the terms in question”).

360. O’Rourke, Boundary, supra note 151, at 557. She argues that:

These licenses [creating a quasi copyright protection by contract for unprotected content] should not be preempted unless, by creating and enforcing ‘private copyright’, the licensor gains near
because, as mentioned by Judge Easterbrook, competitors could still have compiled a similar database of telephone books), the contractual use restriction imposed by ProCD could have been struck down for its anticompetitive market impact. As a result, the concept of market impact, which is not new in copyright law, may represent an important criterion for assessing the validity of restrictive contractual provisions of copyright licensing transactions.

However, it has been accurately emphasized that antitrust law cannot (and should not) be conceived as the main legal means by which the potential structural deficiencies of the intellectual property system are to be corrected. In the context of copyright law in particular, this means that antitrust law cannot be the legal basis by which all restrictive copyright licensing transactions should be scrutinized. This is, of course, not to say that antitrust law will not be important for the future of copyright law, as evidenced by the growing reliance on technological means to protect digital works, which in turn is conditioned by the development of common or interoperable technical standards. The creation of these technical standards, which are critical in the sector of information technology, might indeed raise concerns of antitrust law. More generally,

monopoly power in the market for the particular information. If this were to occur, a party would have achieved, by private contract, that which the copyright law denied it—the benefits of a copyright monopoly in the absence of copyrightable data.

Id. 361. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996) ("Everyone remains free to copy and disseminate all 3,000 telephone books that have been incorporated into ProCD's database.").

362. The factor of market impact is already firmly implemented in copyright law, as the "effect of the use upon the potential market for or value of the copyrighted work" is one of the four criteria enumerated by § 107 of the Copyright Act in defining fair use; see O'Rourke, Preemption, supra note 108, at 88.

363. Ullrich, supra note 253, at 383, arguing:

Too much or too easy reliance on antitrust relief will never solve deficiencies that the intellectual property system is likely to show. Antitrust remedies, by their very nature, tend to be specific to the facts of a given case rather than offer general solutions. They may help in some singular cases as emergency (or escape) solutions, but they will never really compensate on a broad scale for the inefficiencies of a system of intellectual property protection, let alone guarantee the efficiency of a faulty system.

Id. 364. David McGowan, Free Contracting, Fair Competition, and Article 2B: Some Reflections on Federal Competition Policy, Information Transactions, and "Aggressive Neutrality", 13 BERKELEY TECH. L.J. 1173, 1238 (1998) ("Antitrust principles are . . . an unlikely source of guidance for resolving the principal intellectual property questions Article 2B identifies, which do involve construction of the rights and limitations granted and imposed by copyright law.").


366. See CARL SHAPIRO & HAL VARIAN, INFORMATION RULES 305 (1999) ("Product standards, interfaces, and compatibility are critical to the efficient flow of information and introduction of information technologies").

367. See Mark A. Lemley, Antitrust and the Internet Standardization Problem, 28 CONN. L. REV. 1041 (1996); Maureen O'Rourke, Striking A Delicate Balance: Intellectual Property, Antitrust, Contract, and Standardization in the Computer Industry, 12 HARV. J.L. & TECH. 1 (1998); Chip Patterson, Note, Copyright Misuse and Modified Copyleft: New Solutions to the Challenges of Internet Standardization, 98 MICH. L. REV. 1351 (2000); on the issue of standard settings under antitrust law,
antitrust law\textsuperscript{368} and copyright law are commonly viewed as two key factors for the future development of the information society.\textsuperscript{369}

6. Assessment of the Solutions Offered by Existing Legal Theories

As noted by several scholars,\textsuperscript{370} the various legal doctrines analyzed above do not offer any clear guidance as to how the issue of the conflict between copyright law and contract law should be solved. The deficiency of these doctrines is that none of them precisely define, within a comprehensive and predictable system, in what circumstances and on the basis of which criteria, contractual provisions should be held unenforceable because they would excessively restrict the users’ interests in the context of copyright licensing transactions.

Their scope of application is indeed either too narrow or too broad. For instance, the copyright misuse doctrine could potentially be used to invalidate contractual provisions that would prove anticompetitive, but this legal technique does not offer any guidance beyond its specific and narrow scope of application. On the other end of the spectrum, the doctrines of public policy or unconscionability, considered as two general doctrines of contract law, are not specific enough to deal efficiently with the issue at stake. These doctrines could only be helpful if they were adapted to the specific character of copyright licensing transactions, or more generally to information licensing transactions.\textsuperscript{371}

However, by hinting at specific aspects of the issue, some of these theories might still draw attention to certain factors that may be considered in the definition of a global information licensing policy, such as the criterion of market impact deriving from antitrust law. Similarly, even though the doctrine of unconscionability suffers from the same syndrome as public policy by being overbroad, this doctrine might still be helpful in showing that a contract will be considered oppressive, and thus likely to be procedurally unconscionable, not only because the contract is offered on a take-it-or-leave-it basis, but because information users have no alternative source of supply for the product or service at issue.

\textsuperscript{370} See, e.g., Elkin-Koren, supra note 28, at 197-215; Lemley, supra note 33, 137-166 (focusing on the deficiencies of federal preemption); Reichman & Franklin, supra note 100, 920-928.
\textsuperscript{371} This would require precisely defining what should be considered a public policy of copyright law, or what specific terms of a copyright licensing transactions should be considered substantially unconscionable; this is precisely the approach adopted by the proposal made by Reichman & Franklin, see infra text accompanying notes 504-517.
D. UCITA

1. Introduction

An analysis of U.S. law would not be comprehensive without discussing the UCITA. This act is probably the most detailed regulation of the contractual aspects of electronic commerce transactions that has been adopted to date. Even though the goal of this model law is to harmonize certain legal aspects of electronic commerce transactions within the United States, UCITA is presented as a likely candidate to become a model of regulation for global electronic commerce transactions.

Without entering into the details of the tumultuous adoption history of the UCITA, it should be noted that this project has been perceived quite critically (to say the least) by a diverse range of interested bodies (among others by the attorneys-general of several states, consumer protection groups, and associations of libraries) on the ground that the UCITA would not sufficiently protect their interests, while excessively favoring the position of the content providers. In this respect, the criticism was that the UCITA would give too much power to the licensors of information, by adopting a market-based approach to licensing, thus letting the basic freedom of contract rule over electronic commerce transactions,

372. The text of the latest version of UCITA, which has been approved by the National Conference of Commissioners on Uniform States Law and was recommended for enactment in all the States at its annual conference meeting Aug 23, 2001, is available at http://www.law.upenn.edu/bll/ulc/ucita/ucita01.htm.
373. Samuelson & Opsahl, supra note 58, at 386.
374. UCITA was originally supposed to be incorporated in the Uniform Commercial Code (U.C.C.) as a new article 2B. U.C.C. articles are drafted by the National Conference of Commissioners on Uniform State Laws (NCCUSL) in conjunction with the American Law Institute (ALI). Due to the withdrawal of ALI’s support for the then proposed art. 2B, the project shifted from a U.C.C. article to an independent uniform act. See Pratik A. Shah, Note, Berkeley Technology Law Journal Annual Review of Law and Technology I. Intellectual Property; Copyright the Uniform Computer Information Transactions Act, 15 BERKELEY TECH. L.J. 85, 87-88 (2000).
375. See Americans for Fair Electronic Commerce Transactions (AFFECT), which is a broad-based national coalition of industry leaders, libraries and consumer organizations dedicated to educating the public and policy makers about the dangers of UCITA, http://www.4cite.org/); see also http://www.badsoftware.com/oppose.htm.
377. See the letter from thirteen Attorneys General and the Georgia Fair Business Practices Act Administration to Gene Lebrun, President, NCCUSL (July 23, 1999) available at www.ucitaonline.com/docs/799agso.html, which said:

The current draft [of former art. 2B U.C.C. which later became the UCITA] puts forward legal rules that thwart the common sense expectations of buyers and sellers in the real world. We are concerned that the policy choices embodied in these new rules seem to almost invariably favor a relatively small number of vendors to the detriment of millions of businesses and consumers who purchase computer software and subscribe to Internet services.

Id.
without sufficient legislative or judicial intervention. In short, the criticism was that the formal commitment to freedom of contract made in the UCITA would, practically speaking, result in the imposition of restrictive contractual terms by licensors to licensees by way of standard contractual agreements.

Not surprisingly, the conflict between the promoters of a free market and their opponents also arose in the conflicting relationship existing between the contractual aspects of electronic commerce transactions (as set forth by UCITA) and the federal intellectual property statutes.

The purpose of the UCITA is to set forth uniform legal principles applicable to computer information transactions by regulating a wide range of classic contractual issues (formation of contract; rules of construction and interpretation; warranties; performance; breach of contract; remedies; etc.). As most of these issues are not directly relevant to the topic of this Article, they will not be analyzed in detail. This analysis will therefore focus on specific aspects of the UCITA that appear to be of particular importance for this study. After a short overview of the scope of application of the UCITA, the mechanisms for contract conclusion, and the choice of law or choice of jurisdiction provisions, a detailed analysis of the provisions of the UCITA dealing with the copyright and contract interface will be undertaken.

This chapter will conclude with an assessment of the prospects of the UCITA to become a standard statute in the global electronic marketplace, by analyzing its present and potential future adoption by the States.

2. Scope of Application

Section 103 defines the scope of application of the UCITA both positively and negatively (by excluding certain types of transactions from its scope). Positively, the UCITA applies to “computer information transactions,” this type of transaction being defined as “an agreement or the performance of it to create, modify, transfer, or license computer information or informational rights in

378. Elkin-Koren, supra note 28, at 210-211 (“UCITA reflects an explicit commitment to the market and to ‘freedom of contract’.”).
379. Reichman & Franklin, supra note 100, at 907.
380. See McManis, supra note 125, at 173.
381. UCITA, supra note 372, § 201-207.
382. Id. § 301-309.
383. Id. § 401-409; for a critical analysis of UCITA’s warranties provisions, see Ajay Ayyappan, Note, UCITA: Uniformity at the Price of Fairness?, 69 FORDHAM L. REV. 2471 (2001).
384. UCITA, supra note 372, § 601-618.
385. Id. § 701-710.
386. Id. § 801-816; on this issue, see Maureen O’Rourke, Rethinking Remedies at the Intersection of Intellectual Property and Contract: Towards a Unified Body of Law, 82 IOWA L. REV. 1137 (1997).
387. Even though, as previously stated (see supra text accompanying notes 54-55), it is beyond the goal of this article to address the complex issue of on-line contract conclusion in detail. A brief overview of the system of the formation of contract adopted in UCITA appears interesting to the extent that it prefigures the way how this issue might be addressed in the future.
388. UCITA, supra note 372, § 103 (a).
computer information." Computer information" is defined as "information in electronic form which is obtained from or through the use of a computer or which is in a form capable of being processed by a computer," whereas "information" itself is defined as "data, text, images, sounds, mask works, or computer programs, including collections and compilations of them." Among the transactions generally excluded by § 103 are the transactions relating to motion pictures, sound recordings, musical works, phonorecords or "enhanced sound recordings," with the exception of some specific cases. In this respect, it should be noted that the motion picture and music industries, which initially planned to be included in the scope of application of the uniform law, subsequently decided to be excluded from the UCITA on the ground that the costs of acquiring information products from third parties under the rules of the UCITA would exceed the advantages of licensing under it. As a result, the harmonizing purpose of the UCITA has already been weakened by its relatively narrow scope of application, as well as by its rather complex definition of the types of transactions that it is supposed to govern.

Finally, it should be mentioned that the UCITA offers the ability to apply it to transactions not otherwise covered ("opt in") or not apply it to cases that would otherwise be submitted to the UCITA ("opt out").

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389. Id. § 102(a)(11).
390. Id. § 102(a)(10).
391. Id. § 102(a)(35).
392. In particular the financial services and the insurance services transactions, § 103 (d)(1) and (2).
393. UCITA, supra note 372, § 103(e) defines "enhanced sound recording" as "a separately identifiable product or service the dominant character of which consists of recorded sounds, but which includes (i) statements or instructions whose purpose is to allow or control the perception, reproduction, or communication of those sounds or (ii) other information, as long as recorded sounds constitute the dominant character of the product or service."
394. See UCITA, supra note 372, § 103 (d)(3).
395. Reichman & Franklin, supra note 100, at 968.
396. As noted by Samuelson & Opsahl, supra note 58, at 389, the decision made by the movies industry to step out of UCITA might be symptomatic of a broader concern about the issue to know whether a single set of rules can effectively "reflect a diverse number of industries."
397. "Mass-market" computer information transactions (see the detailed definitions of this concept in UCITA, supra note 372, § 102(a)(45)) relating to motion pictures are deemed to be within the realm of UCITA. This means that on-line distribution of motion pictures to private consumers (end-users) over the internet is governed by UCITA. The on-line distribution of motion pictures to non-private consumers is however not submitted to UCITA, given that this distribution, which would be considered as an "access contract" within the meaning of § 102(a)(1) does not qualify as a "mass-market transaction" pursuant to § 102(a)(45)(B)(iii)(IV) and therefore would not meet the condition of § 103(d)(3)(A). This example, taken among many potential others (§ 102(a) sets forth the definition of more than 60 terms and expressions), shows the very high complexity and technicality of UCITA already with respect to the definition of its scope of application. This complexity may cast some doubt on the ability of UCITA to be largely adopted in the marketplace.
398. UCITA, supra note 372, § 104.
3. Formation of Contract and Manifestation of Assent

As an introductory remark, it should be noted that the formal concept of assent adopted in the UCITA has been one of the most controversial aspects of the project, the critique being that the system adopted would not sufficiently protect the licensees.

Under the rules of the UCITA, a person “manifests assent to a record or term if the person, acting with knowledge of, or after having an opportunity to review the record or term” expressly authenticates it with intent to adopt or accept it or tacitly engages intentionally “in conduct or makes a statement with reason to know that the other party or its electronic agent may infer from the conduct or statement that the person assents to the record or term.” As it results from this provision, the specificity of the UCITA lies in the “opportunity to review” requirement, the opportunity to review being a “precondition to manifesting assent” which should typically take place before the conclusion of the agreement. However, pursuant to the UCITA sec. 112 (e),

(1) a person has an opportunity to review a record or term only if it is made available in a manner that ought to call it to the attention of a reasonable person and permit review . . . (3) [i]f a record or term is available for review only after a person becomes obligated to pay or begins its performance, the person has the opportunity to review only if it has the right to a return if it rejects the record ... a right to a return being specifically granted for mass-market transactions. This provision thus means that users will be bound by the agreement, even if they have not had any opportunity to review it before paying for/accessing the on-line content, if they do not “return” the content (whatever that means in the digital environment).

This system has therefore been criticized because, by inferring assent from a failure to act (i.e., not returning a product), it allows “for consumer abuse in the

399. Reichman & Franklin, supra note 100, at 908 (noting that “Article 2B [one of the previous versions of UCITA, see supra note 374] introduces a methodology for manufacturing the appearance of assent to standard form contracts that powerful licensors will routinely impose on the rest of the world”).

400. For a critical analysis of a previous version of the uniform law, see Zachary M. Harrison, Note, Just Click Here: Article 2B’s Failure to Guarantee Adequate Manifestation of Assent in Click-Wrap Contracts, 8 FORDHAM INT’L. PROP. MEDIA & ENT. L.J. 907 (1998).

401. UCITA, supra note 372, § 112 (a).

402. Shah, supra note 374, at 90.

403. UCITA, supra note 372, § 112, cmt. 1.

404. However, a right to a return is not required if, among other reasons, the record proposes a modification of contract or provides particulars of performance under sec. 305. UCITA, supra note 372, § 112(c)(3)(A).

405. § 209 (b) provides that:

[1] If a mass-market license or a copy of the license is not available in a manner permitting an opportunity to review by the licensee before the licensee becomes obligated to pay and the licensee does not agree, such as by manifesting assent, to the license after having an opportunity to review, the licensee is entitled to a return under Section 112 and, in addition, to . . . [reimbursement of various expenses]. . . .

UCITA, supra note 372, § 209 (b).
In spite of this, the positive aspect of this system remains that the "return right provides incentive for a licensor to make the terms of the license available up-front if commercially practicable since this avoids the right of return." 407

The characteristics of the on-line distribution of computer information, by comparison to the distribution of physical products (coupled with shrinkwrap licenses), make it easier for licensors to offer an opportunity to review the terms with the licensees before the conclusion of the contract by way of click-through agreements. 408 On this basis, a specific rule about "Pretransaction Disclosures in Internet-Type Transactions" was adopted in the UCITA (sec. 211). 409 Even if the system implemented by sec. 211 seems to offer a sufficient protection to information users, its true effect might be less positive, as evidenced by the official comments that state:

This section provides guidance for Internet commerce and an incentive for use of particular types of disclosures of terms and acts as an incentive-creating, safe harbor rule. The section does not foreclose use of other procedures. Failure to comply with this section does not bear on whether a license is enforceable or whether the procedures used adequately establish an opportunity to review. Whether an opportunity to review has occurred is determined under the general standards in Section 112. 410

As a result, given that sec. 211 is not deemed to serve as a minimum mandatory standard of protection, but is rather conceived merely as an "incentive" for content providers, an on-line contract could still be held valid and enforceable under the UCITA when the "opportunity to review" is granted to the consumer only after she is obliged to pay or after she begins her performance. 411

407. See UCITA, supra note 372, § 112, cmt. (8)(c) and § 209, cmt. (5)(b).
408. See Maureen O'Rourke, Progressing Towards a Uniform Commercial Code for Electronic Commerce or Racing Towards Nonuniformity, 14 BERKELEY TECH. L.J. 635, 652 (1999); Shah, supra note 374, at 92.
409. § 211 provides in a very detailed way:

[T]his section applies to a licensor that makes its computer information available to a licensee by electronic means from its Internet or similar electronic site. In such a case, the licensor affords an opportunity to review the terms of a standard form license which opportunity satisfies Section 112(e) with respect to a licensee that acquires the information from that site, if the licensor: (1) makes the standard terms of the license readily available for review by the licensee before the information is delivered or the licensee becomes obligated to pay, which ever occurs first, by: (A) displaying prominently and in close proximity to a description of the computer information, or to instructions or steps for acquiring it, the standard terms or a reference to an electronic location from which they can be readily obtained; or (B) disclosing the availability of the standard terms in a prominent place on the site from which the computer information is offered and promptly furnishing a copy of the standard terms on request before the transfer of the computer information; and (2) does not take affirmative acts to prevent printing or storage of the standard terms for archival or review purposes by the licensee.

410. Id. § 211, cmt. 2.
411. For instance, if the general terms and conditions are made available only after accessing the desired on-line content, i.e., after clicking-through (and paying) for the content.
The result of this analysis is that the system of contract formation and of manifestation of assent adopted in the UCITA is extremely favorable to licensors.\textsuperscript{412} Even if this policy choice made by the drafters of the UCITA is understandable,\textsuperscript{413} such a liberal approach to the formal aspects of computer transactions might have a detrimental impact on the substantive provisions contained in these transactions. By broadly admitting the formal validity of these transactions, the UCITA creates an increased risk that content providers might try to impose unfair contractual provisions on consumers\textsuperscript{414} on the assumption that the consumers will either not notice these provisions in due time or that they will not be willing to go into litigation to challenge the restrictive terms imposed.\textsuperscript{415}

4. Choice of Law and Choice of Jurisdiction

The principle of freedom of contract, which generally permeates the UCITA, also applies with respect to its provisions on choice of law and choice of jurisdiction.

Regarding the issue of choice of law, sec. 109 provides:

(a) The parties in their agreement may choose the applicable law. However, the choice is not enforceable in a consumer contract to the extent it would vary a rule that may not be varied by agreement under the law of the jurisdiction whose law would apply under subsections (b) and (c) in the absence of the agreement.

(b) In the absence of an enforceable agreement on choice of law, the following rules determine which jurisdiction's law governs in all respects for purposes of contract law:

(1) An access contract or a contract providing for electronic delivery of a copy is governed by the law of the jurisdiction in which the licensor was located when the agreement was entered into.

(2) A consumer contract that requires delivery of a copy on a tangible medium is governed by the law of the jurisdiction in which the copy is or should have been delivered to the consumer.

(3) In all other cases, the contract is governed by the law of the jurisdiction having the most significant relationship to the transaction.

(c) In cases governed by subsection (b), if the jurisdiction whose law governs is outside the United States, the law of that jurisdiction governs only if it provides substantially similar protections and rights to a party not located in that jurisdiction as are provided under this [Act]. Otherwise, the law of the State that has the most significant relationship to the transaction governs.

\textsuperscript{412} Elkin-Koren, \textit{supra} note 28, at 212-213 (criticizing the implicit presumption underlying UCITA according to which all contractual terms are enforceable).

\textsuperscript{413} A liberal concept regarding the contract formation might promote the future development of electronic commerce transactions.

\textsuperscript{414} Reichman & Franklin, \textit{supra} note 100, at 907.

\textsuperscript{415} This issue also depends on the system of choice of law and choice of jurisdiction regulations set forth by UCITA, which is, as it will be seen immediately below (4), not favorable to consumers either.
Once again, considered from the perspective of the widespread use of standard on-line contracts, the basic principle of freedom of contract is likely to become the unilateral imposition of an applicable law and jurisdiction by the licensors onto their licensees. In this context, it is quite unlikely that standard on-line agreements drafted by licensors will neglect to include a choice of law provision. This consequently makes the application of sec. 109 (b) and (c) rather hypothetical.

Even by admitting that standard on-line contracts might not include any choice of law provision (in the exceptional case), the system implemented by the UCITA would still be beneficial to the licensors. Section 109 (b)(1) provides indeed that "[a]n access contract or a contract providing for electronic delivery of a copy is governed by the law of the jurisdiction in which the licensor was located when the agreement was entered into." This means that the law of the licensor, which is presumably favorable to its interests, will be applicable to all on-line access contracts in the absence of a choice of law provision. Section 109(a), however, provides that a contractual choice of law "is not enforceable in a consumer contract to the extent it would vary a rule that may not be varied by agreement under the law of the jurisdiction whose law would apply ... in the absence of the agreement." Given that, in the absence of a choice of law provision, the law of the licensor will apply to on-line access contracts, it can be assumed that this law will not frequently conflict with the chosen law by providing broader rights to the consumers, thus preventing the enforceability of the choice of law by application of sec. 109 (a).

It is only when the contract relates to the delivery of an information good in a tangible medium to a consumer (which might potentially disappear in a future fully-digital world) that "the law of the jurisdiction in which the copy is or should have been delivered to the consumer" will apply in the absence of a choice of law provision in the agreement.

The general result of this elaborate choice of law provision is that the application of consumer friendly laws is practically eliminated by restricting their scope of application to the minor case of the delivery of physical products that will be triggered, either if the standard contract does not contain any choice of law provision or if the chosen law conflicts with the consumer-friendly law of the jurisdiction of the consumer.

In the context of international transactions, sec. 109 (c) provides that "[i]n cases governed by subsection (b) [absence of choice of law], if the jurisdiction whose law governs is outside the United States, the law of that jurisdiction governs only if it

417. As a result of the very broad scope of application of this choice of law provision for "access contract," the remaining provision which states that "(3) [i]n all other cases, the contract is governed by the law of the jurisdiction having the most significant relationship to the transaction" will have no significant practical importance in the context of on-line transactions.
418. UCITA, supra note 372, § 109(a).
419. UCITA, supra note 372, § 109(b)(2).
420. Id., in conjunction with section 109(a).
provides substantially similar protections and rights to a party not located in that jurisdiction as are provided under this [Act]. Otherwise, the law of the State that has the most significant relationship to the transaction governs.” This provision might exceptionally (in the unlikely cases when no choice of law has been imposed by the licensor) be applicable to a consumer contract that requires delivery of a copy on a tangible medium. In that situation, the potential foreign statute protecting consumers will be applicable “only if it provides substantially similar protection and rights to a party not located in that jurisdiction as are provided under this [Act].” In other words, this means that the foreign consumer protective statute will only be applicable if it provides similar protection and rights to the licensor. On this basis, the “substantially similar protection” will have to be assessed by comparison with the strongly licensor protective UCITA. Clearly this means that the foreign consumer protection statute will only be applicable if it offers a substantially similar protection to the licensor as does UCITA, i.e., by not giving excessive rights to the consumers. In view of the existence of several foreign statutes protecting consumers, particularly in Europe, it is quite likely that these foreign statutes will be declared unenforceable on the basis of this provision, thus reinforcing the protection of licensors. As a result, this system has been harshly criticized by commentators.

The principle of freedom of contract also permeates the issue of choice of forum. Pursuant to sec. 110(a), “The parties in their agreement may choose an exclusive judicial forum unless the choice is unreasonable and unjust.” Section 110 further provides for a presumption that the choice of jurisdiction is not exclusive, unless the contrary is expressly agreed. This provision follows Breman v. Zapata Offshore Co., by stating that an agreed term is unenforceable if it has no valid commercial purpose and has a severe and unfair impact on the other party. As stated in the official comment of the UCITA:

This may preclude enforcement of forum agreements that choose an unreasonable forum solely to defeat the other party’s ability to contest disputes. Terms may be unreasonable in that they have no commercial purpose or justification and their impact may be unjust if the term unfairly harms the other party. On the other hand, an agreed choice of forum based on a valid commercial purpose is not invalid simply because it adversely affects one party, even if bargaining power was unequal. . . . In electronic commerce, a contractual choice of forum will often be justified on the basis of the risk and uncertainty that would otherwise result. Choice of forum at a party’s location is ordinarily reasonable.

