

COPYRIGHT LAW AND CONTRACT AUSTRALIAN LIBRARY AND INFORMATION ASSOCIATION

Executive summary

Each year libraries provide a range of services to millions of researchers, students and members of the public. These services are performed in conformity with the copyright laws.

Librarians are aware of the advances in digital technology and wish to take advantage of the efficiency which digital technology offers to their information services. They are equally aware that digital technology poses a threat to copyright protection and are sympathetic to the needs of copyright holders.

ALIA believes that librarians and information professionals act as responsible intermediaries balancing the legitimate needs of users of copyright works with the legitimate rights of copyright holders.

Copyright protection should encourage, not inhibit, use and creativity. Copyright law should not give rightsholders the power to use technological or contractual measures to override the exceptions and limitations to copyright and distort the balance set in international and domestic copyright legislation. Licensing agreements should complement copyright legislation, not replace it.

ALIA believes that nothing in a licence or contract should be able to extinguish fair dealing uses or limit the rights of libraries under the Copyright Act. National copyright legislation should render invalid any terms of a licence that restrict or override exceptions or limitations embodied in copyright law. National copyright laws should aim for a balance between the rights of copyright owners to protect their interests through technical means and the rights of users to circumvent such measures for legitimate, noninfringing purposes.

Most copying of material in libraries is for educational, research or private study purposes. It is in the public interest to have access to information in all formats. And it is the public duty of libraries to provide access to copyrighted material. The library and information sector should have the opportunity to do so as long as it does not infringe on Australian and international copyright law.

Recommendations

ALIA recommends that:

1. that the current legislative regime is inadequate in dealing with copyright and Contract Law and that the government put in place comprehensive measures to ensure that parties cannot contract out of the exceptions laid down in the *Copyright Act 1968*.
2. the *Copyright Act 1968* codify common law rules regarding unfair copyright contracts.
3. a study of the operation of the so-called right of first digitisation, the scope of the safe harbour provisions, and the combination of technological measures and contract to ensure that the balance of interests in the Act is preserved.
4. the express prohibition in section 47H could be misread to suggest that provisions elsewhere in the *Copyright Act 1968* could be overridden by contract. And that there be an express acknowledgment that all the exceptions contained in the *Copyright Act 1968* cannot be overridden by contract.
5. the ACCC be given greater powers to regulate copyright collecting societies, and the competitive effects of contracts, agreements, and licences.
6. special protection for consumers of mass-market products, such as shrink wrap and other restrictive licences, to protect their rights under the *Copyright Act 1968*.
7. shrinkwrap clauses that mandate binding arbitration should be invalidated.
8. the Australian government put in place comprehensive measures to ensure that parties cannot 'contract out' of the exceptions laid down by the *Copyright Act 1968*.
9. copyright licences should not prohibit-disclosure of license terms.
10. no Australian individual or organisation should be forced to comply with the laws of a foreign jurisdiction unless they are operating outside Australia's jurisdiction.
11. the Australian government not follow the United States model in either domestic law or international copyright negotiations because of the overwhelming criticism of that model in allowing contracts to override copyright law.
12. ALIA finds some merit in the European directives seeking to prevent contracting out in respect of copyright exceptions. However, it maintains that a more general approach to copyright law and contract law is required in Australia to ensure simplification, clarity and the present balance interest in the Act.

The current legislative and policy framework

The Copyright Law Review Committee (CLRC) reference to copyright law and contracts must be undertaken in the context of other legislative and policy initiatives.

The *Copyright Act 1968* and the CLRC simplification project

ALIA submits that the current exceptions under the *Copyright Act 1968*, should not be directly, or indirectly, diminished by contract. In particular, the exceptions recognised in the *Copyright Act 1968* should be enshrined in the legislation, and contracts that seek to override such provisions should be rendered illegal.

The defence of fair dealing and other copyright exemptions

The rights of copyright owners are not entirely unrestricted, but are subject to considerations of what is fair and reasonable use of material for certain worthwhile purposes.¹ The Act allows certain use of works and other subject matter without the need to get permission (a licence) from the owner of copyright. The defences to infringement may be seen as serving a number of objectives – including the administration of justice, the advancement of education, the protection of the public's right to be informed and fixing the limits beyond which it is unreasonable to assert a proprietary right in one's own or another's work.