421. See infra Part III.D.2.c.
423. UCITA, supra note 372, § 110(a).
424. § 110(b) states “[a] judicial forum specified in an agreement is not exclusive unless the agreement expressly so provides.” Id. § 100(b).
426. UCITA, supra note 372, § 110, cmt. 3.
As a final word, it is quite surprising to note that almost no attention is paid (either in the text of the UCITA itself or in the official comments) to the ability of the parties to resort to arbitration\textsuperscript{427} or to alternative dispute resolution mechanisms, in particular to on-line dispute resolution solutions, in the context of computer information transactions. This may seem quite unsatisfactory for a purportedly groundbreaking statute for the electronic age as the UCITA, to the extent that it is quite likely that these methods will become the standard and most convenient way to solve disputes arising in the context of electronic commerce transactions in the future.\textsuperscript{428}

5. Limits on the Enforceability of Contracts

The UCITA mentions four legal sources as potential limitations of the basic principle of freedom of contract. These sources are (a) federal preemption, (b) "fundamental public policy," (c) unconscionability, and (d) consumer protection laws. The relevant provisions of the UCITA are sec. 105 and sec. 111.

\textit{a. The Federal Preemption Doctrine}

Section 105(a) provides that "[a] provision of this [Act] which is preempted by federal law is unenforceable to the extent of the preemption."\textsuperscript{429} Neither this tautologically brief provision\textsuperscript{430} nor the official comment related to it\textsuperscript{431} clarifies in any way how the complex issue of federal preemption applied to the field of intellectual property transactions should be solved in the context of computer information transactions.\textsuperscript{432} As a consequence, the uncertainty resulting from the application of the federal preemption doctrine to intellectual property related transactions seriously undermines the goal of the UCITA to create a uniform body of law to govern computer information transactions,\textsuperscript{433} even if the issue of federal preemption, precisely because it is a concept of federal law, cannot be definitively resolved in the context of a uniform \textit{state} law.

In addition to the doctrine of preemption, and even though this doctrine is the only one expressly referred to by subsection (a), the official comment mentions that "other doctrines grounded in federal law may preclude enforcement of some contract terms in some cases,"\textsuperscript{434} without giving any further indication as to which

\begin{itemize}
  \item \textsuperscript{427} See UCITA, \textit{supra} note 372, § 110, cmt. 1 (which merely mentions that "[a]greements choosing arbitration and other non-judicial forum choices are governed by other law").
  \item \textsuperscript{428} See, by comparison, art. 17 of the Directive on Electronic Commerce, \textit{supra} note 290; on this issue, see infra Part IV.C.5.b.2.
  \item \textsuperscript{429} UCITA, \textit{supra} note 372, § 105(a).
  \item \textsuperscript{430} Which is indeed a "truism" (Samuelson & Opsahl, \textit{supra} note 58, at 390).
  \item \textsuperscript{431} UCITA, \textit{supra} note 372, § 105, cmt. 2 (stating that "[a] contract term that varies the effect of a rule whose effect between the parties cannot be varied by agreement under the Copyright Act is unenforceable" without giving potential cases of application and further mentioning that "this Act [UCITA] does not define whether or when federal preemption may occur").
  \item \textsuperscript{432} Elkin-Koren, \textit{supra} note 28, at 209.
  \item \textsuperscript{433} Shah, \textit{supra} note 374, at 104-105.
  \item \textsuperscript{434} UCITA, \textit{supra} note 372, § 105, cmt. 2.
\end{itemize}
doctrines are meant by this. Because of its minimalist approach, sec. 105 (a) does not offer any predictable solution about the way in which the various federal doctrines might be applicable to computer information licensing transactions.

b. The "Fundamental Public Policy" Exception

Section 105(b) provides that:

[i]f a term of a contract violates a fundamental public policy, the court may refuse to enforce the contract, enforce the remainder of the contract without the impermissible term, or limit the application of the impermissible term so as to avoid a result contrary to public policy, in each case to the extent that the interest in enforcement is clearly outweighed by a public policy against enforcement of the term.436

This provision originates in a motion proposed by Professor Charles McManis at the 1997 ALI annual meeting ("the McManis Motion").437 The McManis Motion generally declared that any contractual term which would be inconsistent with basic copyright policies would be unenforceable by stating that "[a] term that is inconsistent with 17 U.S.C. Section 102(b) or with the limitations on exclusive rights contained in 17 U.S.C. Sections 107-112 and 117 cannot become part of a contract under this section."438 The McManis Motion was rejected, as well as a subsequent (less radical) motion drafted by Professor Harvey Perlman, which became known as the "Public Policy Motion,"439 and which had a similar purpose to protect users in information transactions.440

The adoption of the "fundamental public policy" exception in sec. 105(b), which was jointly proposed by the drafters of UCITA and Professor Perlman,441 can therefore be seen as a compromise solution adopted to satisfy the supporters of the position of consumers (licensees) without abandoning the overall principle of freedom of contract underlying UCITA.442

Even though the text of UCITA itself does not further define what is meant by "fundamental public policy" in the context of information transactions, the official comment identifies three concepts which may qualify as fundamental public policies: innovation, competition, and freedom of expression (fair comment, fair use).443 The official comment defines more precisely these three public policy

435. In this respect, it can be noted that the previous reference made to the copyright misuse doctrine has been removed from the final official comment (see U.C.C. 2B-105, reporter's note 3 (Draft, Feb. 1998)); U.C.C. 2B-105, reporter's note 2 (Draft, Aug. 1, 1998) (as reported by Lemley, supra note 33, at 167 n.264).
436. UCITA, supra note 372, § 105(b).
437. See McManis, supra note 125, at 173; the McManis proposal was also an important source of inspiration for other proposals, see infra Part II.E.2.
438. McManis, supra note 125, at 176 n.12.
440. See Samuelson & Opsahl, supra note 58, at 390-391.
441. Samuelson & Opsahl, supra note 58, at 391.
442. Elkin-Koren, supra note 28, at 210-211.
443. UCITA, supra note 372, § 105, cmt. 3.
Innovation policy recognizes the need for a balance between protecting property interests in information to encourage its creation and the importance of a rich public domain upon which most innovation ultimately depends. Competition policy prevents unreasonable restraints on publicly available information in order to protect competition. Rights of free expression may include the right of persons to comment, whether positively or negatively, on the character or quality of information in the marketplace. Free expression and the public interest in supporting public domain use of published information also underlie fair use as a restraint on information property rights.\footnote{444}

The identification of innovation, competition and freedom of expression as the key values that are potentially threatened by excessively restrictive information licensing agreements and that should consequently be particularly considered, is probably the most important aspect of sec. 105(b).\footnote{445}

In spite of the identification of these “critical policies,”\footnote{446} successful application of sec. 105(b) for the benefit of licensees faces several practical hurdles. As seen above,\footnote{447} the first difficulty results from the abstraction of the concept of public policy in the context of copyright law. There is indeed no clear public policy in copyright law that would strictly prevent parties from contracting around the exceptions and other limitations of copyright law.\footnote{448} As a consequence, it will be extremely difficult to invoke public policy as a reason to strike down a restrictive contractual provision contained in a copyright licensing transaction. The second difficulty lies in the presence of the word “fundamental” used in the definition of public policy. This \footnote{449} additional requirement relating to the “fundamental” character of the public policy at issue is an important factor that might prevent the successful application of the public policy exception on the ground that the policy would not be sufficiently “fundamental.” The obvious result is that this requirement raises the threshold for finding a contract unenforceable because of a violation of a fundamental public policy.\footnote{450} The third difficulty results from the system of balance of interests set forth in sec. 105(b). A fundamental public policy will only over-ride the contractual terms “to the extent that the interest in enforcement is clearly outweighed by a public policy against enforcement of the term.” This means that even by admitting that a contract violates a “fundamental public policy,” it will still be enforceable if the interest in enforcement is not

\begin{footnotes}
444. \textit{Id.}
445. \textit{Samuelson \\& Opsahl, supra note 58, at 391.}
446. \textit{Id. at 391.}
447. See the chapter on public policy, \textit{supra} II.C.3.
448. See \textit{supra} Part II.C.3.
449. It is interesting to note that this adjective was inserted only in the last version, as the previous motion presented by Professor Harvey Perlman mentioned the case of contract or contracts terms “contrary to public policy.” \textit{See} \textit{Brennan, supra note 35, at 62 n.3.}
450. \textit{Samuelson \\& Opsahl, supra note 58, at 391} (stating that “[t]he use of the term ‘fundamental’ may provide too much deference to the freedom of contract doctrine’”); \textit{see however} \textit{Brennan, supra note 35, at 103} (considering that section 105(b)“is an elegant and effective statement of current law”).
\end{footnotes}
“clearly outweighed” by the opposing fundamental public policy. 451 In this respect, it is worth noting that the official comment stresses the fact that there is a strong public policy in enforcing contracts, thus showing that it will be even more difficult to find a stronger offsetting fundamental public policy. 452 As to the limitations to the freedom of contract resulting from copyright policies, the drafters of UCITA generally advocated an unrestricted application of freedom of contract. 453 While admitting that contractual provisions might be unenforceable in some cases, in particular in the course of non-negotiated transactions affecting private consumers, 455 they felt that mass-market transactions do not per se raise specific public policy concerns. 456

In short, the purpose of sec. 105(b) was to adopt a flexible system regarding the conflict between freedom of contract and public policies. 457 This approach was

451. According to the RESTATEMENT (SECOND) OF CONTRACTS § 178 (1981), “a promise or other term of an agreement is unenforceable on grounds of public policy if legislation provides that it is unenforceable or the interest in its enforcement is clearly outweighed in the circumstances by a public policy against enforcement of such terms.”

452. UCITA, supra note 372, § 105, cmt. 1 (“Here, as in other parts of the economy, the fundamental policy of contract law is to enforce contractual agreements.”); see also Brennan, supra note 35, at 83 (stating that “public policy strongly favors freedom of contract”).

453. UCITA, supra note 372, § 105, cmt. 1 (“it is clear that limitations on the information property rights of owners that may exist in a copyright regime, where rights are good against third parties, may be inappropriate in a contractual setting where courts should be reluctant to set aside terms of a contract”) and § 105, cmt. 3, which reads:

Under the general principle in subsection (b), courts also may look to federal copyright and patent laws for guidance on what types of limitations on the rights of owners of information ordinarily seem appropriate, recognizing, however, that private parties ordinarily have sound commercial reasons for contracting for limitations on use and that enforcing private ordering arrangements in itself reflects a fundamental public policy enacted throughout the Uniform Commercial Code and common law.

Id.

454. § 105, cmt. 3 (“However, there remains the possibility that contractual terms, particularly those arising from a context without negotiation, may be impermissible if they violate fundamental public policy.”).

455. Comment 3 also provides:

This Act and general contract law also recognize the commercial necessity of enforcing standard-form agreements mass market transactions. The terms of such forms may not be available to the licensee prior to the payment of the price and typically are not subject to affirmative negotiations. In such circumstances, courts must be more vigilant in assuring that limitations on use of the informational subject matter of the license do not offend over-riding fundamental public policy.

Id.

456. § 105, cmt. 3:

Even in mass-market transactions, however, limitations in a license, such as terms that prohibit the licensee from making multiple copies, or that prohibit the licensee or others from using the information for commercial purposes, or that limit the number of users authorized to access the information, or that prohibit the modification of software or informational content without the licensor’s permission are typically enforceable.

Id.

457. UCITA, supra note 372, § 105, cmt. 1 (“more specific prohibitions [than the “fundamental public policy” system] would lack flexibility and would inevitably fail to cover all relevant contingencies”).
justified by the freedom of the parties to negotiate private agreements and by the
idea that the market can regulate this issue more efficiently than a statute.\textsuperscript{458}

In reality, this flexible approach clearly turns out to be favorable to the licensors
due to the very heavy burden of proof put on licensees to show that a contractual
term is not enforceable because of a “fundamental public policy.”\textsuperscript{459} As a result, it
is quite uncertain that sec. 105(b) will offer any protection to information users
against restrictive contractual practices imposed by the licensors.

c. The Unconscionability Doctrine

Section 111 (a) provides that:

[i]f a court as a matter of law finds a contract or a term thereof to have been
unconscionable at the time it was made, the court may refuse to enforce the contract,
enforce the remainder of the contract without the unconscionable term, or limit the
application of the unconscionable term so as to avoid an unconscionable result.\textsuperscript{460}

This provision expressly endorses the unconscionability standard set forth in the
Uniform Commercial Code § 2-302.\textsuperscript{461} As explained in the official comments,\textsuperscript{462}

[the basic test is whether, in light of the general commercial background and the
commercial needs of the particular trade or case, the terms involved are so one-sided
as to be unconscionable under the circumstances existing at the time the contract was
made. The principle is one of the prevention of oppression and unfair surprise and not
of disturbance of allocation of risks because of superior bargaining power.

The comments expressly note\textsuperscript{463} that the very purpose of the system of
“opportunity to review” introduced in UCITA is precisely to prevent any unfair
surprise for the information user, which could otherwise trigger the application of
procedural unconscionability. Beyond this point, UCITA does not offer any
guidance as to the application of the unconscionability doctrine in the context of
copyright licensing transactions, so the mere mention of the potential application of
the doctrine of unconscionability in UCITA is of no assistance.

d. Consumer Protection Laws

Section 105(c) finally provides that “[e]xcept as otherwise provided in
subsection (d), if this [Act] or a term of a contract under this [Act] conflicts with a

\textsuperscript{458} Id. § 105, cmt. 3 (“In practice, enforcing private contracts is most often consistent with these
policies [the policies of innovation, competition and fair use], largely because contracts reflect a
purchased allocation of risks and benefits and define the commercial marketplace in which much
information is disseminated and acquired.”).

\textsuperscript{459} See supra text accompanying notes 436-452.

\textsuperscript{460} UCITA, supra note 372, § 111(a).

\textsuperscript{461} Id. § 111, cmt. 1; for a general analysis of the doctrine of unconscionability, see supra Part
II.C.4.

\textsuperscript{462} Id. § 111, cmt. 2.

\textsuperscript{463} Id.; on procedural unconscionability in particular, see supra Part II.C.4.a.
consumer protection statute [or administrative rule], the consumer protection statute [or rule] governs."  

As stated in the official comment, "[t]he purpose of subsection (c) is to make clear that this Act does not alter the application to computer information transactions of the substantive provisions of a State's consumer protection statutes or rules (including rules about the timing and content of required disclosures) and does not alter application of the State's statutes giving regulatory authority to a state agency such as the Office of the Attorney General."  

6. Adoption of UCITA by the States  

While several states are presently considering adopting it, UCITA has only been adopted in two states, Virginia and Maryland, who may have acted quickly in order to boost their reputations as high technology locations. As a result, UCITA can already be applied in computer information transactions in the 50 states (and even in international transactions), provided that the contracting parties (or more probably licensors—in the context of standard adhesion contracts) choose Virginia or Maryland law as the governing law in their agreement. To counter that prospect, Iowa's legislature has adopted an "anti-UCITA" provision that precisely prohibits the application of UCITA in relation to agreements to which Iowa citizens or businesses are parties. As a result of this "bomb-shelter

464. UCITA, supra note 372, § 105 (d) provides for limited procedural rules, for which a State's consumer protection statutes would not trump UCITA.  
465. Id. § 105, Legislative Note.  
467. UCITA has been adopted by the legislature of Virginia and was signed by the governor March 14, 2000 with effective date of July 1, 2001. Uniform Computer Transactions Act, VA. CODE ANN. §§ 59.1-501.1 et seq.  
468. UCITA has been adopted by the legislature of the state of Maryland and was signed by the governor April 25, 2000 with effective date of Oct. 1, 2000. Maryland Uniform Information Transactions Act, MD. CODE ANN., COM. LAW §§ 22-101 et seq.  
469. Roger E. Schechter, The Unfairness of Click-on Software Licenses, 46 WAYNE L. REV. 1735, 1752 (2000); Brian D. McDonald, The Uniform Computer Information Transactions Act, 16 BERKELEY TECH. L.J. 461, 475 (2001); Maryland has however more carefully considered the issue of consumer protection in the course of the implementation, for instance with respect to the choice of law provisions (under the Maryland statute, disputes regarding mass-market licenses raised before Maryland courts are governed by Maryland law, rather than by the state law chosen by the licensor, which is presumably more favorable to its interests), see McDonald, supra, at 471.  
470. Schechter, supra note 469, at 1753.  
471. The relevant section of the statute reads:  

(4) A choice of law provision, which is contained in a computer information agreement that governs a transaction subject to this chapter, that provides that the contract is to be interpreted pursuant to the laws of the state that has enacted the uniform computer information transactions Act [sic], as proposed by the national conference of commissioners on uniform state laws, or any substantially similar law, is voidable and the agreement shall be interpreted pursuant to the laws of this state if the party against whom enforcement of the choice of law provision is sought is a resident of this state or has its principal place of business located in this state . . . .  
provision, the adoption of UCITA by other states and its consequent incorporation in private computer information agreements would have no effect for Iowa citizens or businesses.

Due to the lack of wide support by the states, it is difficult to predict the future success of UCITA at this early stage. In any case, it seems obvious that its adoption by other states "largely depends on its performance in Virginia and Maryland."

In this respect, the adoption of UCITA may be significantly influenced by what has been called the "race-to-the-bottom" competition among states. The basic idea underlying this concept is that state legislatures are competing amongst themselves in order to enact laws that are attractive to business entities. The "race-to-the-bottom" might therefore lead the states to enact more flexible laws, not only to attract more companies, but also to preserve the companies they already have, generally at the price of consumer welfare. Even if one can doubt whether the potential adoption of UCITA by a given State might be considered a sufficiently strong argument for companies to move physically to that State, the States may adopt UCITA-type statutes out of fear of losing their high-tech industry in favor of other states that have already enacted or will shortly enact UCITA. In any case, it is still too early to know whether UCITA will be widely adopted by the States, so that any prediction about its "international career" is too speculative at this point.

7. Overall Assessment of UCITA

As UCITA is only beginning to be implemented and applied in the states, it is quite difficult to identify its advantages and deficiencies from a practical point of view. Leaving aside all the other potentially critical issues raised by UCITA (pertaining in particular to the formation of contract), one can note that the issue of the potential conflict between contract law and copyright policies has not been clearly addressed. What UCITA does in this respect is essentially to restate, without any substantive adaptation, basic legal doctrines (such as unconscionability

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472. McDonald, supra note 469, at 469.
473. Some commentators argue that UCITA will not be largely adopted in consideration of the opposition already showed to it by twenty four attorneys general, see Shah, supra note 374, at 106.
474. McDonald, supra note 469, at 484.
475. See Edward Janger, Predicting When the Uniform Law Process Will Fail: Article 9, Capture, and the Race-to-the-bottom, 83 IOWA L. REV. 569 (1998); even if this approach is generally based on corporate law, it can be extended to other areas of other state-led legislatives processes, such as uniform laws, see McDonald, supra note 469, at 479.
476. McDonald, supra note 469, at 479.
477. "Race-to-the-bottom" competition differs from "race-to-the-top" competition in that it does not produce laws which are beneficial to all interested parties.
478. Software companies will still keep the ability to submit their standard licensing agreement to the law of a presumably favorable UCITA-type statute, even though these companies are not located in the State the law of which has been chosen.
479. See Schechter, supra note 469, at 1803 ("UCITA is here to stay. The barrels of scholarly ink spilled in opposition have been for naught, as state legislators trip over themselves to adopt UCITA in order to woo high tech firms with the lure of a congenial legal regime.").
and preemption), the only "originality" being the narrowing reformulation of the public policy exception into a "fundamental public policy" exception to the enforceability of contracts.

To justify this minimalist approach, the drafters of UCITA determined that a proposed uniform contract law did not provide the proper forum to solve complex federal or even international issues and/or to dictate federal policies. As stated in the official comment, state law can neither regulate the issue of federal preemption nor solve the issue of copyright "national policy." In spite of these obvious limits due to federalism, one could still have hoped that UCITA would have addressed the problems raised by the application of (at least some of) the doctrines mentioned (preemption and unconscionability) in a more productive way. This could have been achieved if UCITA had taken a position (if not in the text of the uniform act, at least in the official comments) on the issue of how these doctrines might apply in the specific context of computer information transactions, instead of merely confirming that these doctrines might apply without further clarification. From this perspective, it is doubtful that UCITA actually creates a harmonized and more predictable legal framework for computer information transactions.

In spite of these criticisms, UCITA is still useful because of its identification of the types of values that might be considered as a "fundamental public policy" limiting the basic principle of freedom of contract. UCITA thus expressly confirms, in an "official" document, that the basic policies of innovation, competition and freedom of expression should be taken into account in defining the validity of information licensing transactions.


Balancing the rights of owners of information against the claims of those who want access is complex and has been the subject of considerable controversy and negotiation at both the federal level and internationally. The extent to which the resolution of these issues at the federal level ought to preempt state law is beyond the scope of the present Act, the central purpose of which is to facilitate private transactions in information.

481. § 105, cmt. n.3, which reads:

In part because of the transformations caused by digital information, many areas of public information policy are in flux and subject to extensive debate. In several instances these debates are conducted within the domain of copyright or patent laws, such as whether copying a copyrighted work for purposes of reverse engineering is an infringement. This Act does not address these issues of national policy . . . .

Id.

482. Such position could potentially have provided some non-binding guidance to courts faced with this issue.

483. Such as in the case of federal preemption, see supra Part II.D.5.a.

484. In spite of the Prefatory Note to UCITA which states that "[T]he liberating promise of technology cannot be fully realized unless there is predictability in the legal rules that govern such transactions. This is the need that UCITA addresses. It clarifies and sets forth uniform legal principles applicable to computer information transactions. UCITA is a statute for our time." UCITA, supra note 372.

485. Even though the U.C.C. is not directly a government sponsored initiative.

486. Even though it is not located in the text of UCITA itself, but only in the official comments.
E. NEW PROPOSALS

As a result of the deficiencies of the existing legal doctrines, several commentators have made proposals to define the limits of freedom of contract in the context of copyright licensing transactions. These proposals can be classified into two main categories. The first category of proposals is based on the introduction of mandatory provisions in statutes (be they in the Copyright Act or in uniform contract law), the purpose of which would be to define precisely to what extent the freedom of contract is limited in copyright licensing transactions. The second category of proposals, however, only sets out the guiding principles that are to be applied by the courts on a case-by-case basis. In this sense, the distinction can be seen as one between legislative proposals and judicial proposals.

1. Legislative Proposals

The first important proposal to regulate the issue of the conflict between contract law and copyright law was made by Prof. McManis in the context of the tumultuous adoption of UCITA. Fearing an imminent “shrink-wrapping” of copyright law (which would have resulted from the adoption of an unbalanced uniform contract law), Prof. McManis introduced a motion at the 1997 Annual American Law Institute Meeting to amend Section 2B-308 (the former version of the UCITA) by adding a new section (h) which read: “A [mass-market license] term that is inconsistent with 17 U.S.C. Section 102(b) or with the limitations on exclusive rights contained in 17 U.S.C. Sections 107-112 and 117 cannot become part of a contract under this section.”

487. See supra Part II.C.6.
488. Other commentators have adopted a free market rule approach, by considering that the present legal environment sufficiently protects users against restrictive terms, without needing any major legislative action. As this view is basically the one adopted in UCITA (and analyzed supra, see Part II.D.), it is not necessary to present it again here; for this approach, see Brennan, supra note 35; Merges, supra note 178; Nimmer, supra note 19 and note 416; see also Tom W. Bell, Fair Use v. Fared Use: The Impact of Automated Rights Management on Copyright's Fair Use Doctrine, 76 N.C. L. Rev. 557 (1998).
489. A third—more isolated—avenue has been suggested by one commentator with respect to the specific category of computer software. The proposal aims at empowering the Federal Trade Commission (FTC) to police unfair or deceptive contractual terms contained in shrinkwrap licenses. In this sense, this proposal could be considered as a regulatory proposal; see Schechter, supra note 469, at 1772-73 (proposing a new “intellectual advancement injury” model, defined as “a harm to the core principles of advancement of arts and sciences embedded in the copyright laws and the Constitution” in order to justify the action of the FTC).
490. When considering this distinction, it should of course be kept in mind that the common law system emphasizes the importance of case law, and thus, the critical influence of the judiciary. As a result, the distinction drawn between regulatory and judiciary models is perhaps more a difference of degree (the courts have a more important function in the judicial model than in the legislative model), than a difference of nature between them.
491. On UCITA, see supra Part II.D.
492. See McManis, supra note 125.
493. Id., at 176 n.12; the McManis Motion and its supporting comments are available at http://www.ali.org/ali/mcmanis.htm.
Two observations can be made on the McManis Motion. First, even though the goal of this motion was to set a mandatory legal framework limiting the freedom of contract, it still retained some degree of flexibility in the sense that it prohibited contractual provisions only to the extent that they were "inconsistent with" some basic limitations of copyright law. As a result, the courts applying this provision would have arguably kept a certain leeway in deciding to enforce certain questionable contractual provisions. Second, the McManis Motion rightfully envisioned the dual aspect of the issue by addressing both the issue of the contractual creation of a quasi-copyright on an unprotected content and the issue of the contractual expansion of an existing copyright beyond its statutory limits. Even though the McManis Motion was rejected, it served as a source of inspiration and as a basis of negotiation for further proposals made by other scholars in the context of the adoption of UCITA.

The McManis Motion is also important because it was the basis for the bill H.R. 3048, entitled "The Digital Era Copyright Act," introduced by Rep. Rick Boucher of Virginia to the U.S. House of Representatives, in the First Session of the 105th Cong. (1998) in order to implement the WIPO Internet Treaties into U.S. law. Section 7 of the bill provided for an amendment of § 301(a) of the Copyright Act in order to define in what circumstances federal preemption would apply to copyright licensing transactions. The bill proposed the insertion of a new paragraph, (h), at the end of § 301(a) that read as follows:

When a work is distributed to the public subject to non-negotiable license terms, such terms shall not be enforceable under the common law or statutes of any state to the extent that they—

(1) limit the reproduction, adaptation, distribution, performance, or display, by means of transmission or otherwise, of material that is uncopyrightable under section 102(b) or otherwise; or

(2) abrogate or restrict the limitations on exclusive rights specified in sections 107 through 114 and sections 117 and 118 of this title.

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494. Wolfson, supra note 118.
495. This was precisely the situation in ProCD, see supra Part II.B.
497. Samuelson & Opsahl, supra note 19, at 188.
499. See Nimmer et al., supra note 1, at 72; Wolfson, supra note 494, at 109-110.
This bill was rejected by the Committee on the Judiciary and no similar provision was adopted in the Digital Millennium Copyright Act (DMCA), which ultimately implemented the WIPO Internet Treaties. In a recent official report (published pursuant to § 104 of the DMCA), the U.S. Copyright Office considered the issue of the conflict between contract law and copyright law, but did not recommend any statutory amendment, while noting that this issue might potentially require legislative action in the future.

2. Judicial Proposals

By contrast to the legislative proposals, which prescribe the introduction of mandatory statutory provisions strictly limiting the freedom of contract in the case of a conflict with basic copyright policies, the judicial proposals adopt a more flexible approach, by defining general guidelines by which courts should assess the enforceability of disputed contractual provisions.

The most elaborate proposal, which would create a new doctrine of "public-interest unconscionability," was made by Prof. Reichman and J. Franklin. The goal of their new doctrine, to be rooted in contract law (by its implementation in a uniform law), is to combine "the concept of unconscionability, as applied to standard form contracts in general, with the abiding concern for public-interest objectives that characterizes domestic intellectual property policy." This "minimalist, open-ended doctrine" would empower courts to control non-negotiable terms concerning access to, and use of, computerized information that either party—licensors or licensees—seek to impose on the other without any true

500. Wolfson, supra note 494, at 110.
502. Under § 104 DMCA, the Register of Copyrights and the Assistant Secretary for Communications and Information of the Department of Commerce shall jointly evaluate the effects of the DMCA and the development of electronic commerce and associated technology on the operation of the first sale doctrine (§ 109 of the Copyright Act) and of the limitations on exclusive for computer programs (§ 117) and submit their joint report to the Congress. 17 U.S.C. § 104.

On one hand, copyright has long coexisted with contract law, providing a background of default provisions against which parties are generally free to order their own commercial dealings to suit their needs and the realities of the marketplace. On the other hand, movement at the state level toward resolving uncertainties that have existed about the enforceability of non-negotiated license agreements, coupled with legally-protected technological measures that give right holders the technical capability of imposing contractual provisions unilaterally, increases the likelihood that right holders, and not the copyright policies established by Congress, will determine the landscape of consumer privileges in the future. Although market forces may well prevent right holders from unreasonably limiting consumer privileges, it is possible that at some point in the future a case could be made for statutory change.

Id.

504. Reichman & Franklin, supra note 100, at 929.
505. Id. at 968.
506. Id. at 929.
507. Id.
manifestation of assent.” This doctrine, implemented by adopting a detailed provision in UCC Art. 2B, would read as follows:

(1) All mass-market contracts, non-negotiable contracts, and contracts imposing non-negotiable restrictions on uses of computerized information goods must be made on fair and reasonable terms and conditions, with due regard for the public interest in education, science, research, technological innovation, freedom of speech, and the preservation of competition.

(2) Affirmatively negotiated terms falling within paragraph (1) as set out above shall enjoy presumption of validity; however, this presumption may be rebutted whenever the cumulative harm to the public interest from use, including repeated use, of the term or terms in question seems likely to outweigh the private and public benefits flowing from the specific transaction.

(3) Whenever non-negotiable terms are challenged on any of the grounds set out in this provision, the party proposing the form or record in question bears the burden of establishing that the private benefits accruing to him or her from the use of such terms should justifiably outweigh the actual or potential social harm demonstrated by the complainant.

(4) Invalidation of a term under this provision does not necessarily invalidate the agreement as a whole if the offending term can reasonably be excised or modified to avoid undue harm to the public interest.

The system envisioned by the authors of this proposal focuses on standard contracts, for which there are many reasons to fear abusive contract provisions detrimental to the public interest. By contrast (as stated in § 2 of their proposal), “affirmatively negotiated” contracts will be presumed valid, this presumption being rebuttable by showing that the social cost of the disputed contractual provision outweighs its social benefit. In this respect, the authors have emphasized that click-on agreements should not qualify as affirmatively negotiated contracts (even if there is a formal assent to the agreement) and thus could not benefit from the presumption of validity. The overall consequence of this doctrine is that it acts as a “sword of Damocles” able to strike down contractual provisions, upon a

508. Id.
509. Which was the previous version of UCITA, see supra note 374.
510. Reichman & Franklin, supra note 100, at 930-32.
511. Id. at 935.
512. Id. at 934.
showing that the provisions are in conflict with the set of public policies mentioned in the proposal.\textsuperscript{513} In addition, the purpose of the presumption of validity of negotiated licenses is to create incentives for groups of licensors and licensees to negotiate standard agreements between them, in order to avoid any legal uncertainty as to the validity of specific terms.\textsuperscript{514} As a result, these collective negotiations would help reduce transaction costs and define new market-based standard provisions.\textsuperscript{515} The application of the public-interest unconscionability doctrine, as a doctrine of contract law, is thus expected to create a "cohesive body of licensing law,"\textsuperscript{516} which will progressively define the substance of admissible contractual provisions in a much more balanced and precise way than would be the case if other external legal doctrines (in particular preemption) were to apply.\textsuperscript{517}

Without offering a proposal as detailed as the one formulated by Reichman & Franklin, other scholars have also emphasized that a flexible approach should be adopted in order to protect the public domain in the digital era. Some have also proposed that "Congress should expressly delegate authority to the federal judiciary to develop a common law of fair use and of the public domain, to allow and encourage courts to create the content of open space as a matter of federal policy."\textsuperscript{518} This federal approach would make sure that the state courts would not have to interpret what is copyrightable and what can be considered fair use, which could be a "disaster,"\textsuperscript{519} because of the risk of conflicting definitions by different state courts of key concepts of copyright law.

Another proposal has been made to adopt a presumption of invalidity for restrictive contractual terms.\textsuperscript{520} According to this approach, "[t]he law should create a presumption that restrictive terms are invalid unless the licensor can show adequate justification for their enforcement in particular cases,"\textsuperscript{521} "restrictive terms" being generally defined as "terms defined by standard form contracts governing the use of information products that limit or prohibit uses of a work that

\begin{footnotesize}
\begin{itemize}
    \item \textsuperscript{513} Id. at 937.
    \item \textsuperscript{514} Id. at 946.
    \item \textsuperscript{515} Id. at 922.
    \item \textsuperscript{516} Id. at 953.
    \item \textsuperscript{517} Id. at 953.
    \item \textsuperscript{518} Madison, \textit{supra} note 108, at 1139 (suggesting that § 107 should be amended to include a new subdivision (b) providing that "This section shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in light of reason and experience," and that similar amendment be made for §§ 102 and 103 with respect to the definition of the subject matter of copyright).
    \item \textsuperscript{519} Wolfson, \textit{supra} note 494, at 97.
    \item \textsuperscript{520} Elkin-Koren, \textit{supra} note 28, at 217-220; a system of burden of proof is also established in the Reichman & Franklin proposal, which provides that:
    \begin{quote}
        [W]henever non-negotiable terms are challenged on any of the grounds set out in this provision, the party proposing the form or record in question bears the burden of establishing that the private benefits accruing to him or her from the use of such terms should justifiably outweigh the actual or potential social harm demonstrated by the complainant.
    \end{quote}
    Reichman & Franklin, \textit{supra} note 100, at 932; \textit{see supra} text accompanying note 510.
    \item \textsuperscript{521} Elkin-Koren, \textit{supra} note 28, at 217;
\end{itemize}
\end{footnotesize}
would be otherwise permitted by copyright law.” From this perspective, even though this proposal is based on the assumption that litigation is not the proper means to solve the issue and should therefore be avoided, the very fact that the proposal is based on a rebuttable presumption would most probably require the filing of an action for the presumption to be rebutted, thus requiring what was intended to be avoided.

3. Conclusion

It is not possible to measure—and quite uncertain to predict—the respective efficiency of the different proposals discussed above. As neither of them has been formally adopted in any legal instrument, each proposal’s advantages and/or its flaws have not been evidenced by practical application to real-world situations. It can, however, be noted that both types of proposals have a certain appeal. On the one hand, the main advantage of the legislative proposals is that they would correct the imbalance of bargaining power between licensors and licensees by strictly and clearly prohibiting certain specific types of overreaching contractual provisions. This strength is also their major weakness. By being too rigid, the legislative proposals bear the intrinsic risk of becoming unbalanced in a time of rapid change. Their lack of flexibility might indeed be quite detrimental in the face of a constantly evolving legal and technological environment. It is still early in the age of the information society, and the importance of adopting flexible and adaptable legal rules, particularly in the field of copyright law, cannot be

522. Elkin-Koren, supra note 28, at 193; this proposal however appears somewhat ambiguous, as it is apparently based on both a rebuttable presumption and on the adoption of mandatory provisions, although these two systems seem to exclude each other (Elkin-Koren, supra note 28, at 221 stating that “[t]he place to imbed the presumption against restrictive terms is in copyright law itself. Indeed, the law should explicitly set out which users’s rights may not be overridden by standard form contracts”) (emphasis added); in addition, the assumption that “a presumption against restrictive terms is consistent with current European thinking, as reflected in the Computer Program Directive” appears questionable to the extent that this Directive does not implement any presumption of this sort, but rather relies on specific mandatory provisions (for back up copies and for decompilation purposes) clearly excluding the freedom of contract in the context of certain types of copyright licensing contractual provisions, see infra Part III.C.1.

523. Elkin-Koren, supra note 28, at 219 (“Waiting for individual users to challenge the enforceability of terms in court is inefficient.”).

524. On the potential ways to solve the issue of access to justice in the digital environment, see infra Part IV.C.5.b.

525. See Elkin-Koren, supra note 28, at 213 (“The law should make clear in advance the sorts of provisions that are invalid, rather than leaving the determination ex post to the courts.”).


528. In this respect, it can be noted that recent legislative actions (both in the U.S. and in Europe) in the field of copyright law have adopted a flexible approach, by implementing “built-in” adaptation and revision mechanisms in the statutory regimes of protection in order to prevent the obsolescence of legal U.S. rules at a time of fast technological change. For the U.S., see the periodic rulemaking procedure set forth by the Digital Millennium Copyright Act, 17 U.S.C. § 1201(a)(1), with respect to the
overemphasized. On the other hand, the judicial proposals do create an adaptable legal framework. Their successful implementation, however, largely depends on the courts, which might not sufficiently consider the importance of limiting the scope of protection of copyright owners in certain circumstances, and might additionally lead to conflicting solutions. Even though the judicial proposals have the advantage of being flexible, they do not solve the issue of the cost and burden of litigation, which has been properly identified as one of the major problems of all of the judicial proposals. Unless additional safeguard measures are implemented, there is some risk that content providers will still impose overreaching contractual provisions, because licensees will likely be reluctant to enter into litigation, both due to the lack of a sufficient financial interest and for fear of getting into trouble with a more powerful contracting party.

In spite of their differences, these proposals show two interesting features. First, most of them focus on standard form contracts as the basic source of concern. Second, some of these proposals are not limited to copyright licensing transactions. In this sense, these proposals have properly identified that the issue to be solved does not relate only to copyright protected content, but to information in general because the issue of access to unprotected content is also at risk in a digital economy where any kind of content can be technologically and contractually “fenced in.”

II. EUROPEAN LAW

A. INTRODUCTION

The conflicting relationship between contract law and copyright law in the digital environment had not attracted as much attention in Europe as it had in the United States until quite recently. A potential explanation for this difference

impact of technological protection measures on fair use. For a critical analysis, see de Werra, supra note 37, at 116-124. Regarding the European Union, see art. 12 of the Directive 2001/29/EC of the European Parliament and of the Council of May 22, 2001 on the harmonization of certain aspects of copyright and related rights in the information society, 2001 O.J. (L 167/10), which provides that, every three years, the European Commission shall submit to the European Parliament, the Council and the Economic and Social Committee a report on the application of this Directive. Article 12 al. 1 further states that the Commission, when necessary to accomplish the internal market, shall submit proposals for amendments to the Directive, while art. 12 al. 3 provides for the establishment of a “contact committee” which will in particular have the task “to act as a forum for the assessment of the digital market in works and other items, including private copying and the use of technological measures.”

530. Id. ("The cost of litigation may further be a barrier to legal challenges by users.").
531. See proposal infra IV.C.5.
532. Elkin-Koren, supra note 28, at 219 ("In many cases individual users may lack adequate incentives to dispute the validity of a term.").
533. See Lucie M.C.R. Guibault, Pre-emption Issues in the Digital Environment: Can Copyright Limitations be Overridden by Contractual Agreements Under European Law, in EUROPEES PRIVAATRECHT 1998 OPLETTEN OVER INTERNATIONALE TRANSACTIES EN INTELLECTUELE EIGENDOM 225, 226 (1998); see generally GUIBault, supra note 61 and the report on this issue (drafted by Lucie
might be that the European Computer Software Directive,\textsuperscript{534} adopted as early as 1991, expressly provided that the decompilation of computer software could not be prohibited by contract. As the problem of the decompilation of computer software was initially one of the most debated aspects of the issue in the U.S.,\textsuperscript{535} the early solution adopted by the European legislature might have been what prevented any debate in Europe. Another explanation for the absence of interest might be that electronic commerce did not develop as quickly in Europe as it did in the U.S. Therefore, the risk of widespread use of restrictive on-line contracts was perceived as less problematic and did not call for any legislative action because no case law comparable to \textit{ProCD}\textsuperscript{536} had ignited the debate.\textsuperscript{537}

Before analyzing how the issue has been addressed in the European Union, a brief comparative overview of the legal system of copyright and contract law in the European Union by comparison to the U.S. will be sketched. This overview will be followed by an analysis of the different legal sources of European law which are of assistance with this issue, by considering both copyright law specifically as well as sources from other fields of law.

\section*{B. Comparative Overview Between the European and U.S. Systems of Copyright and Contract Laws}

\subsection*{1. U.S. Utilitarian Copyright Law Versus European Natural Right (droit d'auteur)}

First of all, it is important to note the difference between American and European basic conceptions of copyright law.\textsuperscript{538} In general terms, the U.S. approach to copyright law emphasizes the promotion of the public interest and is therefore considered a utilitarian scheme.\textsuperscript{539} The U.S. system of copyright intrinsically recognizes the importance of adopting a balanced system of protection, which does not grant excessive rights to copyright owners. In such a public interest oriented concept of copyright, exceptions and limitations to the copyright monopoly play a key function in the promotion of the public interest. In this respect, the open-ended nature of the fair use exception comes as no surprise.\textsuperscript{540}

By contrast, the European system is much more author-protective, as it is

\textsuperscript{534} See infra Part III.C.1.
\textsuperscript{535} See supra note 63.
\textsuperscript{536} See supra Part II.B.
\textsuperscript{537} Vinje, supra note 5, at 195 ("Because direct electronic contracting with consumers of copyright works has never occurred on a wide scale before, neither European legislators nor courts have really been faced with the question of the mandatory nature of copyright limits and exceptions.").
\textsuperscript{538} Dreier, supra note 69, 298-303; Hugenholtz, supra note 40, at 81.
\textsuperscript{539} Elkin-Koren, supra note 28, at 221; Hugenholtz, supra note 40, at 82; this results from the Copyright Clause of the U.S. Constitution, U.S. Const. art. 1 §8 cl. 8, see supra note 28.
\textsuperscript{540} 17 U.S.C. § 107.
traditionally anchored in a Romantic and Naturalist conception of copyright law.\textsuperscript{541} In this approach, the copyright monopoly is justified by the natural right of the authors to control the economic and artistic fate of their intellectual creation.\textsuperscript{542} Due to the rather far-reaching concept of copyright protection, the limitations and exceptions to copyright are precisely defined in the national copyright statutes.\textsuperscript{543} In addition, these exceptions have been generally construed rather narrowly by the courts in order to grant a broad protection to the authors.\textsuperscript{544}

2. Federalist Structure

Similarly to the United States, the European Union is also based on a federalist structure, divided between a “federal” level (the European Union) and a state level (the Member States)\textsuperscript{545} in which the law of the European Union “preempts” the law of the Member States.\textsuperscript{546} The European Union has the power to legislate only to the extent that this power has been granted to it.\textsuperscript{547} In the field of copyright law, the purpose of this regulatory power is generally to provide “for the establishment of an internal market and the institution of a system ensuring that competition in the internal market is not distorted”\textsuperscript{548} so that “[h]armonisation [sic] of the laws of the Member States on copyright and related rights contributes to the achievement of these objectives.”\textsuperscript{549} This means that, in the absence of a recognized need for harmonization, the European Union does not have any power to regulate in the field of intellectual property. As a result, European copyright law is governed by few Directives addressing specific issues of copyright law (which have been adopted by the European Union when the need for harmonization has been felt

\textsuperscript{541} Hugenholtz, supra note 40, at 82.

\textsuperscript{542} Hugenholtz, supra note 40, at 82 (“In the pure droit d'auteur philosophy, copyright is an essentially unrestricted natural right reflecting the sacred ‘bond’ between the author and his personal creation.”).

\textsuperscript{543} See Guibault, supra note 533, at 228.


\textsuperscript{545} For an overview of the institutional structure of the E.C. in a copyright perspective, see Ben Smulders & Herman Cohen Jehoram, The Law of the European Community and Copyright, in INTERNATIONAL COPYRIGHT LAW AND PRACTICE (Paul E. Geller ed., 2000).

\textsuperscript{546} On the similarity between U.S. law and European law with regard to preemption, see Elkin-Koren, supra note 28, at 215.


\textsuperscript{548} Recital 1 of the Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society [hereinafter Directive on Copyright in the Information Society or DCIS], 2001 O.J. (L 167) 10; see EC Treaty, supra note 547, art. 3, which provides that the activities of the Community shall include “(g) a system ensuring that competition in the internal market is not distorted” and “(h) the approximation of the laws of the Member States to the extent required for the functioning of the common market.”

\textsuperscript{549} Recital 1 of the Directive on Copyright in the Information Society, supra note 548.
sufficient) and, for the remaining part, by the different copyright laws of the Member States. In this respect it should be kept in mind that even in the fields specifically covered by the scope of the directives, Member States keep some legislative power in the implementation of the directives, as directives generally only set out the aims which are to be reached by the Member States (by imposing minimum standards of protection) without imposing the means. However, the specific solutions adopted in some directives sometimes exclude any freedom of implementation for the Member States. For instance, the explicit prohibition of certain types of contractual provisions adopted in the Computer Software and the Database directives exclude any freedom in the implementation by the Member States with respect to this issue, even though Member States generally remain free to go beyond the minimum standard imposed by the Directives.

The dual source of copyright law in the European Union can lead to a complex system. This complexity is particularly visible when considering the variety of exceptions to copyright adopted in each of the national copyright statutes in Europe. This variety explains the very long and detailed catalogue of optional exceptions enumerated in the Directive on Copyright in the Information Society, which lets each of the Member States independently decide which exceptions should be maintained or adopted in its national legal system. For the purpose of this Article, the practical result of this diversity is that the absence of commonly accepted exceptions between the Member States makes the adoption of mandatory exceptions to copyright law (which would not be overridable by contract) highly unlikely at the EU level. Indeed, how could Member States agree on mandatory exceptions, if they cannot already agree on the definition of common exceptions in the first place?

The European Union’s dual system stands in contrast to the United States system, in which the distinction between the powers of the two legislative bodies is much more clear-cut, as it is based on the fields of law at issue (i.e., state contract law vs. federal copyright law), even though conflicts between both fields are not avoided (as evidenced by the complexity of the preemption doctrine).

The basic division of power between the European Union and the Member States adopted in the context of copyright law also exists in the field of contract

550. Hugenholtz, supra note 40, at 81; see also Joined cases C-241 & C-242/91, RTE, ITP v. Commission, 1995 E.C.R. I-743 (1995), at 823 P 49 (stating that, in the absence of harmonization, the breadth of intellectual property rights is outside the limited scope of application of the directives and is a matter for national law).

551. See infra Part III.C.1 and III.C.2.

552. As did the Belgian legislature, see infra Part III.C.4.


554. See supra note 548.

555. Each Member State however keeps the power to legislate on this issue, as did the Belgian legislature by providing that all exceptions to copyright cannot be overridden by contract, see infra Part III.C.4.
law. The basic rule is that contract law is governed by the law of the Member States with the exception of specific issues that are regulated by European Directives when harmonization is needed to achieve one of the purposes of the European Union, such as the internal market. It is noteworthy that harmonization has been achieved in particular in the context of consumer contracts.

This brief comparative overview between the U.S. and Europe can be concluded by asking how a case like ProCD would have been decided in Europe. While it has been argued that the shrinkwrap agreement at issue in the case might not be considered valid under European contract law, the act of uploading unprotectable content on the internet (as was done by Zeidenberg) would likely be considered a violation of unfair competition law in Europe. As a result, given that the act committed by Zeidenberg could already have been prohibited on the basis of unfair competition law, the question of the formal validity and enforceability of the shrinkwrap license could have been completely avoided.

C. LEGISLATIVE SOLUTIONS IN THE FIELD OF COPYRIGHT LAW

Among the seven Directives adopted by the European Union in the field of copyright law, three Directives are of particular importance in the context of this analysis: the Computer Software Directive of 1991, the Database Directive of 1996, and the Directive on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission.

556. In this context, it can be noted that a Commission on European Contract Law has been working on the definition of common European contract law principles and have already published two volumes, THE PRINCIPLES OF EUROPEAN CONTRACT LAW Parts I and II (1999), see the website of the Commission available at http://www.cbs.dk/departments/law/staff/oil/commission_on_ecl/index.html.


558. See CONTRACTS AND COPYRIGHT EXEMPTIONS, supra note 533, at 31 ("It is highly doubtful, in view of the legislation and case law, that a European court would have come to the same conclusion in circumstances similar to those of the ProCD case."); see also Samuelson & Opsahl, supra note 58, at 388.

559. See supra Part II.B.4.

560. Such an act would be prohibited by the Database Directive; on this Directive, see infra Part III.C.2.

561. This difference between the U.S. and Europe has been duly pointed out, see François Dessemontet, The European Approach to E-Commerce and Licensing, 26 BROOK. J. INT’L L. 59, 74-75 (2000).


and the Directive on Copyright in the Information Society of 2001.\textsuperscript{565}

1. The Computer Software Directive

The Computer Software Directive was the first European Directive adopted in the field of copyright law.\textsuperscript{566} This Directive establishes three cases in which users have mandatory rights that cannot be overridden by contract. First, the making of a back-up copy of a computer program cannot be overridden by contract. The second and third restrictions on the freedom of contract originate in the need to promote the interoperability of computer software by prohibiting copyright owners from contractually preventing potential competitors from accomplishing the technical acts required to create interoperable products. Article 5 (3) thus provides:

The person having a right to use a copy of a computer program shall be entitled, without the authorization of the rightholder, to observe, study or test the functioning of the program in order to determine the ideas and principles which underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do.\textsuperscript{568}

Article 6 (1) states that the “authorization of the rightholder shall not be required where reproduction of the code and translation of its form” are “indispensable to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs” under precisely defined conditions. On this basis, a copyright owner cannot contractually prevent the users from reverse engineering the software in order to create a compatible software product.\textsuperscript{569}

2. The Database Directive

The Database Directive sets forth two types of exclusive rights on databases. First, the Directive confirms that a database can be protected by copyright law, as a compilation,\textsuperscript{570} and provides specific rules to clarify certain issues related to this
protection.\textsuperscript{571} The second, and most innovative, aspect of the Directive is the adoption of a \textit{sui generis} right for the benefit of the maker of a database.\textsuperscript{572} The purpose of the \textit{sui generis} right, distinct from copyright law, is to protect the economic investment made in compiling the database.\textsuperscript{573}

The Database Directive limits the freedom of contract of the parties for the benefit of the users of the database by providing that two specific rights granted to the users are mandatory and cannot be waived by contract.\textsuperscript{574} The first right granted to the lawful user of the database is to allow her to perform any acts, which would otherwise be restricted under copyright law, “for the purposes of access to the contents of the databases and normal use of the contents” of the database.\textsuperscript{575} The second unwaivable right of the users is the right to extract and/or re-utilize “insubstantial parts of its contents, evaluated qualitatively and/or quantitatively, for any purposes whatsoever.”\textsuperscript{576}

From a more general perspective, the Database Directive has been criticized on the ground that its key concepts, in particular the notion of substantiality (“substantial investment”/”substantial part”), are so vague that they would need to be clarified by the European Court of Justice.\textsuperscript{577} Another problematic area is the issue of the duration of protection. Formally, the term of protection of the \textit{sui generis} right is 15 years from January First of the year following the date of completion of the making of the database.\textsuperscript{578} But, another article of the Directive provides:

\begin{flushright}
any substantial change, evaluated qualitatively or quantitatively,
\end{flushright}

\textsuperscript{571} \textit{Id.}, art. 4 (database authorship); art. 5 (catalogue of restricted acts) and art. 6 (mandatory and optional exceptions to the restricted acts that can be adopted by Member States).