The former Chief Justice of the High Court, Sir Anthony Mason comments:

‘There should be no weakening of the exception in favour of fair dealing. The ‘fair dealing’ exception to infringement of copyright is and always has been squarely based on recognition of the paramount public interest in the copying or reproduction of copyright material for certain purposes such as research and study, criticism or review, news reporting, court proceedings and the provision of legal advice. If the ‘fair dealing’ exception is to be changed, it should be extended along the lines of the flexible American ‘fair use’ exception. That would permit the use of copyright material for important public purposes’.²

Given the public importance of the defence of fair dealing, it is important that this doctrine is not undermined by contract law or technological measures.

Libraries and archives exemptions

Special exceptions in the *Copyright Act 1968* allow copying and communication by libraries and archives of literary, dramatic, musical and dramatic works. Such provisions are not historical accidents, as has been suggested by the Copyright Agency Limited and the Australian Copyright Council. They are designed to support and encourage cultural institutions to play a great role in disseminating information and knowledge throughout the nation.

Such provisions are important in safeguarding the vital public role of libraries and archives. As Sir Anthony Mason notes:

¹ J McKeough and A Stewart, *Intellectual Property in Australia* (2nd ed 1997).

² Mason, A. ‘The Users’ Perspectives On Issues Arising in Proposals for the Reform of the Law of Copyright’, *Sydney Law Review*, 1997, Vol. 19, p 65.

‘Today, throughout the world, libraries are contending with a variety of constraints upon their capacity to develop collections in an era where publications are expanding across an ever-widening landscape of subjects and forms. Those constraints range from endemic funding limitations and storage inadequacies to the increased cost of acquisitions and subscriptions due to the pricing structure of very large international publishing and information groups such as Elsevier N.V. These structures have been reinforced by the merger of very large publishers. This has lifted the price of books and particularly serials way beyond the rise in inflation. The future of serials is in the balance. Technology may result in the article displacing the journal as the unit of library currency’.³

It is important that the Government ensure that the special provisions for libraries and archives are not undercut by contractual provisions. Similarly, statutory compulsory licences should not be displaced by contractual provisions, which diminish the rights of copyright users.

The simplification project

ALIA is supportive of the simplification project – particularly in relation to the introduction of a defence of fair use.⁴ It also agrees with Sir Anthony Mason about the need to raise the threshold of originality and defend the notion of a substantial part: ‘If there is to be a change in the concept of copyright, there should be an insistence on a stronger element of originality... Equally important is the continued need to insist on the requirement that reproducing or copying a substantial part of copyright work is a core element of infringement’.⁵

In a review of the simplification project, Sam Ricketson comments:

‘The CLRC proposals treat copyright as a closed system, holding out the prospect (perhaps unintentionally) that this will solve the challenge of a continually changing technological environment. But the real challenges may well lie elsewhere, in the sphere of enforcement, technological anti-infringement measures, contractual provisions, and resolution of the difficult private international law issues that arise in the on-line environment. This is not intended as criticism of the CLRC for not having addressed these issues-they were not part of its brief. On the other hand, it may indicate that simplification, whether formal or substantive, may really be a side issue to those which are of real concern to owners and users’.⁶

ALIA is concerned that the simplification project will only be meaningful if it is underwritten by guarantees against contracting out of the new reforms.

1. ALIA finds that the current legislative regime is inadequate in dealing with copyright and Contract Law. ALIA recommends that the Government put in

³ Mason, A. ‘The Users’ Perspectives on Issues Arising in Proposals for the Reform of the Law of Copyright’, *Sydney Law Review*, 1997, Vol. 19, p 65.

⁴ Copyright Law Review Committee. *Simplification of the Copyright Act 1968: Part 1. Exceptions to the Exclusive Rights of Copyright Owners*. Canberra: Australian Government Printing Services, 1998; and Copyright Law Review Committee. *Simplification of the Copyright Act 1968: Part 2. Rights and Subject Matter*. Canberra: Attorney-General’s Department, 1999.

⁵ Mason, A. ‘The Users’ Perspectives on Issues Arising in Proposals for the Reform of the Law of Copyright’, *Sydney Law Review*, 1997, Vol. 19, p 65.

⁶ Ricketson, S. ‘Simplifying Copyright Law: Proposals from Down Under’, *European Intellectual Property Review*, 1999, Vol. 21 (11), p 537.

place comprehensive measures to ensure that parties cannot contract out of the exceptions laid down in the *Copyright Act 1968*.

***The Copyright Amendment (Digital Agenda) Act 2000* right of first digitisation**

The *Copyright Amendment (Digital Agenda) Act* presumes that there is a fundamental difference between the print world and the on-line world. It offers recognition of a 'right of first digitisation'.