\textsuperscript{572} Art. 7(1) states that “member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.”

\textsuperscript{573} \textit{See} Recital 40 of the Directive (“[W]hereas the object of this \textit{sui generis} right is to ensure protection of any investment in obtaining, verifying or presenting the contents of a database for the limited duration of the right whereas such investment may consist in the deployment of financial resources and/or the expending of time, effort and energy.”).

\textsuperscript{574} Art. 15 entitled “Binding nature of certain provisions” states that “[a]ny contractual provision contrary to Article 6(1) and 8 shall be null and void.”

\textsuperscript{575} Art. 6(1) of the Database Directive, \textit{supra} note 564, provides that “[t]he performance by the lawful user of a database or of a copy thereof of any of the acts listed in Article 5 [which enumerates the exclusive rights granted by copyright to the author of the database such as the right of reproduction, translation, adaptation, distribution, communication, display, performance in public, etc.] which is necessary for the purposes of access to the contents of the databases and normal use of the contents by the lawful user shall not require the authorization of the author of the database. Where the lawful user is authorized to use only part of the database, this provision shall apply only to that part.”

\textsuperscript{576} Art. 8(1) Database Directive, \textit{supra} note 564.


\textsuperscript{578} Art. 10(1) Database Directive, \textit{supra} note 564.
to the contents of a database, including any substantial change, resulting from the accumulation of successive additions, deletions or alterations, which would result in the database being considered to be a substantial new investment, evaluated qualitatively or quantitatively, shall qualify the database resulting from that investment for its own term of protection.\textsuperscript{579}

As a result, some concern has been expressed that this system of continuous legal protection might paradoxically risk creating a perpetual\textsuperscript{580} protection for minimally creative content.\textsuperscript{581} This aspect should be kept in mind when considering the need to carefully scrutinize contracts related to content that is not protected by copyright law.\textsuperscript{582}

3. Directive on Copyright in the Information Society

The Directive on the harmonization of certain aspects of Copyright and related rights in the Information Society (DCIS),\textsuperscript{583} the goal of which was to implement the obligations of the WIPO Copyright Treaty in the European Union, experienced a long and turbulent adoption history. After several years of discussion and hard negotiations among interested groups, the common position of the Council\textsuperscript{584} was adopted by the European Parliament on February 14, 2001,\textsuperscript{585} with final approval of the Council on April 9, 2001.\textsuperscript{586} The implementation deadline for the Directive on Copyright in the Information Society by the Member States is December 22, 2002.\textsuperscript{587}

Among its features, the Directive on Copyright in the Information Society imposes a voluminous and exhaustive catalog (more than 20) of mainly optional\textsuperscript{588}.

\textsuperscript{579} Id., art. 10(3).
\textsuperscript{580} Reichman & Franklin, supra note 100, at 948.
\textsuperscript{581} Reichman & Samuelson, supra note 116, at 94, reasoning:

It follows that, under the E.C [Database] Directive, the most borderline and suspect of all the objects of protection ever to enter the universe of intellectual property discourse-- raw data, scientific or otherwise--paradoxically obtains the strongest scope of protection available from any intellectual property regime except, perhaps, for the classical patent paradigm itself.

Id.

\textsuperscript{582} See Reichman & Franklin, supra note 100, at 949 (noting that uncopyrightable databases should be considered with attention, as they are “technically not subject to the cultural bargain of copyright law”).

\textsuperscript{583} See supra note 548.


\textsuperscript{586} See supra note 548.

\textsuperscript{587} Art. 13(1), DCIS, supra note 548.

\textsuperscript{588} The only compulsory exception to the exclusive right of reproduction is provided for by art. 5(1) DCIS, supra note 548, which relates to “[t]emporary acts of reproduction...which are transient or
exceptions to copyright law (art. 5), as well as a detailed system of protection for technological protection measures (art. 6). The optional nature of these exceptions means that Member States are free to adopt or reject them in their national copyright statute.\textsuperscript{589}

In contrast to the Computer Software Directive and the Database Directive, the Directive on Copyright in the Information Society does not provide for any mandatory rights for the benefit of users of copyrighted works in a networked environment.\textsuperscript{590} This means that the Directive on Copyright in the Information Society does not limit the principle of freedom of contract,\textsuperscript{591} allowing copyright owners the unrestricted ability to impose contractual restrictions that would go beyond copyright law on users of the works.\textsuperscript{592} In this respect, the DCIS expressly confirms that its application "shall be without prejudice to provisions concerning . . . the law of contract."\textsuperscript{593}

However, as the issue of overprotection of copyright owners might also result from a too strict regime of protection of technological protection measures,\textsuperscript{594} the Directive addressed the issue of the relationship between the legal protection of technological protection measures and the exceptions to copyright law in a quite detailed (and complex) way in art. 6(4).\textsuperscript{595} Art. 6(4) sets forth an original solution (or more precisely a proposal for a future solution) to solve the critical issue of the exceptions to copyright in the context of technological protection measures. The purpose of this provision is to make sure that the position of users of copyrighted works will not be jeopardized by the adoption of the new legal protection against circumvention of technological protection measures. This provision invites the interested parties (i.e., the right holders, the users and potential interested third parties [manufacturers of consumer electronic devices—which are used to access and use the protected works]) to take "voluntary measures" in order to make sure that users can benefit from the exceptions to copyright law granted under the

\textsuperscript{589} As a result, strong criticism has been expressed as to the harmonizing effect of the DCIS resulting from the freedom of each Member State to maintain or adopt its own catalogue of exceptions to copyright law, see P. Bernt Hugenholtz, \textit{Why the Copyright Directive is Unimportant, and Possibly Invalid?}, 22 EUR. INTELL. PROP. REV. 499, 501 (2000) (who further questions the legal basis of the Directive in the E.C. Treaty, as the legislative power of the E.C. must be justified by a purpose of harmonization).

\textsuperscript{590} Art. 5(1) of the DCIS, supra note 548, however, states that some specific types of temporary acts of reproduction are exempted from the reproduction right (defined in art. 2 DCIS).

\textsuperscript{591} The Directive on Copyright in the Information Society also adopts the principle of freedom of contract with respect to the initial contractual relationships between authors and subsequent copyright owners, see Hugenholtz, supra note 589, at 501 (referring to Recital 30 DCIS).

\textsuperscript{592} As it results from the absence of harmonization of the exceptions to copyright law among the Member States, the scope of protection might significantly vary from one Member State to the other.

\textsuperscript{593} Art. 9, supra note 548.

\textsuperscript{594} On the interaction between technological protection measures and contracts in the digital environment, see supra Part I.B.

\textsuperscript{595} See Hugenholtz, supra note 589, at 500 (criticizing the wording of art. 6(4)(1) as an example of the "almost unintelligible language" used in the DCIS).
national legislations. This provision thus delegates the task of defining the scope of copyright (and of the exceptions to copyright) to private entities. This might be a good solution as long as the bargaining power of the parties remains equal. If that power shifts to become unequal, the copyright balance might be affected.

By default (if no agreement is reached between the interested parties), Member States are requested to take “appropriate measures” to ensure that right holders “make available to the beneficiary of an exception or limitation provided for in national law [enumeration of the specific exceptions submitted to this system] the means of benefiting from that exception or limitation, to the extent necessary to benefit from that exception or limitation and where that beneficiary has legal access to the protected work or subject-matter concerned.”

In spite of its apparently well-balanced approach, the system proposed by art. 6(4) appears to be put at risk by art. 6(4) sec. 4, which provides that the voluntary agreements defining the scope of the exceptions to copyright protection or, by default, the measures taken by Member States defining these exceptions “shall not apply to works or other subject-matter made available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them.” This clear language means that copyright owners remain free to protect their works by technological protection measures and impose whatever contractual restrictions they wish on users of their works in the context of on-line transactions, without any fear of being obliged to respect any exception of copyright granted under the copyright statute of the Member States. As a result, given that the interactive, on-line uses of works will likely be the most widespread use in the information society, the Directive on Copyright in the Information Society does not offer any protection to users against contractual provisions which would extend the protection of copyright owners beyond the statutory limits defined by copyright law.  

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596. This would be the case if the copyright owners could contractually impose conditions, which would not respect the scope of the exemptions granted to the users by national copyright laws. To avoid such a result, the terms of the agreements (“voluntary measures”) could be controlled by an official body (at EU or national level) before becoming effective, for instance the “contact committee” to be created under art. 12 DCIS.

597. DCIS, supra note 548, art. 6(4). Only the specific exceptions provided for by DCIS art. 5(2)(a), (2)(c), (2)(d), (2)(e), (3)(a), (3)(b) or (3)(e) are implicated by this provision, while the exception provided for by art. (5)(2)(b) for private copying is specifically provided for in art. 6(4) § 2. The other provisions are purely optional, in the sense that the “voluntary measures” mechanism does not apply at all to them.

598. DCIS, supra note 548, Art. 6(4) § 1.

599. Id. § 4.

600. This policy choice is particularly reflected by DCIS, supra note 548, Recital 45 which provides that the optional exceptions and limitations to the exclusive rights of the copyright owners enumerated in art. 5 (2), (3) and (4) which can be implemented by the Member States “should not, however, prevent the definition of contractual relations designed to ensure fair compensation for the rightholders insofar as permitted by national law.” This provision can be interpreted as meaning that, unless the exceptions and limitations are declared mandatory under the laws of the Member States, they can be freely overridden by contract and the rightholders should be entitled to get a remuneration for these uses; the choice of allowing free overridability of copyright exceptions appears quite paradoxical, when reading DCIS Recital 51 which specifically states that the exceptions and limitations to copyright
It is quite unfortunate that the Directive on Copyright in the Information Society, in spite of its apparent understanding of the public policy concerns resulting from the implementation of an overreaching copyright protection system in the information society, does not really address the issue by its lack of any limits (or even any guidelines) on the enforceability of copyright licensing contractual provisions. Even if this is quite understandable from a political perspective, the choice made in the Directive on Copyright in the Information Society for an unrestricted freedom of contract might prove problematic in the future. There remains some hope that this issue might be addressed in the future, as the Directive on Copyright in the Information Society sets forth a system of on-going monitoring of its application by providing that every three years “the Commission shall submit to the European Parliament, the Council and the Economic and Social Committee a report on the application of this Directive.”

4. National Solutions

With the exception of the Belgian copyright statute, no other Member State of the European Union has taken a clear position (in their national copyright statute) regarding the issue of the potential overridability of copyright exceptions by contract, beyond what is imposed by the Computer Software and the Database Directives. By contrast, art. 23bis of the Belgian Copyright Act expressly states that all the statutory exceptions granted under the Act are mandatory. From an international perspective, the likely consequence of this statutory provision is incorporated in art. 5 DCIS reflect "public policy"; this provision might indeed be reasonably interpreted as meaning that these exceptions, if adopted by the Member States, should not be overridable by contract, as public policy grounds generally prevent the enforcement of contrary contract provisions; on the issue of public policy under U.S. law, see supra Part II.C.3.

601. This concern is particularly reflected in DCIS, supra note 548, Recital 2 which states that “the proposed harmonization will help to implement the four freedoms of the internal market and relates to compliance with the fundamental principles of law and especially of property, including intellectual property, and freedom of expression and the public interest,” as well as in DCIS Recital 51, see supra note 600.

602. See Guibault, supra note 24, at 160 (concluding her article by noting that the DCIS could “be a good opportunity for the European Commission to make its position clear on the overridability of copyright limitations”).

603. Due to the widely diverging solutions adopted in the law of the Member States regarding exceptions to copyright, discussions about a potential harmonization of mandatory exceptions would have significantly slowed down the discussion or might even have totally killed the project of harmonization.

604. Art. 12 (1); art. 12 (4)(d) DCIS, supra note 548, further provides for the establishment of a “contact committee” which will in particular have the task to “act as a forum for the assessment of the digital market in works and other items, including private copying and the use of technological measures.”


that content providers offering their products and services in Belgium will try to avoid the application of Belgian law by choosing another substantive law as the governing law of the transaction, unless the application of Belgian law is made mandatory by application of protective choice of law rules (as might be the case if the user is a “consumer” under consumer protection regulations).\textsuperscript{607} As a result, Belgian users of protected works will be better protected than other users in the European Union, which might prove problematic to the extent that it might affect the internal market of the European Union, thus justifying a harmonization of the issue at the level of the European Union.

Besides Belgium, the mandatory nature of copyright exceptions has also been acknowledged under Swiss law as a result of a recent decision of the Swiss Federal Supreme Court.\textsuperscript{608} The issue was whether an art museum was obliged to pay a fee for the reproduction of a series of art works in a catalog for a special exhibition, on the basis of an agreement signed between the museum and a copyright collecting society, and in spite of the fact that the contemplated reproduction of the works fell within the scope of a copyright exception specifically defined by the Swiss Copyright Act (SCA).\textsuperscript{609} The Supreme Court held that collecting societies have no right to obtain any payment for uses of the works that are declared to be free by the Copyright Act, by stating that the rules of the Copyright Act were mandatory.\textsuperscript{610} As a result, the Supreme Court held that these statutory rules could not be varied by tariffs negotiated between collecting societies and users.\textsuperscript{611} Under Swiss law, collecting societies are obliged to negotiate tariffs with association of users.\textsuperscript{612} One of the characteristics of this system is that tariffs, once approved by the competent authority,\textsuperscript{613} are binding on the courts.\textsuperscript{614} In a prior case,\textsuperscript{615} the Supreme Court had already held that tariffs—even after they had been approved—could not override statutory mandatory provisions of the Copyright Act. This decision further confirmed that tariffs could not impose new financial obligations on users not

\begin{itemize}
\item \textsuperscript{607} On the protection of consumers in international consumer contracts, see infra Part III.D.2.c.
\item \textsuperscript{608} BGE 127 III 26 (2000).
\item \textsuperscript{609} Swiss Federal Act on Copyright and Neighboring Rights of Oct. 9, 1992, SR 231.0; art. 26 SCA entitled “Museum, fair and auction catalogs” provides that “[a] work forming part of a collection accessible to the public may be reproduced in a catalog issued by the administrators of the collection; the same shall apply to the issue of fair and auction catalogs” (as translated by WIPO and available in the electronic database at http://clea.wipo.int/).
\item \textsuperscript{610} BGE 127 III at 28.
\item \textsuperscript{611} Id. at 28.
\item \textsuperscript{612} Article 46 SCA provides:
\begin{enumerate}
\item The collecting societies shall draw up tariffs for the remuneration that they collect.
\item They shall negotiate the terms of each tariff with the relevant associations of users.
\item They shall submit the tariffs to the Federal Arbitration Board (Article 55) for approval and shall publish the approved tariffs.
\end{enumerate}
\item \textsuperscript{613} Article 55 (1) SCA provides that “[t]he Federal Arbitration Board for the Exploitation of Authors’ Rights and Neighboring Rights (Arbitration Board) shall be responsible for approving the tariffs of the collecting societies.”
\item \textsuperscript{614} Article 59 (3) SCA provides that “[f]inally approved tariffs shall be binding on the courts.”
\item \textsuperscript{615} BGE 125 III 141, 144-145 (1999).
\end{itemize}
based on obligations defined by the Copyright Act.\textsuperscript{616} By referring to the holding of this previous decision,\textsuperscript{617} the Supreme Court consequently held that the agreement signed between the art museum and the collecting society was unlawful (and unenforceable) to the extent that it created new obligations for the art museum that did not exist under the Copyright Act.\textsuperscript{618}

In spite of the extensive reach of this decision, resulting from the broad statement made by the Supreme Court that the rules of the Copyright Act are mandatory (and thus, that the exceptions granted by the Act are mandatory), one can still wonder whether the holding of the case should not be construed more narrowly. According to this narrower interpretation of the case, the holding should perhaps be limited to the unenforceability of state-approved tariffs which go beyond the obligations defined by the Copyright Act. In such a situation, if found enforceable, these tariffs would indeed create a new “private legislation”\textsuperscript{619} applicable to every user,\textsuperscript{620} which would completely replace the pre-existing statutory legal regime to the detriment of users of the works. In contrast, one may wonder whether private parties (a copyright owner and a user) could not freely enter into an agreement that would limit or exclude the privilege of some of the exceptions granted to users by the Copyright Act\textsuperscript{621} in certain specific circumstances on the basis of the principles of private autonomy and freedom of contract. This narrower interpretation would mean that exceptions to copyright might still be contracted around in the context of private bilateral contractual negotiations, but not in the context of standard state-approved tariffs.

D. OTHER SOURCES OF SOLUTION

Except for the specific cases in which statutes (either the European Directives or the laws of the Member States) specifically prohibit the enforcement of particular contractual provisions, the assessment of the enforceability of contractual provisions overriding copyright policies (by limiting or excluding the privileges of users granted by exceptions to copyright law) is to be made by considering the purpose of each of the specific exceptions and limits to copyright law which are endangered in the case at issue.\textsuperscript{622} It has thus been suggested that the potential

\textsuperscript{616} Id. at 145.
\textsuperscript{617} BGE 127 III at 28.
\textsuperscript{618} Id. at 29.
\textsuperscript{619} Or, more precisely, semi-public legislation, as these tariffs are first negotiated between collecting societies and associations of users, before being approved by the Federal Arbitration Board for the Exploitation of Authors' Rights and Neighboring Rights whose members are appointed by an official body (the Swiss Federal Council), see supra note 612.
\textsuperscript{620} On the concept of “private legislation” resulting from the broad adoption of standard contracts under U.S. law, see supra text accompanying notes 176-180.
\textsuperscript{621} Such as the exceptions for purposes of quotation (art. 25 of the Swiss Copyright Act) or for purposes of reporting on current events (art. 28 of the Swiss Copyright Act).
\textsuperscript{622} Guibault, supra note 533, at 226; Vinje, supra note 5, at 228, reasoning:

As in reviewing the extent to which copyright limits and exceptions should be retained, eliminated, modified or added in the digital age, perhaps the solution to the dilemma posed by mass-market electronic contracting is again to differentiate. Perhaps it would be too blunt simply
mandatory character of the various exceptions adopted in the copyright law of the Member States should be assessed on the basis of the importance of the public interest justifying each of these exceptions. This method should in particular take into account the purposes and the social value underlying these exceptions as well as define whether these exceptions have a valuable "social function" or "reflect unequivocal public policies." On this basis, the more the exception at issue reflects a public policy, the more likely such an exception should be considered mandatory.

Due to the large variety of specific exceptions existing in each of the national copyright statutes in Europe, a detailed presentation of each of these exceptions in order to assess whether they might be overridden by contract would be too long and cumbersome. Rather, it has been suggested that these exceptions should be grouped and systematized on the basis of their justifications. The resulting classification of the different sources of the exceptions and limitations to copyright will therefore be used as a guide for this analysis. Two categories of limiting principles have been identified, according to whether these limits have been implemented inside or outside copyright law. While the intrinsic limits of copyright protection result from the specific exceptions to copyright protection adopted in the copyright statutes, extrinsic limits result from legal sources outside the field of copyright law (constitutional law, consumer law and competition law). In this respect, it can be noted that this dualistic approach adopted for the analysis under European law is similar to the one used for the analysis of U.S. law, for which both copyright specific (such as the copyright misuse doctrine) and more general legal concepts (public policy and unconscionability) have been identified as potential sources of limitation on the principle of freedom of contract in the context of copyright licensing transactions. The following analysis will distinguish between limits found inside copyright law and those found outside of it.

1. Limits Found Inside Copyright Law

The intrinsic limitations on the scope of copyright protection have been...
classified into three categories, depending on the source of these limitations. These categories are: (a) limitations based on the defense of fundamental rights, (b) limitations based on public interest considerations and (c) limitations based on market failure considerations. In spite of this classification, it should be borne in mind that the various exceptions and limitations to copyright can fit in more than one category. For instance, the exception for private use is justified both by practical reasons (inability to control and monitor the uses made by consumers), and by a more fundamental reason (the protection of the users' privacy).

a. Limitations Based on the Defense of Fundamental Rights

Two fundamental rights have been identified as being reflected in some of the exceptions and limitations granted under copyright law: freedom of expression and the right to privacy. From a European perspective, freedom of expression is guaranteed by several international instruments, most importantly art. 10(1) of the European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR). Article 10(1) provides that "[e]veryone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers."

In addition to the basic acknowledgement of the principle of freedom of expression, several international instruments have specifically recognized the right of the public to "freely participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits," while also admitting

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633. See id., at 307 (distinguishing between the exceptions that serve "overriding public interests (such as constitutionally protected interests)"); the exceptions "serving less crucial public interests" and the exceptions "that respond to situations of perceived market failure"; see Guibault, supra note 533, at 228 (formally distinguishing four categories, while admitting that categories 2 ("limitations based on the promotion of education and culture") and 3 ("limitations based on other public interest considerations") are quite similar).

634. Guibault, supra note 533, at 228; Spoor, supra note 553, at 33.

635. Spoor, supra note 553, at 33.


638. ECHR, supra note 637, art. 10(1).

639. Universal Declaration of Human Rights, supra note 636, art. 27 (1); see also art. 15 (1) of the
the need to protect intellectual property rights for the benefits of creators and inventors. 640

Several exceptions adopted in the different national copyright statutes can be viewed as embodying the protection of freedom of expression. 641 For instance, the exception to copyright protection in order to allow for the creation of parodies, 642 or to quote works for purposes of comment and criticism 643 are justified by the constitutional freedom of expression. In this respect, the exceptions to copyright adopted for the benefit of media institutions (such as the freedom to quote a work for purposes of news reporting), which can invoke the freedom of the press, can also be seen as indirectly reflecting the freedom of expression, due to the obvious connection existing between the freedom of the press and the freedom of expression.

Due to the fundamental importance of freedom of expression in democratic societies, commentators have supported the view that contractual provisions restricting the freedom of expression, by preventing uses of the work that would otherwise be covered by statutory exceptions (like a contractual prohibition to make a parody of the work), should be unenforceable. 644 This user-protective approach might not, however, be as strong with respect to the freedom of use for the purpose of news reporting. 645 Indeed, it appears that the freedom of media institutions to use protected works (written or audiovisual documents) for purposes of news reporting can be limited by contract, as is specifically provided for in the Copyright in the Information Society Directive, 646 as well as in the Berne


640. Art. 27 (2) of the Universal Declaration of Human Rights, supra note 636, provides that “everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author”; see also art. 15 (1)(c) of the International Covenant on Economic, Social and Cultural Rights, supra note 639, which provides the right of everyone “to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.”

641. For a list of these exceptions, see Guibault, supra note 24, at 131; Guibault, supra note 533, at 231.

642. As explicitly protected in several European national copyright statutes.

643. For two recent examples, see a decision of the German Bundesverfassungsgericht (June 29, 2000), GERWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT 149 (2001) and a decision of the Tribunal de Grande Instance (TGI) of Paris (Feb. 23, 1999), 184 RIDA 374 (2000); these cases are discussed infra, see text accompanying notes 687-692.

644. Guibault, supra note 24, 155; see, by analogy, Hugenholtz, supra note 40, at 82 (noting that provisions in licensing agreements which would prohibit “critical review might be considered null and void”).

645. But see Guibault, supra note 533, at 257.

646. Art. 5(3)(c) DCIS, supra note 548, provides that Member States can provide for exceptions and limitations in the case of reproduction by the press, communication to the public or making available of published articles on current economic, political or religious topics or of broadcasts works or other subject-matter of the same character, in cases where such use is not expressly reserved, and so long as the
The right to privacy, which is anchored in art. 8 ECHR and in art. 17 of the Covenant on Civil and Political Rights, has also been considered a fundamental right justifying the exception for private use (in particular private copying) adopted in several European copyright statutes. It has been argued that copyright owners should not be able to control the uses of the works that are made by individual users in their private sphere, because this would amount to a violation of their privacy.

The conflicting interaction between copyright law and the right to privacy has become even more acute in the digital context, even if the issue of privacy in the internet age goes beyond the field of copyright law. From a copyright law perspective, the need for a protection of privacy has been specifically invoked with respect to the adoption of electronic rights management information, as these systems might "process personal data about the consumption patterns of protected subject-matter by individuals and allow for tracing of on-line behavior." As a result, these electronic rights management information systems are required to incorporate privacy safeguards, as defined in the Directive on the protection of individuals with regard to the processing of personal data and the free movement of such data.

source, including the author's name, is indicated... (emphasis added). This wording confirms that the copyright owners can specifically exclude by contract the reproduction in these circumstances described.

647. Article 10bis of the Berne Convention provides that:

(1) It shall be a matter for legislation in the countries of the Union to permit the reproduction by the press, the broadcasting or the communication to the public by wire, of articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved.

(2) See supra note 637.

648. Article 8 ECHR, supra note 637, entitled “Right to respect for private and family life” provides that:

1. Everyone has the right to respect for his private and family life, his home and his correspondence.

2. There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

649. See supra note 637.

650. For an enumeration of these statutory provisions, see Guibault, supra note 533, at 232.

651. Guibault, supra note 24, at 131-132.


Although it has been pointed out that users will benefit from the implementation of advanced electronic management and delivery systems that will offer them customized solutions by allowing them to pay only for the specific uses made of the works (pay per use), it has been argued that the protection of the right to privacy of consumers should be considered as a reason justifying the mandatory character of the exception for private use (private copying), on the ground that copyright owners should not be able to prevent users from using the works in their private sphere of activity. As a result, this exception should not be overridable by contract.

This user-protective approach is not, however, unanimously shared. Some commentators have pointed out that contractual provisions prohibiting private copying (by analogy to technological anti-copy measures) do not threaten the right to privacy of the users. Users indeed remain free to use the works at their discretion in spite of such a prohibition (like playing a copy-protected DVD on their DVD reading device or using a copy-protected computer program whenever they wish), without any risks of violation of their privacy. With respect to on-line transactions, it should however be emphasized that the privacy concern results from the ability to monitor the on-line behavior of consumers, rather than from the ability to prohibit private copying of the transmitted content. For each access gained to on-line content, there will indeed be an invasion (though accepted) into the privacy of the users. The issue of the protection of privacy does not really relate to the prohibition of private copying/private use and cannot therefore justify the mandatory character of the private use of the content by the users.

In addition, one should also be aware that new technologies are constantly developed in order to offer more sophisticated and individualized on-line delivery solutions that might potentially better meet the customer’s needs and expectations by offering them limited access and use of the works for a cheaper price (or for free) so that users can, for instance, try the software product before acquiring it. Some of these uses might consequently be incompatible with the exception for private use to the extent that they would prevent the copying of the digital content made temporarily available to the users. On this basis, one can wonder whether


656. See Guibault, supra note 24, at 142 and at 155-156; Hugenholtz, supra note 40, at 82.


658. This is already the case with certain computer software programs, which are available on the internet for free for a certain period of time, so that users can try them before deciding to buy them or not. Allowing users to make private copy of these programs (and preventing them from implementing copy-protection measures) might be detrimental to the users’ own interests, to the extent that computer software maker might be motivated to refrain from this type of distribution method in the future.

659. See, for instance, the “Copy Switch” function discussed in RealNetworks, Inc. v. Streambox, Inc., No. C99-2070P, 2000 U.S. Dist. LEXIS 1889 at *6-7 (W.D. Wash. Jan. 18, 2000), which lets the
users have an interest in acknowledging the mandatory nature of the exception for private use. The future of the exception for private use appears quite uncertain in the digital context,\textsuperscript{661} so its mandatory character looks even more dubious.\textsuperscript{662}

It should finally be noted that the exception for private use is not imposed to the Member States by the Copyright in the Information Society Directive.\textsuperscript{663} Rather, this Directive states that the optional exception for private copying “should not inhibit the use of technological measures or their enforcement against circumvention.”\textsuperscript{664} This confirms that the exception for private copying cannot be considered mandatory to the extent that copies can be prevented by technological protection measures. In this context, it should also be remembered that the need to prohibit the making of copies was already explicitly recognized in the Computer Software Directive of 1991. This Directive specifically prohibits the making of copies of computer programs, with the limited exception of back-up copies.\textsuperscript{665} This solution raised no privacy concerns at the time of adoption of the Computer Software Directive.

In any case, the fundamental issue of privacy on the internet will need to be addressed beyond the limited field of the use of copyright protected works.\textsuperscript{666} For the purpose of this Article, it seems clear that a contractual prohibition of private copying does not appear to threaten the right to privacy of on-line users to the extent that such a provision should be held unenforceable.

\textbf{b. Limitations Based on Other Public Interests Considerations}

In addition to the exceptions founded on the defense of fundamental rights and freedoms, some exceptions to copyright law have been implemented for other less

\begin{footnotesize}
\textsuperscript{661} See Ginsburg, \textit{supra} note 656, at 57 (presenting a scenario for the potential future of the private use exception).

\textsuperscript{662} But cf. Guibault, \textit{supra} note 24, at 155-6 (stating that “as long as the [private] use is strictly limited to a single copy made for the personal use of a private individual, it should not be possible to set the exemption aside by contract”).

\textsuperscript{663} Art. 5 (2)(b) DCIS, \textit{supra} note 548, provides for the optional exception for private copying by stating that “[M]ember states may provide for exceptions or limitations to the reproduction right . . . in respect of reproductions on any medium made by a natural person for private use and for ends that are neither directly nor indirectly commercial, on condition that the rightholders receive fair compensation which takes account of the application or non-application of technological measures referred to in Article 6 to the work or subject-matter concerned.”

\textsuperscript{664} Recital 39 DCIS, \textit{supra} note 548.

\textsuperscript{665} On this exception, see \textit{supra} Part III.C.1.

\textsuperscript{666} Technological tools are precisely being developed in order to protect the privacy of on-line consumers in the digital environment (which might also be used in the context of copyright licensing transactions). One way to do it would be to suggest/impose the use of “anonymizers” to consumers (technical tools hiding the real identity of on-line consumer). See LESSIG, \textit{supra} note 15, at 140 (calling for the creation of an architecture which would protect the anonymity of users by using pseudonyms). See for instance, the solution offered by http://www.anonymizer.com/.
\end{footnotesize}
fundamental public interest purposes, such as the promotion of education and culture, which serve specific categories of users (handicapped persons, public libraries and hospitals and prisons) or certain public interest purposes (public security, performance and reporting of administrative, parliamentary or judicial proceedings, as well as religious and official celebrations). On this basis, statutory exceptions have been adopted in several European national copyright statutes for the purpose of promoting access to and use of protected works by different categories of educational and cultural institutions. For instance, schools, museums and archives have been allowed to make specific and limited uses of the works with or without payment levied for the uses made.

In view of the less fundamental character of these exceptions, which do not reflect fundamental rights, and due to the inherent difficulty to define a "global public interest" as public interests not only vary from one State to the other, but are also implemented in different ways in each State—this category of public interest exceptions is considered to be overridable by contract.

c. Limitations Based on Market Failure Considerations

Market failure occurs when market conditions make bargaining between individual copyright owners and potential users of copyrighted material impossible or prohibitively costly, or where copyright owners are unable in practice to enforce their rights effectively against unauthorized users. The most blatant example of market failure in copyright law is the exception for private use. Indeed, it would have been completely unrealistic and impractical to submit each of these private uses to the authorization of the copyright owners. In the past, market failure has

667. For a description of these cases, see Guibault, supra note 533, at 237-238.
668. See art. 5 (3)(b) DCIS, supra note 548, referring to "uses, for the benefit of people with a disability, which are directly related to the disability and of a non-commercial nature, to the extent required by the specific disability."
669. See id., art. 5 (2)(c), referring to an exception to the reproduction right "in respect of specific acts of reproduction made by publicly accessible libraries, educational establishments or museums, or by archives, which are not for direct or indirect economic or commercial advantage."
670. See id., art. 5 (2)(e), referring to an exception to the reproduction right "in respect of reproductions of broadcasts made by social institutions pursuing non-commercial purposes, such as hospitals or prisons, on condition that the rightholders receive fair compensation."
671. See id., art. 5 (3)(e), to "use for the purposes of public security or to ensure the proper performance or reporting of administrative, parliamentary or judicial proceedings."
672. See id., art. 5 (3)(g), referring to "use during religious celebrations or official celebrations organized by a public authority."
673. Guibault, supra note 533, at 235.
674. See the various statutory provisions quoted by Guibault, id. at 235 n.45.
675. Id. at 256.
676. Id. at 257-258.
677. Id. at 258 (stating that this category of exceptions "do[es] not pursue objectives so fundamental to the defense of individual freedoms and the free flow of information that [it] should be considered imperative rules from which parties may not deviate by contract, under any circumstances").
been partially corrected, to the advantage of copyright owners, by implementing home-taping levies on blank cassettes and recording equipment for sound and audiovisual works.\textsuperscript{680}

As the new technologies facilitate direct agreements between copyright owners and end-users over the network, thus significantly reducing the transactions costs, market failure situations are predicted to be reduced or even disappear completely in the digital context.\textsuperscript{681} As a result, copyright exceptions that were essentially justified by a market failure may need to be reassessed or even eliminated in the digital environment, such as the exception on private use. As noted above,\textsuperscript{682} the uncertainty surrounding the future of the exception on private use in the digital context makes it quite doubtful that this exception can be considered a mandatory rule of copyright law that could not be overridden by contract.

2. Limits Found Outside Copyright Law

Besides the specific exceptions adopted in the copyright statutes, more general legal concepts, derived from legal sources external to copyright law, can limit the protection of copyright owners in some cases.\textsuperscript{683} Four sources have been generally identified: (a) constitutional law; (b) civil law; (c) consumer protection law and (d) competition law.\textsuperscript{684}

\textit{a. Constitutional Law}

First of all, it is interesting to note that at the same time when the constitutionality of copyright law is being challenged in the United States,\textsuperscript{685} a similar tendency can be observed in Europe.\textsuperscript{686} This trend is evidenced by several court decisions that have applied constitutional freedoms (in particular the basic freedom of expression) to limit the scope of protection of copyright law.\textsuperscript{687} For instance, in a recent case decided by the Federal Constitutional Court of Germany, the statutory exception for purposes of quotation (provided for by the German Copyright Act) has been given a new (broader) interpretation in the context of the artistic use of an extract of a play. The Court found that artistic freedom\textsuperscript{688} justified this extensive interpretation of the exception for purposes of quotation by noting the need to take into account the interest of the new artist to be able to use—

\begin{itemize}
  \item \textsuperscript{680} Id.
  \item \textsuperscript{682} See supra text accompanying notes 651-652.
  \item \textsuperscript{683} Dreier, \textit{supra} note 69, at 309-312; Guibault, \textit{supra} note 533, at 249.
  \item \textsuperscript{684} Guibault, \textit{supra} note 533, at 249-253; for another categorization, see Sirinelli, \textit{supra} note 544, at 36-37.
  \item \textsuperscript{685} See supra text accompanying notes 9-18.
  \item \textsuperscript{686} Guibault, \textit{supra} note 533, at 251.
  \item \textsuperscript{687} See the cases discussed by Guibault, \textit{supra} note 533, at 250-251.
  \item \textsuperscript{688} The freedom of art is a constitutional right specifically granted by the German Federal Constitution, GG art. 5-(3), which is close to the freedom of expression.
\end{itemize}
artistically—the preexisting artistic work in his own work (the new play incorporated excerpts from the preexisting play).\footnote{689} In the same way, a French court recently decided, also in connection with the application of the exception for purposes of quotation of an artistic work, that the principle of freedom of expression and the right of the public to information (both anchored in art. 10 ECHR)\footnote{690} should prevail over the exclusive right of the copyright owner, in spite of the fact that the use of the works at issue would not fit in the narrow exception for quotations provided for by the French copyright statute.\footnote{691}

These two examples illustrate the fundamental importance of the freedom of expression in European legal thinking. This freedom has been applied to limit the scope of protection of copyright law, by extending the traditionally limited scope of some of the statutory copyright exceptions in the public interest.\footnote{692}

As a result, fundamental rights are a potential source of limitations that might diminish the power of copyright owners to impose restrictive terms on users, when such restrictions would excessively reduce the exercise of these rights. For instance, a contractual provision prohibiting users from criticizing the licensed work might be held unenforceable because it would violate the freedom of expression.\footnote{693} From this perspective, it is worth noting that such a prohibition is independent from copyright law to the extent that the user will not only be prohibited from quoting the work for purposes of criticism, but generally prohibited from criticizing the work, independent of any use of it.\footnote{694}

\textit{b. Civil Law}

Civil law may also provide some means to limit the scope of copyright protection in certain circumstances. From this perspective, the general civil law doctrine of abuse-of-right has been mentioned as a potential limit to the power of copyright owners.\footnote{695} In brief, this doctrine prevents the harmful misuse of an otherwise valid right in certain circumstances.\footnote{696} The abuse-of-right doctrine could

\begin{footnotesize}
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  \item \footnote{689} Decision of the Bundesverfassungsgericht (June 29, 2000), GRUR 149 (2001).
  \item \footnote{690} See supra note 637.
  \item \footnote{691} Decision of the Tribunal de Grande Instance (TGI) of Paris (Feb. 23, 1999), 184 RIDA 374 (2000).
  \item \footnote{692} On this issue, see P. B. Hugenholtz, \textit{Copyright and Freedom of Expression in Europe, in Expanding the Boundaries of Intellectual Property, Innovation Policy for the Knowledge Society} 343 (Rochelle C. Dreyfuss et al. eds., 2001).
  \item \footnote{693} Hugenholtz, supra note 40, at 81.
  \item \footnote{694} This example emphasizes the need to develop a system which is not limited to copyright law; on this issue, see infra Part IV.A.3.
  \item \footnote{695} Guibault, supra note 533, at 251.
  \item \footnote{696} One definition of the abuse-of-rights doctrine is:
  
  the principle that a person may be liable for harm caused by doing something the person has a right to do, if the right (1) is exercised for the purpose or primary motive of causing harm, (2) is exercised without a serious and legitimate interest that is deserving of judicial protection, (3) is exercised against moral rules, good faith, or elementary fairness, or (4) is exercised for a purpose other than the one it was granted for.

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therefore potentially prevent the misuse of a copyright.\footnote{Guibault, supra note 533, at 251.} This doctrine is generally applied on a case-by-case basis in extreme situations where no other legal means are available. By exception, the French Code of Intellectual Property Law,\footnote{French Code of Intellectual Property Law of July 1, 1992.} regulates one specific application of the abuse-of-right doctrine by providing that a court may order any appropriate measures (i.e., ordering the publication of a work) in the case of a patent and manifest abuse in the use or absence of use of the exclusive rights by the heirs of a deceased author.\footnote{Id., art. 122-9.}

In spite of the importance of the rationale underlying the abuse-of-right doctrine (preventing any misuse of a right), this doctrine does not offer any clear guidance in the specific context of copyright licensing transactions, precisely because it is conceived (and applied) as an \textit{ultima ratio} (final argument) to be used in the most desperate situations, when equity is required to correct a legally valid but shocking result. More generally, it is worth noting that the abuse-of-right doctrine is generally not invoked in order to correct the alleged unfairness of \textit{contractual} agreements, as is the case in this context. Rather, this doctrine focuses on the abusive exercise of a property right. From this perspective, it should be noted that, in spite of a terminology that sounds quite similar to the U.S. legal concept of copyright misuse,\footnote{See supra Part II.C.2.} the continental European theory of abuse-of-right should not be confused with the U.S. copyright misuse doctrine. First, the abuse-of-right doctrine is not limited to the field of copyright law. It is a general doctrine of civil law that can be applied in a variety of situations. Second, the abuse-of-right doctrine does not generally apply to cases involving contractual relationships, whereas the copyright misuse doctrine applies precisely to such circumstances.\footnote{See supra text accompanying notes 248-249.} Third, the goal of the abuse-of-right doctrine is not promoting competition, while the copyright misuse doctrine is strongly related to antitrust thinking.\footnote{See supra text accompanying notes 250-260.}

c. \textit{Consumer Protection Law}

European consumer protection regulations may potentially provide other limitations on the principle of freedom of contract in the context of copyright licensing transactions.\footnote{Guibault, supra note 533, at 252.} In this respect, two European Directives should be considered.\footnote{Several European countries had already adopted consumer protection statutes prior to the adoption of the European Directives (that they had to implement once adopted), such as the German Standard Contract Terms Act of 1976 (Gesetz zur Regelung des Rechts der Allgemeinen Geschäftsbedingungen of Dec. 9, 1976, BGBl. I S. 3317) and the UK Unfair Contract Terms Act of 1977; for an analysis of these acts in the perspective of copyright licensing transactions, see Elkin-Koren, supra note 28, at 205.} The first is the Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (hereinafter “Unfair Consumer Contracts
Pursuant to art. 3(1) of the Unfair Consumer Contracts Directive, "[a] contractual term which has not been individually negotiated shall be regarded as unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the parties’ rights and obligations arising under the contract, to the detriment of the consumer." It should be pointed out that this Directive only protects consumers, who are defined as “any natural person who, in contracts covered by this Directive, is acting for purposes which are outside his trade, business or profession.” Other categories of users are excluded. As a result, this limitation on the protection of private users has been criticized because, in the context of information-related transactions, corporate users and other legal entities might also need protection against restrictive contractual provisions.

On the basis of the definition of unfairness provided for by art. 3(1) of the Unfair Consumer Contracts Directive, the question arises whether a contract preventing a user from taking advantage of a copyright exception causes “a significant imbalance” in the parties’ rights and obligations to the detriment of the user. In this respect, it is unclear whether a contractual provision preventing the consumer from copying the work or from quoting it would be considered to cause a “significant imbalance” between the contracting parties within the meaning of this provision, so that such a provision should be unenforceable. In addition, it is quite possible that such a provision might not be considered “unfair” within the definition of the Directive because “[a]ssessment of the unfair nature of the terms shall relate neither to the definition of the main subject matter of the contract nor to the adequacy of the price and remuneration, on the one hand, as against the services or goods supplies [sic] in exchange, on the other, in so far as these terms are in plain intelligible language.”

As a result, it has been argued that the definition of the scope of the license to use the work granted to the consumer under the agreement is “the main subject matter of the contract” within the meaning of art. 4(2) of the Unfair Consumer Contracts Directive, so that any restrictive terms relating to this issue would not be protected by the Directive. It follows that this Directive does not offer an efficient protection against contractual terms extending the scope of copyright protection.

705. 1993 O.J. (L 95) 29.
706. Unfair Consumer Contracts Directive, supra note 705, art. 3(1).
707. Id., art. 2 (b).
708. Elkin-Koren, supra note 28, at 204.
709. In this respect, it can be referred to the long list of unfair terms provided in the annex to the Unfair Consumer Contracts Directive, supra note 705. Without presenting this list in detail, it appears that these unfair terms are standard contractual terms which limit or eliminate consumers’ prerogatives to the advantage of the seller or supplier of the product or service in the context of standard contractual transactions, such as exclusions of liability, exclusions of contractual remedies available to the consumers, grants of an unilateral right to terminate the contract to the seller (to the exclusion of the consumers), etc.
710. Unfair Consumer Contracts Directive, supra note 705, art. 4(2)
711. Elkin-Koren, supra note 28, at 204 ("Because the permissions and restrictions actually define the nature of what will be delivered in information transactions, restrictive terms may be exempt from the Directive on the ground that they ‘define the product.’").
The other Directive is the Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts (hereinafter: “Distance Contracts Directive”). This Directive, which is generally considered to be applicable to on-line licensing transactions, offers several protective safeguards in the context of distance contracts, such as the obligation to provide consumers with a detailed written confirmation of information (art. 5) as well as with a right of withdrawal (art. 6). Independent from the doubts which have been raised as to the efficiency of the protection offered to consumers by this Directive with respect to on-line computer licensing transactions, it appears that the various formal protective measures provided by this Directive (i.e., right of information and right of withdrawal) do not offer any specific means of protection to consumers against substantively restrictive terms contained in copyright licensing transactions.

In spite of these shortcomings, consumer protection regulations can still be helpful to the extent that they offer original solutions to specific issues, such as the unenforceability of unfair choice of law provisions or the implementation of effective means to prevent companies from continuing to use unfair terms, such as by empowering consumer protection institutions to take legal action for that purpose. Indeed, these solutions might be used in the definition of rules for a global information licensing policy.

d. Competition Law

Competition law has also been identified as a potential source of limitations on the excessive extension of the power of copyright owners resulting from abusive

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712. 1997 O.J. (L 144) 19; see Guibault, supra note 533, at 252.
713. Dessemontet, supra note 561, at 67.
714. Id. at 67-68.
715. Art. 6 (2) of the Unfair Consumer Contracts Directive, supra note 705, provides that:

[M]ember States shall take the necessary measures to ensure that the consumer does not lose the protection granted by this Directive by virtue of the choice of the law of a non-Member country as the law applicable to the contract if the latter has a close connection with the territory of the Member States.

See also the similar protection provided for by art. 12 (2) of the Distance Contracts Directive, supra note 712.
716. Article 7 of the Unfair Consumer Contracts Directive, supra note 705, provides that:

1. Member States shall ensure that, in the interests of consumers and of competitors, adequate and effective means exist to prevent the continued use of unfair terms in contracts concluded with consumers by sellers or suppliers.
2. The means referred to in paragraph 1 shall include 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.

See also the similar protection provided for by art. 11 of the Distance Contracts Directive, supra note 712.
717. See infra Part IV.C.5.b.1.
licensing practices. In this context, it is important to note that the European legislature identified quite early the impact of the definition of the scope of copyright protection on competition. The most significant example of this awareness is probably the mandatory exception for the decompilation of computer software in the Computer Software Directive of 1991 that was adopted in order to foster the creation of compatible software products (thus promoting a competitive market).

Competition law is perhaps one of the most dynamic and most complex fields of EC law. It is quite highly developed in the area of intellectual property. As a consequence, a general presentation of the interaction between EC competition law and intellectual property law or copyright law would go beyond the scope of this Article. Therefore, this presentation will focus on the landmark Magill cases. This is the only case decided by the European Court of Justice (ECJ) as of today in which the ECJ, faced with the issue of a refusal to license an intellectual property right, imposed a duty to license the copyright as a remedy for a violation of EC competition law. As noted above with respect to U.S. antitrust law, the problem of a refusal to license is closely connected to the topic of this Article, as the issue at stake is defining in what circumstances the basic principle of freedom of contract can be limited by antitrust law in the context of copyright law.

In Magill, three television stations (RTE, ITV and BBC) broadcasting in Ireland and Northern Ireland ("the broadcasters") did not authorize the Irish publisher Magill TV Guide Ltd. ("Magill") to reproduce their listings of TV programs. Magill was trying to publish a comprehensive weekly television guide that would compete with the guides of the broadcasters. The broadcasters obtained an injunction in the Irish courts prohibiting Magill from publishing its television guide on the basis of a copyright infringement of the broadcasters' TV programs. Magill filed a complaint with the European Commission alleging a violation of EC competition law because the broadcasters unjustifiably refused to license the copyrights on their listings of TV programs. The Commission found that the broadcasters had abused their dominant position by refusing to grant a license to Magill, and ordered them to grant a license. The decision of the Commission was appealed by the broadcasters, first to the Court of First Instance (CFI), then to
the ECJ. Both courts found for Magill, albeit on different grounds. The CFI reached its decision by making a subtle distinction between the existence and the exercise of intellectual property rights. While the existence of an intellectual property right should be shielded from any competition law scrutiny, the exercise of an intellectual property right could lead to a violation of competition law in certain circumstances, such as when the right is exercised to pursue an aim which is “manifestly contrary to the objectives” of EC competition law, such as art. 86 of the EC Treaty (now art. 82). As the existence/exercise dichotomy was found impracticable and unpredictable by the ECJ, it refused to adopt it in its decision. The ECJ nevertheless found for Magill (and confirmed the decision of the CFI) by finding the presence of “exceptional circumstances” rendering the broadcasters’ refusal to supply the information a violation of article 86. The ECJ found three reasons for the existence of such exceptional circumstances. First, there was no actual or potential substitute for weekly television guides. By refusing to provide basic information about their TV programs, which was considered an “indispensable raw material,” the broadcasters prohibited any competition in the TV guide market that they controlled. Second, the broadcasters did not show any business justification for this refusal to deal. Third, the broadcasters created a monopoly in the secondary market of weekly TV guide. As a result, the ECJ ordered the broadcasters to license their copyright on their TV programs to Magill.

The Magill case has been widely commented on and criticized. Its potential impact on future case law dealing with refusal to license intellectual property rights has been disputed among commentators. The European authorities refused to apply the Magill doctrine in a subsequent case. It has been argued that “the ECJ’s holding in Magill is so constrained by the specific facts and exceptional

\[727. \text{See Opi, supra note 322, at 455 (referring to Korah, supra note 720, at 217-18) and stating:} \]
\[\text{In legal theory, it is impossible to draw the line between the existence and the exercise, except at the extremes. Analytically, the existence of a right consists of all the ways in which it may be exercised. In ruling that an important difference rests on a distinction which cannot be drawn by logical analysis, the Court [of First Instance] created a very flexible instrument for it to develop the law and reduce the value of intellectual property.} \]
\[\text{Id.} \]
\[728. \text{Vinje, supra note 722, at 297.} \]
\[729. \text{See Opi, supra note 322, at 457.} \]
\[730. \text{Id. (noting that this reference to raw material is evidence that the ECJ considered Magill more as a traditional case of access to material, than as a case of intellectual property licensing).} \]
\[731. \text{Rosa Greaves, Magill est arrivé... RTE and ITP v. Commission of the European Communities, 4 EUR. COMP. L. R. 244 (1995); H.H. Paul Lugard, ECJ Upholds Magill: It Sounds Nice in Theory, But How Does It Work in Practice?, 6 EUR. BUS. L. REV. 231 (1995); Marleen van Kerckhove, Magill: A Refusal to License or a Refusal to Supply, 416 PLI/Pat 997 (1995).} \]
\[732. \text{See conflicting opinions mentioned by Opi, supra note 322, at 459 n.378 (among others Vinje, supra note 722, at 302).} \]
\[733. \text{Case T-504/93, Tierce Ladbroke SA v. Commission, 1997 E.C.R. II-923; for a comment of this decision, see Daren Fitzgerald, Tierce Ladbroke AS v. The Commission, 20 EUR. INTELL. PROP. REV. 154 (1998); this case dealt about the refusal to license the broadcasting of sports events (horse races); but see present proceedings against IMS discussed immediately infra.} \]
circumstances of the case, that the judgment is unlikely to be successfully transposed to other situations."\textsuperscript{734} The very fact-specific approach adopted by the ECJ in \textit{Magill} appears logical in the structural framework of the European Union. By creating what was in fact a new compulsory license in copyright law,\textsuperscript{735} the ECJ somehow stretched the power of EC authorities and interfered with the field of competence of Member states, which have the general power to regulate copyright law outside the limited scope of the European Directives.\textsuperscript{736}

Quite recently, the Commission has initiated another case of a supposedly abusive refusal to license copyrighted works. This case involves the activities of the German subsidiary of Intercontinental Marketing Services Health Inc. (IMS), which is a U.S. company that provides a broad range of market research, marketing, and sales management services to the pharmaceutical industry. IMS refused to license its copyrighted information services (regional data services) based on a geographic "brick structure"\textsuperscript{737} to its competitors in the German market (i.e., NDC Health Corp. and NDC Health GmbH & Co. KG). On July 3, 2001, the Commission imposed interim measures obliging IMS to license its brick structure system to its competitors based on a finding that IMS's refusal to license was an abuse of a dominant position, in violation of art. 82 of the EC Treaty.\textsuperscript{738} For this purpose, the Commission relied on \textit{Magill} in finding "exceptional circumstances" justifying the imposition of a duty to license on IMS. In \textit{IMS}, the Commission considered that, given the fact that the brick structure protected by copyright law had become "the de facto industry standard for the presentation of regional data services,"\textsuperscript{739} the refusal to license the brick structure to its competitors was "likely to eliminate all competition in the relevant market,"\textsuperscript{740} so that this refusal would amount to an illegal abuse of a dominant position, prohibited by art. 82 of the EC Treaty.

By order of October 26, 2001, the President of the Court of First Instance (CFI) suspended the operation of the Commission decision, so that IMS is not obliged to license its product to its competitors until a final decision is made (most probably

\textsuperscript{734} Opi, \textit{supra} note 322, at 462.

\textsuperscript{735} See Opi, \textit{supra} note 322, at 460 (noting that "the Magill holding is significant in that copyright compulsory licensing for television listings lack binding force in the individual member states" with reference to Joined Cases C-241 & C-242-91, RTE, ITP v. Commission, 1995 E.C.R. I-743, 748 (1995)).

\textsuperscript{736} See also Opi, \textit{supra} note 322, at 460 ("One may speculate that the ECJ opted not to express the true basis for its Magill decision out of concern that it would conflict with the national copyright laws of the different member states"); on the complexity of European copyright law, resulting from the double source of legislations, see \textit{supra} Part III.B.2.

\textsuperscript{737} Brick structures divide a country into artificially designated geographic areas or "bricks" that are used to report and measure sales of individual pharmaceutical products. As a result of this system, the German territory has been divided into 1860 bricks in a so-called "1860 brick structure."


\textsuperscript{739} Commission Decision, \textit{supra} note 738, Par. 180.

\textsuperscript{740} \textit{Id.} at Par. 181.
by the ECJ.\textsuperscript{741} The final outcome of this case, as well as the underlying issue of the potentially new definition of the duty to license an intellectual property right under European competition law, remains unclear.

In any case, beyond the specific "exceptional circumstances" in which a duty to license might be triggered under the Magill standard, EC competition law does not appear to offer any helpful guidance as to the limits of the validity of copyright licensing transactions.\textsuperscript{742}

\section*{E. Conclusions on European Law}

Except for the very specific solutions offered by the Computer Software and the Database Directives,\textsuperscript{743} no general answer to the issue of the validity of contractual provisions expanding the protection granted by copyright law has been adopted in any European legal instrument.\textsuperscript{744} The result of classifying the various exceptions to copyright into three categories is that contractual provisions that would excessively endanger a fundamental right or freedom (in particular the freedom of expression) are generally considered unenforceable.\textsuperscript{745} Other exceptions that are justified by other public interests or are merely reflecting a market failure situation, appear to be only default rules that can be varied by contract. Furthermore, none of the various legal doctrines discussed (constitutional law, civil law, consumer protection law or competition law) offers any clear guidance as to the limits of the principle of freedom of contract in the context of copyright or information licensing transactions.

As a result of this situation, some commentators have pleaded for a regulatory solution requiring (at least) that some copyright exceptions be declared mandatory,\textsuperscript{746} while others have argued that copyright owners should remain free to "organize their commercial activities as they see fit,"\textsuperscript{747} thus speaking for a widely unrestricted principle of freedom of contract.\textsuperscript{748}

Beyond these divergences, it is important to note that most of the views

\begin{itemize}
\item \textsuperscript{741} Order of the President of the Court of First Instance (Oct. 26, 2001), case T-184/01 R, IMS Health v. Comm'n, 2001 E.C.R. II-3193; this order was confirmed on appeal by the President of the ECJ in a order dated April 11, 2002, case C-481/01 P (R), 2002 E.C.R. I-3401.
\item \textsuperscript{742} The same conclusion was also reached under U.S. law, see supra Part II.C.5.c.
\item \textsuperscript{743} See supra Parts III.C.1 and III.C.2.
\item \textsuperscript{744} Guibault, supra note 533, at 259.
\item \textsuperscript{745} However, as noted supra text accompanying notes 648-666, the future evolution of the exception for private use in a digital networked environment remains unclear and this exception does not seem to be sufficiently closely protected by the right to privacy so that this exception could not be overridden by contract.
\item \textsuperscript{746} Dreier, supra note 69, 314 (noting that "the resolution could be to recognize user 'rights' through well-defined provisions that specifically limit the general freedom of contract"); Guibault, supra note 533, at 257-299.
\item \textsuperscript{747} Dessemontet, supra note 561, at 75.
\item \textsuperscript{748} Id. at 76 (mentioning that the only limits to the principle of freedom of contract should be the application of the patent misuse [thus omitting to mention the copyright misuse doctrine], fair use and antitrust law and noting that "most of the European laws' limitations of copyright are not mandatory . . . licensors and licensees can establish their own regulations for themselves, disregarding the limitation to the copyright that benefit all people not bound by contract").
\end{itemize}
expressed by European commentators749 have focused on the issue of the mandatory character of copyright exceptions as a potential source of solution.750 By doing so, these analyses have disregarded the fact that other limitations to copyright law (such as the duration of protection or the requirement of originality) are threatened in a world where contracts and technological protection measures might well replace copyright.751 As was properly identified under U.S. law,752 the issue is therefore to define not only to what extent contracts can extend the existing copyright protection beyond its statutory limits, but also to what extent contracts can create a quasi-copyright protection by protecting public domain information. This question is certainly not academic, as contracts and technological protection measures are used in the digital on-line environment independent from any consideration of whether or not the content is protected by copyright law.

III. THE DEFINITION OF GLOBAL INFORMATION LICENSING RULES FOR THE ELECTRONIC AGE

This comparative analysis of the conflicting relationship between freedom of contract and copyright policies in the U.S. and in Europe does not lead to clear conclusions. The reason for this lack of clarity lies primarily in the multiplicity and complexity of the legal sources analyzed. Regarding U.S. law, all the doctrines analyzed show a certain degree of complexity (most particularly the doctrine of preemption) and/or are too broad and far-reaching to offer any valuable guidance in the specific context of the issue at stake. The situation is comparable under European law where, except for the specific cases which have been regulated in the European Directives, the different doctrines mentioned do not provide any generally applicable criteria which would help define the validity of restrictive terms contained in copyright licensing transactions.

Another important element is that most of these doctrines are not “exportable” (and would consequently not be appropriately applicable in the context of international transactions)753 because they are too closely connected to the internal legal system from which they originate.754 For instance, the doctrine of preemption, a basic feature of U.S. federalism, does not appear to be the appropriate standard against which contract provisions should be gauged in

749. But see Hugenholtz, supra note 40, at 87 (noting that “even a copyright counterbalanced by mandatory limitations cannot offer a remedy against the ‘fencing in’ of the public domain”); see also Weber, supra note 5, at 181.
750. Dreier, supra note 69, at 314; Guibault, supra note 533, at 257.
751. On the interaction between contracts and technological protection measures in the digital world, see supra Part I.B.
752. This was precisely the issue in ProCD, see supra Part II.B.
753. Even though parties to an international licensing agreement remain free to choose the law applicable to the transaction, the invocation of certain non-universal principles, such as the U.S. copyright misuse doctrine, might prove problematic.
754. For example, it does not seem conceivable to “export” the U.S. copyright misuse doctrine. Conversely, the European doctrine of abuse-of-right seems too closely connected to the civil law tradition to be implemented in a common law system.
international transactions. As a result, it is essential to build up a system based on global factors and criteria that would consequently not rely on doctrines originating exclusively in either of the legal systems analyzed (U.S. or Europe).

In short, the consequence of this comparative analysis leads to a complicated patchwork-like structure providing specific solutions to specific types of restrictive terms. The resulting uncertainty is hardly compatible with the requirements of clarity, simplicity and predictability of the information economy. As emphasized by commentators, "[t]he global nature of the information economy needs a stable and widely accepted set of predictable, fair contract rules." As a consequence, the goal of this concluding chapter will be to combine and integrate the useful elements offered by the various doctrines and legal fields into a coherent system that could serve as a basis for defining a global information licensing policy. As already emphasized, it is therefore required to move beyond the discussion of the mandatory nature of copyright exceptions and, more generally, to go beyond copyright law in order to address the issue of restrictive contractual provisions affecting content not protected by copyright. What is needed is not a copyright policy, but an information policy (information being broadly defined as all digital content, whether or not protected by an exclusive right, such as copyright).

Before defining new rules, it seems necessary to understand the characteristics of and the potential consequences for copyright law in the new digital environment. For this purpose, this chapter will first address the issue of the future of copyright law in a digital networked environment, before turning to more general (and non-legal) observations about the information economy. On this basis, a proposal will be formulated.

A. THE FUTURE OF COPYRIGHT LAW IN A DIGITAL NETWORKED ENVIRONMENT

The development of the network economy has already had a profound impact on copyright law. Without trying to address all aspects of this complex issue, it might be useful to mention a few points that are of particular relevance in the context of this Article.

755. Even though preemption problems are quite typical in federalist systems, the U.S. federal preemption system appears (at least, as it has been implemented in § 301 of the Copyright Act) too complex and too peculiar to be exported as a global model for governing electronic commerce transactions worldwide.

756. Recital 60 of the European Directive on Electronic Commerce, supra note 290, provides that "in order to allow the unhampered development of electronic commerce, the legal framework must be clear and simple, predictable and consistent with the rules applicable at the international level so that it does not adversely affect the competitiveness of European industry or impede innovation in that sector."

757. Samuelson & Opsahl, supra note 58, at 393.

758. Such as antitrust law, consumer law and constitutional law.

1. From a Copyright to an Access Right

The critical importance of access in the thinking of copyright did not appear with the digital age. On the contrary, the balance between protection of content and access to it was essential in some of the most critical choices in copyright law, such as the definition of the exceptions to copyright protection. More recently, the issue of access has become of critical importance in the context of computer software. The advent of the network economy further emphasizes the importance of access in the system of copyright law. In a world where copyrighted works will be accessible on-line, access control may well become the most important issue for copyright owners, so that some have referred to a new access right.

This evolution could be viewed as a shift from copyright to access right. While control over the making and distribution of material copies of the works was critical in the past, the key question in the digital environment is the issue of access control.


761. Sony Computer Entm't, Inc. v. Connectix Corp., 203 F.3d 596 (9th Cir. 2000); Sega Enters. Ltd. v. Accolade, Inc., 977 F.2d 1510 (9th Cir. 1993) (reverse engineering considered fair use because the method used was the sole way to gain access to the ideas and functional elements embodied in the computer program).


763. See RAYMOND NIMMER, INFORMATION LAW § 4.17, 459-60 (2002), stating: Concepts about distributing a work in copies or transmitting a work as a primary exclusive right under copyright law reflect one view of marketing and distribution. That view suggests that the principal economic interests of a copyright owner focus on the multiple distributions. These characterize an environment that consists of distribution in tangible form, fixed to disks, pages, and the like. In cyberspace, that mass market will not necessarily be the norm. Instead, it may be much more important to be able to control and charge for access to copyrighted materials located on a network system.

Id.

764. Ginsburg, supra note 760, at 13 (noting that the access right "respond[s] to what is becoming the dominant way in which works are in fact exploited in the digital environment").

765. Id. at 3.
2. Fair Use and Fair Access

Recognizing a broad access right for the benefit of copyright owners is not without risk. If copyright owners are granted too extensive of a right, they might then control each and every use made of their works in a way that would extend the protection far beyond what is possible under the preexisting copyright regime. It has convincingly been argued that the new access right should also be submitted to the general limitations of copyright law, such as fair use. In this sense, one might consider that users should benefit from a "fair access" exception to copyright protection. The risk of overprotection resulting from too broad an access right was particularly felt in the context of the adoption of the legal protection against circumvention of technological protection measures both in the U.S. and in the European Union. Under the (complex) regime adopted in the DMCA, the circumvention of an access control technology in order to access to a protected work for certain fair use purposes will not be considered unlawful in specific circumstances.

From this perspective, as noted by the Librarian of Congress in the report published pursuant to the rulemaking procedure set forth by the DMCA:

If, for example, licensing practices with respect to particular classes of works make it prohibitively burdensome or expensive for users, such a libraries and educational institutions, to negotiate terms that will permit the noninfringing uses, and if the effect of such practices is to diminish unjustifiably access for lawful purposes... exemptions [to the prohibition of circumvention of technological protection measures] for such classes may be justified. If copyright owners flatly refuse to negotiate licensing terms that users need in order to engage in noninfringing uses, an exemption may be justified.

This means that "fair access" might be granted to would-be fair users of the works in certain exceptional circumstances, which emphasizes the close interconnection between fair access and fair use in the digital environment.

Beyond the legal regime of technological protection measures, there is some uncertainty about the way the balance between protection and access should be maintained. While some consider that fair use should essentially come into play when a legitimate user (i.e., a user who has lawful access to the work) wants to

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766. Id. at 25.
769. 17 U.S.C. § 1201 (a)(1)(B) and (C).
771. Or more precisely, the circumvention of an access control technological protection measure will not be considered unlawful if accomplished for a recognized fair use purpose.
reuse the work for noninfringing purposes (such as for research purposes), others believe that fair use should be more broadly interpreted, so that it would also embrace a fair initial access to the works in certain circumstances. As noted by one author:

If online dissemination is to replace current distribution channels such as books, television and radio, all information may become subject to license restrictions through contractual agreements. In that case intervention may be needed to secure access to information. . . . Copyright law of the twentieth century was designed to solve the problem of free-riding in a context in which no contracting was possible. On-line dissemination allows the replacement of copyright law by a contractual regime. Defining the boundaries of freedom to contract to safeguard access to information may become the primary goal of the copyright law of the 21st century.

Therefore, one could consider that, while fair use was the basic exception in the material world in which access could not be controlled, fair access might be the new basic exception in the digital world. Too broad a conception of fair access should, however, be viewed with utmost wariness. As seen above, content providers cannot be forced to enter into licensing agreements, outside of the narrow limits defined by antitrust and competition law. This rule should not be changed in the digital environment where freedom of contract remains the basic principle.

The creation of what would be in fact a new compulsory license would indeed not be compatible with the restrictive character of the exceptions and limitations to copyright defined by international instruments. Content providers should, however, be aware that dissatisfied users might try to invoke the notion of fair access in a much more convincing way in the digital environment, particularly when the content is not available from other sources. Even though content providers might not be legally obliged to license their content,

772. Ginsburg, supra note 760, at 21 (noting that "the real problems arise, not when a would-be non infringing user must pay for initial access, but primarily when she cannot obtain continued access on reasonable terms").
773. Elkin-Koren, supra note 28, at 221 ("the challenge for copyright policy in the new information economy is to secure reasonable access by the public"); Hugenholtz, supra note 40, at 90 (concluding his article by stating that "[i]n a worst case scenario, only a new body of public information law, that can secure a right of access to 'important' information will be able to safeguard the public domain"); on the issue of public access to the intellectual, cultural and social record, see National Research Council, supra note 759, at 96-122.
775. For U.S. antitrust law, see supra Part II.C.5.; for European competition law, see supra Part III.D.2.d.
776. Dessemonet, supra note 561, at 76.
777. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization [hereinafter WTO Agreement], Annex 1C, LEGAL INSTRUMENTS, RESULTS OF THE URUGUAY ROUND vol. 1, 33 I.L.M. 1125 (1994) [hereinafter TRIPS Agreement], art. 13 ("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.").
778. On this issue, see infra Part IV.C.3.a.
they should pay attention to the sensitive aspect of the issue and should be careful to solve it for their own benefit\textsuperscript{779}—for instance by setting up an infrastructure which would make sure that noninfringing users can access the content (potentially in a non-digital format)\textsuperscript{780} at a reasonable cost.

It has been suggested that the roots of fair access to protected content might be found in public broadcasting law,\textsuperscript{781} such as the European Convention on Transfrontier Television (adopted by the Council of Europe)\textsuperscript{782} and the European Television Directive.\textsuperscript{783} Both of these instruments provide for a right of public access to the broadcasting of certain important events (i.e., sports events).\textsuperscript{784} In such circumstances, these events must be publicly broadcasted (and not be exclusively broadcasted on private pay-TV channels). It has been proposed too that these regulations be adopted as models for other categories of valuable content, such as "scientific source material" and "works of art" to which access should be granted.\textsuperscript{785} In spite of its appeal, such a proposition might prove quite problematic to implement, at least in the cultural sector, as it will be difficult for a legislative or regulatory entity (which would be in charge of this) to define which works (or categories of works) should be considered sufficiently important as to justify the public's access to them. Such an undertaking would most likely be considered a demonstration of cultural dirigisme, not compatible with democratic thinking. Even by assuming that such a project might be conceivable at a national or regional level, its feasibility at the global level appears quite hypothetical. As a result, such a proposal does not appear to be the best way to solve the issue at stake.\textsuperscript{786}

Even though it is too early to predict how the issue of fair access will be addressed on the information highway, it is important to keep this issue in mind, as it will quite likely gain momentum along with the development of the information society.

\textsuperscript{779} On the absence of interests of content providers to impose too restrictive terms and conditions, see infra Part IV.B.3.

\textsuperscript{780} So that uncontrolled digital copying can be avoided; for other proposals, see infra Part IV.C.5.

\textsuperscript{781} Hugenholtz, supra note 40, at 88-89.

\textsuperscript{782} Art. 9 of the European Convention on Transfrontier Television, May 5, 1989, Europ. T.S. No. 132.


\textsuperscript{784} Hugenholtz, supra note 40, at 89.

\textsuperscript{785} Id., saying:

\textsuperscript{786} If legislatures were to contemplate legal measures to cure the negative effects of the wide-scale application of trusted systems, and to safeguard the public domain, comparable legislation outside the field of broadcasting law might be considered, for example, a right of access to (socially, culturally or economically) 'important' scientific source material, works of art, etc.
3. Moving Beyond Copyright Law: Securing Fair Access to Unprotected Content?

As noted above, trusted systems and contractual restrictions will certainly apply to all types of content in the digital environment, whether or not the content at issue is protected by copyright law. The issue of fair access equally arises for unprotected content. The claim of fair access by the general public might even appear stronger for public domain materials or for "thin copyright works," as the legitimacy of the position of the content provider appears weaker, given that it does not rely on any (or on a strong) intellectual property right. For instance, this issue of fair access might arise in the case of a database of old public domain photographs. Can the database producer impose any kind of technological and contractual access and use restrictions upon users? Before addressing this question, the point here is that the definition of global information licensing rules should not be limited to copyright licensing transactions. Considering the differences existing between the national levels of copyright protection around the world, the adoption of policies that are independent from copyright law appears even more justified.

This method seems consistent with the fact that some restrictive contractual provisions do not relate to copyright law at all (these provisions do not restrict an act that would otherwise be covered by an exception granted by copyright law). For instance, a contractual provision prohibiting criticism of the work that is the subject of the license is totally outside copyright law and would only potentially affect free speech. The same analysis could be made with respect to restrictive contractual provisions that excessively limit or completely prohibit the ability of the licensees to create a competitive product or service, thus preventing any...

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787. See discussion supra Parts II.D.3, III.E.
788. Dam, supra note 52, at 117.
789. In one important sense, an analysis of self-help issues as copyright issues present much too narrow a framework. Perhaps the academic writing revolves around copyright and fair use because copyright doctrine is widely taught and understood. But with self-help systems, content is going to be charged for whether or not the content provider has any intellectual property rights in the content.
790. See Ginsburg, supra note 760, at 19.
791. See infra Part IV.C. for a proposal.
792. See, e.g., Nat'l Car Rental Sys., Inc. v. Computer Associates Int'l., Inc., 991 F.2d 426 (8th Cir. 1993) (holding that contractual prohibition against using a software program to process data for third parties not preempted under U.S. Copyright Act, 17 U.S.C. § 301).
793. See supra note 58, at 392 (giving the example of Network Associates, an American developer of anti-virus utilities, which licenses its software on the condition that the "customer will not publish reviews of the product without prior consent"); see also James Gleick, Click OK to Agree, available at http://www.around.com/agree.html (referring to Microsoft Agent, software that lets people create cute interactive animated figures, but holds that they may not use the characters "to disparage Microsoft, its products or services").
794. See supra text accompanying notes 693-694.
FREEDOM OF CONTRACT AND COPYRIGHT POLICY

competition or innovation in the relevant market(s). Except for the case of the reproduction of a computer program for purposes of decompilation,\textsuperscript{795} most of these provisions would not fall within the scope of copyright law. As a result, solutions anchored in copyright law would not offer any guidance as to how the validity of all these different types of provisions should be evaluated.

Considered from a broader perspective, the issue of fair access to the content offered on the internet would be a logical consequence of the promotion of a broad public access to the network that has been one of the key principles of the political agenda for the regulation of the information society.\textsuperscript{796} In this context, it is quite obvious that obtaining a connection to the internet without being able to access some of its most valuable content (i.e., that protected by technological protection measures and contracts) would be quite useless. It is therefore only by granting fair access to valuable content that the digital divide between the “inforich” and the “infopoor” might be avoided.\textsuperscript{797} On the basis of these reflections, the broader issue faced here is how to regulate the trade-off between control of information and access to information in the information society.\textsuperscript{798}

B. SOME OBSERVATIONS ABOUT THE INFORMATION ECONOMY

Defining global information licensing policies requires a careful understanding of the digital environment to which these policies will be applied. It appears necessary to make some observations about a few aspects of the economic, legal and social characteristics of the information society that might have a significant impact on the definition of sensible information licensing policies.

1. Users Should Generally Benefit from the “Celestial Jukebox”

Many hopes have been expressed about the social benefits of the information

\textsuperscript{795} See the solution of the European Software Directive, supra Part III.C.1.

\textsuperscript{796} See Recital 2 of the Directive on Electronic Commerce, supra note 290, which provides that:

[T]he development of electronic commerce within the information society offers significant employment opportunities in the Community, particularly in small and medium-sized enterprises, and will stimulate economic growth and investment in innovation by European companies, and can also enhance the competitiveness of European industry, provided that everyone has access to the Internet.

(emphasis added).


\textsuperscript{798} On this global issue, it can be noted that the United Nations Educational, Scientific and Cultural Organization (UNESCO) is regularly organizing conferences on the ethical and social aspects of the information society, as evidenced by the theme of the UNESCO’s INFOethics 2000 Congress which was the “Right to Universal Access to Information in the 21st century,” see the website of the Congress at http://webworld.unesco.org/infoethics2000/index.html and the paper presented by Séverine Dusollier et al., Copyright and Access to Information in the Digital Environment, available at http://webworld.unesco.org/infoethics2000/documents/study_pouillet_en.rtf.
society. In the context of copyright law, the most remarkable benefit is the extremely wide accessibility of informational content made possible by the internet. No matter what the subject of interest is, users of the internet are able to locate and retrieve an extraordinary amount of information and documents on any imaginable scientific, social or cultural topic whatsoever by accessing the “celestial juke box”\(^7\) in a couple of mouse-clicks.\(^8\) In spite of the fact that some of the content might be “fenced in” (i.e., protected against unauthorized access by various means),\(^9\) the internet certainly creates new knowledge opportunities for users that did not exist before.\(^10\) Even if digital works might be protected only by technological protection measures and contractual restrictions, and consequently be accessible only after payment of a fee, many users might still prefer\(^11\) to get immediate access to them on-line under these restricted conditions, even though they might get access to the same content from other (less convenient) sources.\(^12\) In this context, it has been argued that technologies might help fair users, and not threaten them, by reducing the transaction costs and making more content available.\(^13\)

2. Use Restrictions Can Profit Users and the Public Interest

New on-line delivery technologies will offer customized ways to access content. By implementing tailored solutions designed to better meet the customers’ needs (paying to download one song instead of having to buy the whole album)\(^14\) and by

799. Thanks to powerful electronic search engines and freely accessible databases.

800. Paul Goldstein, Copyright’s Highway: The Law and Lore of Copyright from Gutenberg to the Celestial Jukebox (1994).

801. Jane C. Ginsburg, Copyright Use and Excuse on the Internet, 24 Colum.-Vla J.L. & Arts 1, 45 (2000) (“From the user perspective, digital media offer unparalleled opportunities to access and enjoy copyrighted works.”).

802. Which does not necessarily mean that the access is not free; for instance, a registration is required to access the NYTimes.com website, but there is no charge to access recent content. Users only have to pay if they want to retrieve a document from the archives of NYTimes.com.

803. Facilitating the efficient search of information on the internet creates new legal problems, such as the ones connected to search engines and data aggregators; on this issue, see eBay, Inc., v. Bidder’s Edge, Inc., 100 F. Supp. 2d 1058 (N.D. Cal. 2000) and Niva Elkin-Koren, supra note 3.

804. See discussion infra IV.C.a. on the critical consequence of the absence of choice.

805. Referring back to the example of the NYTimes.com, mentioned supra note 802, a user who would need to get access to an article published several months ago would probably have the choice to go to the local public library for this purpose, even though she might find it more convenient to pay a reasonable fee to get instant on-line access to it.

806. Dam, supra note 52, at 121.

Technology will in general put fair users ahead of where most of them were little more than a decade ago and in the typical case put them far ahead because of the greater volume of content available. The problem that self-help systems solve is to permit society to benefit from the lower transactions costs of online delivery and of the much lower search costs of putting information buyers and sellers together while at the same time lowering costs of misappropriation and free-riding on the creation and distribution of convenient information.

Id.

807. For other examples, see Ginsburg, supra note 760, at 10.
taking advantage of a more refined system of price discrimination, these technologies should benefit users. From this perspective, users may indeed have a strong interest in obtaining a limited access to and use of the works for a cheaper price (or for free) without being obliged to acquire and pay upfront for the full price and use of these works. As noted above, such flexible and tailored use restrictions make the strict exception for private use appear somehow outdated.

In addition to the benefits of these technologies, it should be borne in mind that some typical contractual use restrictions can turn out to be quite important and useful to the general public. Take, for instance, the case of a computer software company that submits a beta version of a new computer program to a selection of its key users. In the licensing agreement (potentially a standard contract), the computer software company (the licensor) has a legitimate interest in prohibiting the decompilation of the program by its licensees, or even prohibiting its licensees from criticizing the program publicly (even after the final version has been released to the public). Such a licensing agreement, even if it is a standard agreement, should be enforceable because the contractual prohibition against reverse engineering as well as the prohibition to criticize the product (limiting free speech) appear quite fair and reasonable in the circumstances described. The validity of such a contract is, however, quite doubtful in the present legal environment, at least in Europe. The European Computer Software Directive imposes an unwaivable right to reverse-engineer computer programs to the benefit of users (if some specific conditions are met). This shows that too rigid a system of protection might be detrimental to users (who were, paradoxically, intended to be protected by the rules) or, more generally to the public, which will potentially have to wait longer for a new software product to hit the market. This is because beta versions will not be licensed to selected clients (for testing purposes) out of fear that these clients might legally (because of the Computer Software Directive) reverse-engineer the software in order to create competitive products. A similar problem may arise in connection with the growing importance of on-line use of computer software by Application Service Providers (ASPs). This model of

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808. On the concept of price discrimination in copyright law, see infra note 883.

809. As noted above in the context of the exception on private copying, supra note 659, certain computer software programs are available for free for a certain period of time, so that users can try them before deciding to buy them. Allowing users to make private copies of these programs (and preventing the copyright owners from implementing copy-protection measures and from adopting restrictive licensing terms) might be detrimental to the users' own interests, to the extent that computer software makers might refrain from this type of distribution method in the future should they be prevented from adopting technological and contractual measures restricting unauthorized uses.

810. See supra text accompanying notes 659-662.

811. This is exactly what happened in Lasercomb America v. Reynolds, 911 F.2d 970 (4th Cir. 1990), discussed supra II.C.2; see also Dam, supra note 52, at 117 (noting the practice of Microsoft of making the source code of its software available to selected firms on the basis of beta test confidentiality agreements).

812. As in Lasercomb, 911 F.2d 970, see supra Part II.C.2.

813. Reichman & Franklin, supra note 100, at 942.

814. See supra Part III.C.1.

815. On this model of distribution, see the document authored by the Application Service Provider
distribution relies precisely on the outsourcing of computer capacities. This system might therefore conflict with the mandatory exception for back-up copy adopted in the European Computer Software Directive. As these examples demonstrate, statutes granting unwaivable users' rights may not be flexible enough to adapt to a changing technological environment and might consequently turn out to be detrimental to users. These examples show the need to adopt a flexible legal framework that can be adapted to different types of contractual situations.


Another important point to be made is that content providers may not have any interest in imposing unreasonably restrictive contractual provisions upon users. It should not be forgotten that, at the end of the day, their goal is to maximize the uses of the works, so that they can recoup the investments made in creating the works and making them available on-line. From this perspective, and as noted by renowned economists, the proper purpose of intellectual property is to maximize profit, not to maximize protection. Content providers thus have a strong interest in finding and developing distribution strategies that will meet the customers' needs and which will accommodate their requirements, such as with respect to fair uses of the works. The fact that strong buyer resistance to such technological copy protection measures prevented the commercial success of the computer programs equipped with these protection measures confirms the imperative need for content providers to take into account the expectations of their consumers.

Content providers should have no interest in trying to impose excessively restrictive contract terms that might lead to loss of business (and benefit their competitors). The risk is that “draconian measures” (i.e., absolute technological and contractual control over the content licensed) are likely to engender civil disobedience much more than compliance by users. This risk of disobedience is even more tangible in a digital networked environment, where consumers might potentially find the desired content from other “underground,” unlawful on-line


The important thing is to maximize the value of your intellectual property, not to protect it for the sake of protection. The first thing to do is to recognize the fundamental trade-off between control and customer value. The more liberal you make the terms under which customers can have access to your product, the more valuable it is to them.

Id. See generally INTERNET PUBLISHING AND BEYOND: THE ECONOMICS OF DIGITAL INFORMATION AND INTELLECTUAL PROPERTY (Brian Kahin & Hal Varian eds., 2000).

816. Dam, supra note 52, at 120.


818. Goldstein, supra note 19, at 870 (“[A]bsolute prohibitions, whether by contract or encryption, are hardly calculated to command public obedience, even with the force of law behind them. Draconian measures of social control usually engender greater disobedience than obedience.”).
4. The Creation and Dissemination of Valuable Content Should Be Encouraged

Content providers should have incentives to create and make their content available on the network. In the absence of a sufficiently secure technical and legal environment, the risk is that no valuable content will be made available on the network, which in turn would be detrimental to users. From a legal perspective, such an incentive can be achieved by granting a sufficient level of protection to content providers, by way of contracts, copyright or legal protection against circumvention of technological protection measures. This need for protection has even been recognized by some public domain supporters who suggested the promotion of the initial digitalization and storage of digital versions of public domain works by the grant of a limited copyright-like monopoly.

5. Constitutional Values Should Not Be Threatened in Most Standard Information Licensing Transactions

Perhaps one of the most important concerns invoked with respect to the domination of trusted systems (combining technological protection measures and contracts) in the digital age is the risk that contractual restrictions on copyright protected or public domain materials might restrain free speech. In spite of the significance of this concern, constitutional issues of this type should not arise very frequently in most information licensing transactions. Constitutional values, such as free speech, should not be affected in the context of the vast majority of on-line standard delivery transactions related to computer software, computer games, financial information, top charts music or music videos. In addition, it is difficult to see what logical reason content providers might have to impose contractual prohibitions against making a parody or writing a critical review in their standard contracts for these types of standard consumer products. It should also be remembered that free speech does not create an absolute right to gain access to protected content. This means that free speech could not justify the unlawful


821. Guibault, supra note 533, at 258-59.

822. Neil Weinstock Netanel, Copyright and a Democratic Civil Society, 106 YALE L.J. 283, 370 (1996). But see Nimmer et al., supra note 1, at 61 n.203 (doubting that “that the nation would be better served by a system that protects compilations of public domain information at the expense of promoting new original expression”).

823. See Bhargava, supra note 2, at 435-440; see also the “Campaign for Audiovisual Free Expression” launched by the Electronic Frontier Foundation, supra note 17.

824. But see Hugenholtz, supra note 40, at 82.

825. Dietemann v. Time, Inc., 449 F.2d 245, 249 (9th Cir. 1971) (“[t]he First Amendment is not a license to trespass, to steal, or to intrude by electronic means into the precincts of another’s home or
access, or the granting of a compulsory license to gain access to that content, if the content is protected by contractual and/or technological means.

In any case, it is important to note that any potential risks to free speech could only arise if the content is not available from other sources. If users can access the desired works from other digital or non-digital sources, they will then be able to use the works for any free speech purposes, without being bound by any hypothetically restrictive conditions which would be imposed in the digital environment. As a result, as long as this choice exists, no constitutional concern should arise with respect to restrictive contractual provisions.

6. The Price of Access May Be More Problematic than Any Restrictive Contractual Conditions of Access

Another aspect that is important to bear in mind is that, in the digital age, it is quite possible that the price of access to the protected content, more than the restrictive conditions imposed on the use of the content (such as a prohibition against quoting the content), may be the key issue. As a consequence, the precise nature and extent of the restrictive contractual provisions imposed on users may not be the primary area of concern in the digital environment, which will instead be the price of accessing the information, in particular for research and education purposes.

7. Public Domain Does Not Necessarily Mean Free Access

Another debated issue relates to the definition of the public domain. As noted by a commentator, “[t]o say that something is in the public domain is to say that it is not protected by copyright, not that one who has it has to make it easy to copy and cannot take measures to make it more difficult to copy.” This means that access to public domain works can be controlled or even be offered at a cost. From the same perspective, fair use has also been considered as having a cost.

office”).

826. See infra Part IV.C.3.a.
827. See Elkin-Koren, supra note 61, at 112-113 (noting that “[t]he power to control every conceivable use of information . . . enhances the ability of owners to exclude access to cultural forms and to limit access to information on the basis of economic power”).
829. Dam, supra note 52, at 118.
830. As stated by Nimmer, supra note 19, at 853 (“The copyright rule that places compiled facts into the public domain does not give you an affirmative right to force access to the information”).
831. This has never been questioned in the real world, where visitors of a museum can be asked to pay to visit an exhibition of old masters paintings or a reader will be asked to pay for a book by an eighteenth century poet.
832. Bell, supra note 488, at 580, stating: Despite gross misconceptions to the contrary, fair use never comes for free. One way or another, consumers using conventional media must pay to browse magazines at newsstands, to photocopy and distribute newspaper stories for spontaneous classroom use, to search for quotes and type them into articles, and to otherwise avail themselves of the fair use doctrine. Although such acts
This aspect should not be forgotten in the digital context. Content providers can charge for access to public domain works in the same way sports organizers can charge for the access to their events, in spite of the absence of an intellectual property right. This issue might, however, become critical in situations where content providers would contractually try to extend the duration of copyright protection beyond the statutory term. In these circumstances, some have considered that such contracts generally should be unenforceable. Once again, this will become problematic if the public domain works at issue are available from only one source, which appears rather unlikely, at least for the foreseeable future.

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833. Cf. Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1979) (holding that a promise to pay for intellectual property may be enforced even though federal law offers no protection against third-party uses of that property).


Organizers of a sports event ask the media to pay for permission to cover it. Notice that the organizers have no recognized intellectual property right in the sporting event. Yet physical control of access and freedom of contract with whoever wants it suffice to create a property right in a practical sense.

835. See Nimmer et al., supra note 1, at 74 and Paetzold, supra note 63, at 828 ("Attempts to contractually extend the Act's grant of monopoly rights by requiring royalties to be paid after copyright expiration should be unenforceable per se as violative of the clear public policy against extending copyright duration."). Nimmer references Scott Paper Co. v. Marcalus Mfg. Co., Inc., 326 U.S. 249, 255-57 (1945):

Any attempted reservation or continuation . . . of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the purpose and policy of patent laws . . . . By the force of the patent laws . . . is the invention of a patent dedicated to the public upon its expiration . . . . [The patent laws] . . . do not contemplate that any one by contract or any form of private arrangement may withhold from the public the use of an invention for which the public had paid by its grant of monopoly . . . .

Scott Paper, 326 U.S. at 255-57. See also Brulotte v. Thys Co., 379 U.S. 29, 32-33 (1964) (a private contract made before the expiration of a patent may not, by leveraging the statutory monopoly, extend monopoly influence until after the expiration of the patent); for a less categorical view, see Jaccard, supra note 7, at 648 (stating that this type of contractual provisions are "likely to be preempted").

836. In this respect, it can be referred to the Public Domain Project of the United Nations Educational, Scientific and Cultural Organization (UNESCO) the aim of which is to promote the digitization and dissemination of public domain information, see http://www.unesco.org/webworld/public_domain/public_inf.html; for a practical example regarding the works of Shakespeare, see infra note 859.

837. In spite of the growing importance of on-line distribution methods, copyrighted works are still massively consumed in the form of tangible copies, such as books, CDs, DVDs, etc.
C. PROPOSAL OF A NEW POLICY FOR GLOBAL INFORMATION LICENSING

On the basis of these observations, a proposal can be formulated. For this purpose, two preliminary questions need to be answered: (1) In which field of law should this proposal be anchored? (2) What form should the proposal take, between the legislative and judicial models?

1. What Legal Basis? Moving Beyond the Copyright vs. Contract Dilemma

Even though most commentators have agreed that the current legal environment does not properly address the challenges resulting from the “privatization of copyright law,”

they have disagreed on the way this concern might be resolved. These opinions can be divided generally into two groups. While some consider that a solution should be developed in the realm of copyright law,

others have considered that contract law would be the proper forum.

The basic opposition between copyright law and contract law should, however, be overcome, because it appears that a solution would need to combine both of these fields of law. On the one hand, it is clear that copyright law should play a central role in the definition of global rules for information licensing transactions. Indeed, copyright law represents the most elaborate body of regulation balancing monopoly and access to information.

However, as noted above, copyright cannot offer any direct solution regarding the important issue of access and use of content that is not protected by copyright law (e.g., public domain material). For this reason, a comprehensive solution cannot be anchored in copyright law. On the other hand, contract law does not by itself offer clear guidance, because the various general doctrines of contract law (such as the doctrine of unconscionability or the public policy exception) are not sufficiently focused on the specific issues raised by information licensing transactions in the digital environment. It is necessary to move beyond the contract vs. copyright dilemma by acknowledging that neither of these fields of law can offer a comprehensive solution to the problem faced. On this basis, it will be required to integrate the different values resulting from the various legal fields concerned in order to develop a new comprehensive body of information licensing law.

838. McManis, supra note 125, at 173.
839. Elkin-Koren, supra note 28, at 220 (rejecting a solution based on contract law because it “does not provide an adequate jurisprudential framework for developing information policy” and thus favoring a solution based on copyright law because “[c]opyright laws reflect information policy, and may therefore provide a better setting for balancing conflicting interests and disputes regarding use and access to information”).
840. Reichman & Franklin, supra note 100, at 968.
841. Thomas Heide, Access Control and Innovation under the Emerging EU Electronic Commerce Framework, 15 BERKELEY TECH. L.J. 993, 1031 (2001) (noting that copyright law should “provide the applicable set of property rights in the information”).
842. See supra Part III.E.
843. See supra Part II.C.3 (public policy) and II.C.4.c (unconscionability).
844. For such an approach, see the Reichman & Franklin proposal, supra note 100, discussed supra II.D.2.
thus reflect the basic values underlying copyright law in promoting the public interest (by granting a limited monopoly to copyright owners) and expand them to content not protected by copyright law. It should also take into account the lessons learned from other legal fields, such as constitutional law (i.e., the concept of freedom of expression) and antitrust law (i.e., the concept of essential facility).

2. A Legislative or a Judicial Solution?

As already discussed in connection with U.S. law, there are two ways to address the problem. The first would be to adopt a global legislative solution, which might for instance be implemented under the auspices of the World Trade Organization (WTO). The other would be to let the courts progressively develop case law on the basis of preexisting or newly defined criteria.

While a legislative solution would have the general advantage of being clear and predictable, it might also have the inconvenience of being too rigid to adapt to a changing technological and social environment. Legislative solutions also bear the risk of being overreaching, so that they may eventually be counterproductive. More fundamentally, it is wishful thinking to believe that a global legislative solution could be adopted, or even hoped for, in the near future. Due to the strongly diverging positions of countries and interested groups, it is quite

845. See supra Part II.D.1-2.
846. Hugenholtz, supra note 40, at 90 (“In a worst case scenario, only a new body of public information law, that can secure a right of access to ‘important’ information will be able to safeguard the public domain.”).
847. See Gail E. Evans, Opportunity Costs of Globalizing Information Licenses: Embedding Consumer Rights within the Legislative Framework for Information Contracts, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 267, 303 (1999), suggesting that the following proposal be submitted to the member of the WTO for debating:

1. That minimum standard of Restrictive Business Practices be drafted to include unfair practices in mass market contracts and licenses for information products as follows:

   (a) Terms of use of information set out in mass market contracts and licenses should be regulated under consumer protection law when they restrict or eliminate consumers’ rights recognized under copyright law. In such a case, consumer protection rules relating to the formation and content of standard agreements would be made applicable to mass market licenses for copyrighted material.

   (b) Courts should be able to review the reasonableness of contract terms. In determining reasonableness, the court should be able to consider all of the circumstances, including whether the work is available on other terms without the restrictive terms and whether it is available in analogue formats as well as digital.

2. That the TRIPS Agreement be amended to read:

   All statutory copyright limitations, including those implemented on the basis of the promotion of education, culture or other general public interest consideration, have precedence over contractual agreements to the contrary.

848. Nimmer, supra note 19, at 889 (relying on “markets and sensitive judicial analysis in particular cases,” rather than on legislative action).
849. Reichman & Franklin, supra note 100, at 966.
850. For a justification of a flexible approach, see supra Part IV.B.2.
851. Such as the WTO proposal mentioned supra note 847.
improbable that a global consensus can be found on such a debated issue. In addition, one can wonder what would be the appropriate international forum to deal with it, as this issue is not limited to content protected by copyright law.\textsuperscript{852} As a result, only a judicial model appears realistic. A judicial approach would furthermore offer more flexibility and adaptability in the face of changing circumstances. To be effective, such a judicial approach should define a list of criteria on the basis of which courts could assess the validity of restrictive terms imposed by content providers on users. In this context, it is clear that the fair use doctrine, which is the paradigmatic example of a flexible judicial system of balance between protection of content providers and access to content,\textsuperscript{855} could serve as a model.\textsuperscript{854} The question therefore is to define the criteria that should be taken into account.

3. List of Criteria

The purpose of the list of criteria is to create a legal test to determine whether the disputed restrictive contractual terms are fair and reasonable in the circumstances of the case.\textsuperscript{855} The following criteria are aimed at refining the test of fairness and reasonableness in the context of information licensing transactions. These criteria are as follows:

\textit{a. The Availability of the Content from Other Sources}

The preliminary criterion to assess the validity of restrictive terms and conditions is to define whether the digital content for which access is sought is available from other sources.\textsuperscript{856} If, indeed, the content is available from other

\textsuperscript{852} As a result, one can wonder whether the proper forum is an amendment of the TRIPs agreement, as suggested in the proposal mentioned above, \textit{see supra} note 847.

\textsuperscript{853} Such a system of balance of competing interests is also anchored in European copyright thinking. For a recent comparative analysis of the method of balance of interests under German and French copyright laws with respect to moral rights, see Agnès Lucas-Schloetter, \textit{Pour un exercice équilibré du droit moral ou le droit moral et la balance des intérêts, in URHEBERRECHT GESTERN – HEUTE – MORGEN, FESTSCHRIFT FÜR ADOLF DIETZ ZUM 65. GEBURTSTAG} 127 (2001).

\textsuperscript{854} \textit{See} Guibault, \textit{supra} note 533, at 248-249 (arguing that a open-ended fair use type of limitations might be more appropriate in the short and middle-term because of the practical inability to assess the precise impact of the digital networked environment on the users' privileges); of course, this flexible solution might appear problematic to the traditional European copyright thinking which would probably prefer the adoption of a list of specific exceptions and limitations, as this is evidenced by the long list of optional exceptions set forth in art. 5 of the Directive on Copyright in the Information Society, \textit{see supra} note 548.

\textsuperscript{855} Evans, \textit{supra} note 847, at 303 (formulating a proposal to define the requirement of reasonableness in the context of copyright licensing transactions); Ginsburg, \textit{Databases, supra} note 108, at 169; Reichman & Franklin, \textit{supra} note 100, at 930 ("All mass-market contracts, non-negotiable contracts, and contracts imposing non-negotiable restrictions on uses of computerized information goods must be made on fair and reasonable terms and conditions . . . .") (emphasis added).

\textsuperscript{856} \textit{See} Evans, \textit{supra} note 847, at 303 ("[C]ourts should be able to review the reasonableness of contract terms. In determining reasonableness, the court should be able to consider all of the circumstances, including whether the work is available on other terms without the restrictive terms and whether it is available in analogue formats as well as digital.").
sources, the user can choose to abide by the contractual restrictions that might be imposed upon her in the digital environment. This criterion reflects some of the doctrines previously discussed. First of all, and most obviously, the idea of absence of alternative sources is quite closely connected to antitrust thinking. The idea is to assess whether the licensor enjoys an unusually strong bargaining position due to the potential absence of other sources of supply. This criterion is also reminiscent of the doctrine of unconscionability, which defines procedural unconscionability as the "absence of meaningful choice."^857

As of today, the vast majority of works are available from various sources^858 (be they in the form of material copies, such as CDs, books, magazines, DVDs or in an unprotected digital format).^859 Therefore, users are not being "forced" to accept restrictive conditions because they can access these works by other means. In such a competitive market (in which the same content is available from different sources), users will be able to pick and choose the most favorable terms and conditions to fit their needs without being coerced in any way.^^860 This is what Judge Easterbrook had in mind when stating in ProCD that "[c]ompetition among vendors, not judicial revision of a package's contents, is how consumers are protected in a market economy."^861 From this perspective, the distinction between

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858. Ginsburg, supra note 760, at 24 (noting that "works are likely to remain available in traditional hard copies and unprotected digital copies").

859. In this respect, it is quite unlikely that classical works of literature or music (which are in the public domain) will only be available from one unique source, as has been feared. See Wendy J. Gordon, Intellectual Property as Price Discrimination: Implications for Contract, 73 CHI.-KENT L. REV. 1367, 1387 n.75 (1998), who reasons:

Should the Internet come to dominate our society for musical and literary works, paper copies of classics could become hard or cumbersome to find. It seems inadvisable (to say the least) for state [contract] law to empower an Internet provider to decide when and under what terms an orchestra can perform Beethoven symphonies, or a publishing company can reprint Shakespeare's sonnets, or a Tom Stoppard can write a play that quotes liberally from Hamlet.

860. Elkin-Koren, supra note 28, at 195, summarizes the freedom of contract approach by stating that:

Contract advocates argue that market forces of supply and demand will guarantee the optimal level of information use. Use restrictions will reflect actual user preferences. Some users will prefer to pay less in return for a limited rights; others may be willing to pay more for greater rights. If users are unwilling to pay for more expensive licenses, there is no benefit in having the law require that they be granted these greater rights.

861. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1449 (7th Cir. 1996).
negotiated and non-negotiated contracts cannot serve as the main criterion to assess the validity of the restrictive contractual terms.\footnote{862} This is because restrictive provisions contained in an individually negotiated contract might still be considered invalid if the content is only available from one source. The issue is whether the content the user wants to access (by accepting restrictive contractual conditions) is available from other sources, no matter whether the contract is negotiated or a standard adhesion agreement.\footnote{863} It remains true, however, that standard contracts (in particular in the context of consumer agreements) should be more carefully scrutinized because of their obvious larger social impact.

This optimistic market-based approach might, however, disappear in the future. The concentration process currently taking place in the movie and music industries,\footnote{864} in which the big players are jointly preparing the digital distribution of their content on the internet by a common channel, could potentially exclude the existence of alternative sources of supply.\footnote{865} This evolution is likely to reduce the number of available sources from which content could be accessed, at least in the on-line environment.

In these circumstances, as noted by a commentator, “the truth is that content will often be unavailable from alternative channels.”\footnote{866} The high concentration of ownership of intellectual property rights in the hands of a few giant media groups might therefore hinder the likelihood of any competition among content providers who would offer more favorable standard adhesion agreements.\footnote{867} If there is indeed only one source of supply (or several concerted sources of supply), the risk of abusive conduct is logically increased.\footnote{868} This aspect was also taken into account by Judge Easterbrook in ProCD, when he noted that the key issue was
whether the enforcement of the contract would withdraw any information from the public domain, thus asking whether the content was available from other sources.

Electronic databases might be problematic precisely in this respect, as their content will certainly not be available from other (non-digital) sources. As a result, restrictive terms and conditions contained in database use agreements should be closely watched. The critical importance of this issue is reflected by the concerns expressed by the scientific and educational communities, which rely heavily on a broad accessibility to scientific databases.

The absence of other sources of supply is therefore a key element in the assessment of the validity of contractual restrictions in the digital environment. This issue has also been considered in the context of the regulation of technological protection measures. From this perspective, the Australian Copyright Act of 1968, as amended by the recently enacted Digital Agenda Act, specifically provides that the circumvention of technological protection measures protecting digital works is not illegal if (among other conditions) the work or other subject matter is "not readily available in a form that is not protected by a technological protection measure." The Australian Copyright Act further provides that "a work is taken not to be readily available if it is not available in a form that lets a person do an act relating to it that is not an infringement of copyright in it [by application of exceptions provided for by various sections of the Act]."

However, to be fully effective, the practical implementation of this criterion might require an additional step in order to improve the protection of users. A probable scenario is that content providers will reject the users' request to negotiate the presumably restrictive contractual terms by arguing (without evidence) that the content can be accessed from other sources, so that users will be deemed to have the choice to enter into the agreement. One solution could be to adopt a rebuttable presumption that the content at issue is not available from other sources. Content providers could counter by showing other existing sources of supply. This preliminary procedure might solve the conflict, by giving users the choice to access the content from another source or sources. A rebuttable presumption should not

869. ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1455 (7th Cir. 1996); for this purpose, Judge Easterbrook drew an analogy with Aronson v. Quick Point Pencil Co., 440 U.S. 257 (1979). In Aronson, the Supreme Court held that an agreement to pay royalties in spite of the fact that a patent was not granted is not preempted and is consequently enforceable by stating that, in the circumstances of the case, "enforcement of the agreement does not withdraw any idea from the public domain." 440 U.S. at 263.


872. Copyright Act § 116A(4)(a) (Australia).

873. Id.
put too heavy a burden on content providers, because users will not bother spending time and energy negotiating with a content provider if they can access the content from other sources. Furthermore, this system appears quite compatible with general principles of the law of evidence. Without this rebuttable presumption, users would indeed be placed in a very delicate situation, as they would have to prove the nonexistence of any other source from which they might get access to the content desired.

In brief, the purpose of this first criterion is to make clear that if the content is not available from other sources, the restrictive contractual terms should be more carefully scrutinized. If the content is available from other sources, restrictive terms will generally be held enforceable on the basis of freedom of contract, because it would be the users’ choice to enter into the agreement.

b. The Type of User

Another important criterion to be taken into account when assessing the validity of restrictive terms and conditions is the type of user. The protection against restrictive terms should not be limited to private consumers, generally defined as “any natural person who . . . is acting for purposes which are outside his trade, business or profession,” that is for her personal and private use. Other categories of users, such as public libraries as well as other research and educational institutions, are also likely to be affected by restrictive contractual provisions. Therefore, these types of users should be protected as well. The reference to “consumer” protection in copyright law should therefore be avoided, because it might be misread as meaning that only private users should be protected. In this context, due consideration should be paid to the potential not-for-profit character of the user. As a result, both Business-to-Consumers (B2C) and Business-to-Business (B2B) information licensing transactions should be submitted to the legal framework of analysis sketched here.

c. The Purpose and Character of the Use

The purpose and character of the use is another essential criterion. This is perhaps the area in which the philosophy of copyright law may have the most significant impact, as this fundamental criterion is the first mentioned in the fair use doctrine. On this basis, courts should consider the purpose and character of the use by analyzing “whether such use is of a commercial nature or is for nonprofit

875. Elkin-Koren, supra note 28, at 204.
876. But see Lemley, supra note 33, at 171-72 (“Instead of being primarily a creator protection statute, intellectual property will become more and more a consumer protection law”).
877. This aspect is closely related to the commercial or non-for-profit purpose of the use, see next criteria infra IV.C.3.c.
878. On the critical importance of copyright law in the definition of a global information licensing policy, see supra Part IV.C.1.
educational purposes," and whether it is "for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research." From this perspective, fair users (or fair "accessers"), such as users wishing to gain access to the desired content for free speech purposes or for purposes of fostering innovation (i.e., to create new products) or competition (i.e., to create compatible products) will be more likely to be protected than free-riders.

d. The Nature of the Content

The nature of the content—also a criterion directly taken from the copyright fair use doctrine—is another key factor. An assessment of the validity of restrictive contractual terms might indeed largely depend on the nature of the content at issue. For instance, a contractual prohibition against quoting a purely informational content (such as news agency reports or other time-sensitive information) will be much more admissible than will a prohibition against quoting cultural or educational content, as the latter limitation is more likely to affect the public interest by hindering the advancement of culture and education. Similarly, contractual provisions restricting the use of public domain works (for which the duration of protection has elapsed) might also be scrutinized more carefully than would occur in the case of copyright-protected works. As a result, there should be a differentiation among the various classes of works and various types of content (electronic databases, etc.).

e. The Purpose and Impact of the Restrictive Terms

The purpose of the restrictive contractual terms is another factor to be considered. While most restrictive contractual terms will be imposed for legitimate business reasons, and will be implemented precisely in order to price discriminate among different categories of users, some contractual provisions might be considered excessive by not being justifiable by any reasonable business purpose. This joins the idea that the licensor should have the opportunity to show "business reasons" for including the restricting provision. See Elkin-Koren, supra note 28, at 219 (stating that "the appropriate compromise would be to allow providers to show that, in particular market circumstances, such terms are justifiable"); see also the proposal of Reichman & Franklin, see supra text accompanying

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881. For practical examples (financial data), see Wolfson, supra note 494, at 88-93.
882. Because content providers have no interest in imposing excessively restrictive contractual provisions, see supra Part IV.B.3
884. This joins the idea that the licensor should have the opportunity to show "business reasons" for including the restricting provision. See Elkin-Koren, supra note 28, at 219 (stating that "the appropriate compromise would be to allow providers to show that, in particular market circumstances, such terms are justifiable"); see also the proposal of Reichman & Franklin, see supra text accompanying
analysis should also take into account the impact of the restrictive terms on basic values which have been identified as being of critical importance in the context of information licensing transactions, such as freedom of expression, competition and innovation.885 An illustration of this is the excessively anti-competitive contractual provision struck down in Lasercomb America, Inc. v. Reynolds (on the basis of the copyright misuse doctrine).886

4. Proposal

On the basis of the enumeration of the various criteria discussed above, the following proposal can be made:887

notes 504-517.

885. Samuelson & Opsahl, supra note 58, at 391-392; the importance of these values has been acknowledged in the context of UCITA, see supra Part II.D.2.

886. 911 F.2d 970, 973 (4th Cir. 1990); see supra Part II.C.2.

887. For other similar detailed proposals, see Consumer and Investor Access to Information Act of 1999, H.R. 1858, 106th Cong., § 106(b) (discussed by Maureen O’Rourke, Property Rights and Competition on the Internet: In Search of an Appropriate Analogy, 16 BERKELEY TECH. L.J. 561, 627-28 (2001)) introduced on May 19, 1999 and sponsored by Rep. Tom Bliley (R-VA) which contains a specific provision on misuse providing:

(b) MISUSE- A person shall not be liable for a violation of section 102 [protection of the database producer against the distribution of duplicate databases] if the person benefiting from the protection afforded a database under section 102 misuses the protection. In determining whether a person has misused the protection afforded under this title, a court shall consider, among other factors—

(1) the extent to which the ability of persons to engage in the permitted acts under this title [as defined by Section 103 of the Bill such as research and education] has been frustrated by contractual arrangements or technological measures;

(2) the extent to which information contained in a database that is the sole source of the information contained therein is made available through licensing or sale on reasonable terms and conditions;

(3) the extent to which the license or sale of information contained in a database protected under this title has been conditioned on the acquisition or license of any other product or service, or on the performance of any action, not directly related to the license or sale;

(4) the extent to which access to information necessary for research, competition, or innovation purposes has been prevented;

(5) the extent to which the manner of asserting rights granted under this title constitutes a barrier to entry into the relevant database market; and

(6) the extent to which the judicially developed doctrines of misuse in other areas of the law may appropriately be extended to the case or controversy;

It can also be referred to the “reverse fair use” doctrine developed by O’Rourke, which is to be implemented in the context of the preemption analysis:

These factors may assist a court in determining whether a contract that expands a provider’s right in information should survive preemption by copyright law. It is a ‘reverse’ fair use analysis because it does not assess market factors as an aid in determining whether an infringement should be excused as a traditional inquiry does. Instead, it asks whether the copyright owner can use private contract to create greater rights in information than the Copyright Act would grant, effectively using private contract to set a lower bar for infringement liability than under the public law... [a] reverse fair use analysis would consider such factors as: (i) ‘the purpose and character of the [breaching party’s] use, including whether such use directly competes with the
In determining whether a restrictive term contained in an information licensing agreement is fair and reasonable, the factors to be considered shall include:

1. The availability of the content licensed from other sources; for this issue, it will be presumed that the content is not available from other sources, unless the contrary is shown by the licensor;
2. The type of licensee, including whether the licensee is a private person, a corporate entity or a non-for-profit, scientific or educational institution;
3. The purpose and character of the use of the content to be made by the licensee, including whether such use is of a commercial nature or is for nonprofit educational purposes or for purposes such as criticism, comment, news reporting, teaching, scholarship or research;
4. The nature of the content, including whether the content is factual, educational, cultural, scientific and whether the content is in the public domain;
5. The purpose and the impact of the restricting term imposed by the licensor, including whether the restrictive term threatens freedom of expression, competition or innovation and whether it can be justified by legitimate business reasons.

5. Practical Implementation

The adoption of a new substantive law proposal is not the end of the story by far. To be effective, such a proposal needs to be implemented in global information licensing transactions. This raises two questions. The first question is a question of applicable law. The second is a question of practical enforcement.

a. Applicable Law

The proposal will remain of no practical significance if contracting parties choose—that is practically if licensors of information impose—a law favorable to their interests as the law governing the transaction (in their standard agreements). The issue of applicable law on the internet is too complex to be fully analyzed in this Article. What can be said is that, outside the limited field of consumer

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[i] licensor [ii] 'the [uncopyrighted] nature of the . . . work' which weighs in favor of accessibility and use; (iii) 'the amount and substantiability of the portion used in relation to the work as a whole; and' (iv) 'the effect of the use upon the potential market for or value of the uncopyrighted work', including an analysis of the effects of the use on incentives to invest in gathering and marketing uncopyrighted information.

O'Rourke, supra, at 626.

888 Such as UCITA, see supra Part II.D.

protection law, contracting parties remain largely free to choose any law to govern their contractual relationships.

In spite of this critical problem, it can be hoped that future court and arbitration decisions will progressively help develop a unified global body of information licensing law, which might be applicable as a part of a transnational lex mediatica and would consequently avoid the difficulties of choice of law in cyberspace. It should also be mentioned that a regulatory solution could be achieved by the adoption of privately adopted "codes of conduct," which are seen as a potential source of solution by EU authorities in the context of information society services.893

b. Enforcement

The issue of enforcement is obviously of critical importance. The first aspect of enforcement relates to the difficulty of locating disputes arising in connection with activities taking place on the internet, thus raising a question of jurisdiction. This issue, which is probably as complex as is the issue of applicable law and therefore would go beyond the scope of this Article, will not be the focus of this analysis.894 Indeed, there is another issue that arises even before addressing the question of jurisdiction. As noted by several commentators, the first problem faced is that licensors might continue to use excessively restrictive contractual provisions in

890. Consumer protection laws will be of no assistance to protect users that do not qualify as private consumers, see supra Part III.D.2.c. (about consumer protection laws in the European Union).
891. Reichman & Franklin, supra note 100, at 953.
892. Lucas, supra note 889, at 5 n.13.
No one denies that the law of the contract has an important part to play in copyright and related rights. We may even foresee that this part will be capital in the digital environment. It is, however, excessive to proclaim that the conjunction of the contract and of technical protection will make the exclusive right superfluous. However, the virtues of a contract, particularly valued in the common law tradition, and thereby in the international tradition, raise hopes of the development, together with electronic commerce, of conventional usage that will give birth to a kind of 'lex mediatica' as a new avatar of the lex mercatoria so well known to international lawyers, with the same facility for evading the problems of conflicts of law.

Id. See also Ginsburg, Private International Law, supra note 7, at 391-394.
893. See European Directive on Electronic Commerce, supra note 290, art. 16 (1), which provides that "Member States and the [European] Commission shall encourage: (a) the drawing up of codes of conduct at Community level, by trade, professional and consumer associations or organisations designed to contribute to the proper implementation of [the obligations set forth by this Directive]."
894. In addition to the references mentioned supra note 889, it can be mentioned that the Hague Conference on private international law is pursuing negotiations towards a new Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, which would be applicable to intellectual property rights, see the results of the 19th Diplomatic Session (June 2001), at http://www.hcch.net/e/workprog/jdgm.html; as already noted about UCITA (see supra Part III.D.4.), it is quite unlikely that standard agreements will omit to include a provision on choice of jurisdiction; as a result, the issue to be considered is not to define what court would have jurisdiction in the absence of contractual choice of jurisdiction, but much more whether the contractual choice of jurisdiction is fair and reasonable to the users; in this context, as will be seen infra IV.C.5.b.2, dispute resolution methods adapted to the internet should be promoted.
mass-market transactions, on the assumption that users will generally avoid litigation,\textsuperscript{895} because this would be disproportionately time- and money-consuming.\textsuperscript{896} In short, the goal is to "ensure that, in the interests of [users] and of competitors, adequate and effective means exist to prevent the continued use of unfair terms"\textsuperscript{897} in information licensing contracts.

In an ideal world, the best solution of course would be that interested parties negotiate fair and reasonable terms and conditions together, satisfying both sides, so that the cost of litigation could be avoided.\textsuperscript{898} Collective negotiation schemes might therefore be viewed as the most efficient way to address the issue. However, given that this solution is unlikely to happen naturally,\textsuperscript{899} due to the imbalance of bargaining power generally existing between content providers and users, to the detriment of the latter, several practical solutions might be implemented to correct this inequality and to create incentives to negotiate fair and reasonable agreements.

Viewed from a broader perspective, the necessity of developing efficient enforcement mechanisms should be put in the general context of the information society. Promoting access to the internet and access to content available on the internet would be useless if some forms of access to justice were not also guaranteed when disputes occur.

Three practical solutions can be envisioned to help solve this problem.

\textit{1) Broader Standing to Sue}

One solution that might be implemented would be to grant standing to sue to representative entities acting on behalf of users. Such a "watchdog" system, which originates in consumer protection regulations,\textsuperscript{900} might help to ensure that content

\textsuperscript{895} Or, more probably, in risking to be sued by content providers, by avoiding to breach the licensing agreement.

\textsuperscript{896} See Elkin-Koren, supra note 28, at 218.

Provisions whose legal validity is uncertain are nevertheless included in contracts because contract terms do not simply define the rights of users. They also communicate the expectations of the drafter by means of a text that sounds authoritative; that is, they serve to declare and deter. In most cases, users will do what the contract says and not question it. Consequently, producers would retain an incentive to use such terms, hoping that users will comply with them. \textit{Id.} See Rice, supra note 63, at 600 (arguing that the use of contractual provisions prohibiting reverse engineering, regardless of whether they are enforceable, "has an \textit{in terrorem} effect"); \textit{see also} L.\text{ RAY PATTERSON & STANLEY W. LINDBERG, THE NATURE OF COPYRIGHT 220 (1991) (also referring to the \textit{in terrorem} effect of licenses precluding fair use)}.

\textsuperscript{897} See Unfair Consumer Contracts Directive, supra note 705, art. 7.

\textsuperscript{898} See also Reichman & Franklin, supra note 100, at 936-37 (hoping that their proposal would "encourage content providers and public-interest users to seek a negotiated middle ground either directly or by resort to arbitration, rather than by post-transaction judicial determination of what is 'fair and reasonable terms and conditions,' which may disappoint either side").

\textsuperscript{899} In this respect, it should be noted that collective negotiations between interested parties are specifically called for in the Directive on Copyright in the Information Society, supra note 548, \textit{see supra} Part III.C.3.

\textsuperscript{900} Art. 7 of the Unfair Consumer Contracts Directive, supra note 705, provides that:

1. Member States shall ensure that, in the interests of consumers and of competitors, adequate and effective means exist to prevent the continued use of unfair terms in contracts concluded
providers are under continuous control and therefore cannot impose unreasonable terms and conditions on users. To the extent that this solution aims at broadening standing to sue, it can also be associated with the copyright misuse doctrine, an advantage of which is its availability to parties not bound by the disputed agreement. In any case, the involvement of representative bodies on the side of users might also facilitate the negotiation of standard licensing agreements applicable to all contracts in a specific industry or sector.

2) Efficient Dispute Resolution Procedures

Disputes about electronic commerce transactions should be solved by dispute resolution mechanisms adapted to the electronic age. As a result, on-line dispute resolution mechanisms (both mediation and arbitration) should be promoted, because these methods will create (or restore) customer confidence in engaging in electronic transactions on the internet. Even though the issue is too vast to be analyzed in depth here, it can be noted that leading institutions such as the World Intellectual Property Organization (WIPO), which has been extremely successful in the handling of on-line dispute resolution procedures about domain names, might

with consumers by sellers or suppliers.

2. The means referred to in paragraph 1 shall include 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.

901. See supra text accompanying notes 248-249.

902. See Reichman & Franklin, supra note 100, at 955-959.


905. Ginsburg, Private International Law, supra note 7, at 388-89 (noting that “parties to international cyberspace transactions might very well increase the certainty of dispute resolution by entering into an arbitration agreement”); on the requirement to provide a reasonable forum in the context of consumer-related arbitration proceedings, see Brower v. Gateway 2000, 246 A.D.2d 246, at 254, 676 N.Y.S.2d 569, 574 (N.Y. App. Div. 1998) (“We do find, however, that the excessive cost factor that is necessarily entailed in arbitrating before the ICC is unreasonable and surely serves to deter the individual consumer from invoking the process.”).

906. See Directive on Electronic Commerce, supra note 290, art. 17 (1), which provides that the “use of out-of-court schemes” for disputes arising between information society service providers and recipients of such services should not be hampered by the legislation of Member States.


serve as a model or even get involved in the resolution of disputes relating to information licensing transactions. In this respect, it should be mentioned that the WIPO Arbitration and Mediation Center has recently launched a new service whose goal is to help avoid and resolve contractual disputes arising in connection with the services of Application Service Providers (ASP).909

For this purpose, the WIPO Arbitration and Mediation Center has developed a set of “best practices” for dispute avoidance and resolution for ASPs.910 It also offers dispute resolution services for disputes arising in connection with ASP agreements. This initiative illustrates perfectly the two complementary functions which could be fulfilled by neutral entities such as WIPO: preventing the occurrence of disputes by assisting in the creation of regulatory guidelines (preventive measures) and solving the disputes quickly and efficiently by offering appropriate dispute resolution mechanisms (curative measures).

3) Information to Users

Another idea is to make sure that potential users of on-line information services are informed about the way they can challenge what they think are excessively restrictive terms.911 This could be implemented by obligating content providers to mention (on their website) that users can submit their complaint to a designated representative body of users912 or directly to a dispute resolution entity913 to verify that the terms and conditions at issue are not excessively restrictive. Alternatively, it has been suggested that content providers set up a system by which a negotiation process can be initiated at the request of users in order to settle the dispute.914

This system might give effective assistance to consumers who would refuse to enter into too restrictive agreements. Without this preliminary possibility to submit their case to a controlling entity or to negotiate the disputed contractual term, the risk is that users might simply walk away, with the consequence that the potentially excessively restrictive contractual provisions will continue to be imposed by the

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909. See http://arbiter.wipo.int/asp/index.html; an ASP is defined as a “service provider that deploys, hosts, manages and rents access to one or more software applications via the internet directly to an end-user. It is the provisioning and management of application services over the internet as a core competency that distinguishes the ASP from other types of outsourcing services.” (as defined in http://arbiter.wipo.int/asp/report/pdf/report.pdf).

910. The document entitled “Dispute Avoidance and Resolution Best Practices for the Application Service Provider Industry” was jointly prepared by the Application Service Provider Industry Consortium (ASPIC) and the WIPO Arbitration and Mediation Center and is available at http://arbiter.wipo.int/asp/report/pdf/report.pdf.

911. This could be implemented by adding this information to the list of already required information that information society service providers are obliged to communicate to their users “prior to the order being placed by the recipient of the service” (European Directive on Electronic Commerce, supra note 290, art. 10).

912. This system of “compulsory notice” given to consumers would empower the user protection entityable to check the standard provisions (and develop the know how and expertise in this sector). If the restrictive contractual provisions at issue appear unfair to this representative body, this entity will have a right to sue on behalf of users, see supra Part IV.C.5.b.1.

913. See supra Part IV.C.5.b.2.

914. Reichman & Franklin, supra note 100, at 957.
content provider on others. In addition to the lack of interest by individual users, the absence of any contractual relationship between content provider and potential users would bar any resolution of the claim by legal action (at least in the context of a voluntary and efficient dispute resolution system, such as arbitration).

IV. CONCLUSION

The development of the internet has raised both new hopes and new fears for content providers and users. For content providers, the hope was to deliver directly their products and services to a worldwide public, while for users there was an eagerness to gain unlimited access to knowledge. Conversely, content providers have feared that hackers would ruin their business, whereas users have been concerned that content providers would "fence in" their content.

As a result, the internet has polarized the tension between content providers, who are developing and using both technological and legal means in order to reach maximal protection, and users, who are increasingly pleading for broader access to protected content. Therefore, the problem is to find an appropriate balance between these competing interests in the digital environment. The difficulty of this task is increased by the fact that the internet is constantly evolving and will certainly continue to do so in the future.

From a legal perspective, the internet represents a global challenge which goes beyond the issue of protection and access to content: domain names, electronic signature, privacy and jurisdiction are just a few examples of the many facets of the growing field of internet law. The multiplicity of the legal issues raised by the internet sometimes leads to conflicts between legal rights, which in turn call for an interdisciplinary solution to these conflicts.915 The internet thus calls for the adoption of an interdisciplinary approach in order to address legal problems efficiently.916 This method should also be applied when considering the definition of a proper legal regime for information licensing transactions.917 In this respect, it is important to acknowledge that, even if copyright law has traditionally been the focus of attention and has therefore been seen as the ideal framework for regulation, other legal sources, such as antitrust law or contract law, may also provide useful guidelines for defining global rules of information licensing. As

915. For instance, the implementation of technological protection measures to protect digital works (coupled with the adoption of copyright management information) may conflict with the protection of the right to privacy of users of these digital works; as a result of this conflict, the legal regulation of technological protection measures must provide for a specific protection of the users' privacy. For the U.S. regulation, see 17 U.S.C. § 1201(i).

916. For a recent example, see Pamela Samuelson, Privacy as Intellectual Property?, 52 STAN. L. REV. 1125 (2000) (proposing to consider the right to privacy as a new intellectual property right).

917. See Paul Edward Geller, Conflicts of Law in Cyberspace, 20 COLUM.-VLA J.L. & ARTS 571, 581 (1996) (arguing that, in cyberspace, courts will need to develop "principles of preference" to reconcile copyright concerns with a hierarchy of values consisting of privacy, contract, and competition); Jessica Litman, Reforming Information Law in Copyright's Image, 22 U. DAYTON L. REV. 587, 590 (1997) ("[C]opyright doctrine is ill-adapted to accommodate many of the important interests that inform our information policy. First Amendment, privacy, and distributional issues that copyright has treated only glancingly are central to any information policy.").
noted above, this interdisciplinary approach should not be limited to the aspects of substantive law, but should also encompass the issue of practical enforceability. 918

Going beyond the legal aspects, it should not be forgotten that content providers may have sound business reasons for not being overprotective and for not adopting too restrictive an attitude towards users. Content providers need to attract and keep the customers to use their on-line services. This element of customer confidence should not be underestimated at a time when subscription-based business models appear much more reliable (and profitable) than do other models based on more erratic revenue streams (such as advertising).

The decentralized and thus largely uncontrollable nature of the internet further allows dissatisfied customers to not only join and raise voice against presumably excessively restrictive practices, 919 the internet gives them the opportunity to gain access to the desired content from other legal or illegal sources. 920 In short, content providers have a strong interest in implementing "user friendly" solutions, not only from a technical point of view, but also from a legal point of view, if they want to remain competitive.

These characteristics of the internet might convince content providers to adopt fair and reasonable terms and conditions on the access and on the use of the content that they control. 921 In this context, one could imagine that the process of technological standardization, which has been a key factor in the success of the internet, may also be applied in the legal arena, by the negotiation and adoption of standard contracts by representatives of the different industries, 922 so that these contracts may be later automatically applied in the on-line environment. 923

As a final word, it can be hoped that the conjunction of the various legal, social and technological factors discussed in this Article will help to formulate clear and predictable policies applicable to information licensing transactions, which may foster the creation of a global information society.

918. See supra Part II.C.5.b.


920. Of course, content providers of a unique content will enjoy a much stronger bargaining position; this factor should consequently also be taken into account in the assessment of the validity of restrictive contractual provisions, see supra Part IV.C.3.a.

921. Cf. art. 4 of the European Directive 95/47/EC on the Use of Standards for the Transmission of Television Signals, 1995 O.J. (L 281) 251, which requires that conditional access service providers who administers decoders to offer conditional access services to all broadcasters on fair, reasonable and non-discriminatory terms; that holders of industrial property rights in relevant devices grant licenses to manufacturers on fair, reasonable and non-discriminatory terms and that procedures are easily available to resolve disputes concerning the application of these provisions.

922. Content providers, collecting societies and different categories of users (educational and cultural institutions in particular).

923. For a proposal, see Frank H. Easterbrook, Cyberspace and the Law of the Horse, 1996 U. CHI. LEGAL F. 207, 213 ("A standards-setting organization could prescribe, say, twenty different copying rules—sets of permission and payment terms. There could be competing organizations, with their own standards. Each Internet server and client would understand these terms and carry out the negotiation automatically, remitting any payment to an agreed depository by secure methods.").