In her paper, 'Retrospective Futures?', Kathy Bowrey is critical of the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) She fears:

'The law endorses a distribution model that anticipates market demand will ensure that the first right of digitisation will be exercised by the copyright owner and that works will be made available online but my problem is with the reverse situation - further down the track where the work is only available in electronic format. It should cost a lot less for a copyright owner to distribute a work electronically than make it publicly available in hard copy and each use could attract a fee, which is not necessarily the case with a work distributed in hard copy format'.⁷

ALIA is concerned that libraries may suffer if they can only lease access to a journal on-line. The shift from print distribution to electronic distribution raises serious concerns about archiving. A library that subscribes to a print form of a journal will retain a hard copy of work. It will be able to be accessed by researchers and users for as long as they wish. By contrast, a library that subscribes to an electronic journal can only guarantee access to the resource for the duration of a contract. It retains no hard copy if the contract lapses because it can no longer afford the fees charged by the information provider.

ALIA argues that a license should include provision for affordable, perpetual access to the licensed information by some appropriate and workable means. Furthermore, it maintains that a license should address provisions for long-term access and archiving of the electronic information resource(s) under consideration and should identify responsibilities for these.

- 2. ALIA recommends that the *Copyright Act 1968* codify common law rules regarding unfair copyright contracts.**

- 3. ALIA is concerned that the exceptions recognised in the *Copyright Amendment (Digital Agenda) Act 2000* are being eroded. ALIA recommends a study of the operation of the so-called right of first digitisation, the scope of the safe harbour provisions, and the combination of technological measures and contract to ensure that the balance of interests in the Act is preserved.**

⁷ Bowrey, K. 'Retrospective Futures?' Conference Paper for 'Of Languages and Laws', Tenth Annual International Conference of the Law and Literature Association of Australia, July 7-9 2000.

Internet service providers

Although, libraries as intermediaries have an important role to play in ensuring compliance with copyright law, liability should ultimately rest with the infringer.

Copyright law should enunciate clear limitations on liability of third parties in circumstances where compliance cannot practically or reasonably be enforced.

ALIA believes that the 'safe harbour' exemptions provided by s 39A and s 39B of the *Copyright Act 1968* should not be able to be overridden by contract.

Anti-circumvention devices

The Intellectual Property and Competition Review (IPCR) was broadly satisfied that the Government's approach to the issues associated with technological protection measures preserves a reasonable balance between competing interests. However, it would be concerned if the use of technological locks, perhaps accompanied by greater reliance on contract, were to displace or in any way limit the effectiveness of fair dealing provisions.

Such fears about the operation of the anti-circumvention devices have been borne out by the recent *2600* case in the United States.⁸ Eight U.S motion picture studios sued the defendants to prevent them electronically linking their site to others where the DeCSS code could be obtained. DeCSS is designed to decrypt the CSS encryption system on DVD players and allows a copy of the DVD file to be stored. Justice Kaplan found that, by publicising the availability of the code, the *2600 Magazine* was held responsible for 'trafficking' in copyright circumvention devices, a new offence created under the U.S. *Digital Millennium Copyright Act 1998*. He refused to consider whether such expansive intellectual property rights could disrupt or interfere with the freedom of speech and communication. Essentially, this decision means that hyperlinking to computer code could amount to an anti-circumvention device.

Such developments make it imperative to limit the definition of anti-circumvention devices under the Australian legislation. It also makes it imperative to ensure that the few protections for copyright users in respect of anti-circumvention devices cannot be overridden by contract law.

The Copyright Amendment (Computer Software) Act 1999

Part III Division 4A allows for certain acts that would otherwise infringe the copyright in computer programs. These exceptions allow reproductions for the purposes of normal use or study of the program (s47B), making a back-up copy (s 47C), making interoperable products (s 47D); error correction (s 47E) and security testing (s 47F). Section 47H expressly provides that a contract which excludes or

⁸ *Universal City Studios v Reimerdes*, 111 F. Supp. 2d 294, 2000 U.S. Dist. LEXIS 11696 (S.D.N.Y. 2000); 111 F. Supp. 2d 346, 2000 U.S. Dist. LEXIS 11949 (S.D.N.Y. 2000); 104 F. Supp. 2d 334, 2000 U.S. Dist. LEXIS 9936 (S.D.N.Y. 2000); 98 F. Supp. 2d 449, 2000 U.S. Dist. LEXIS 6970 (S.D.N.Y. 2000); 82 F. Supp. 2d 211, 2000 U.S. Dist. LEXIS 906 (S.D.N.Y. 2000).

limits the exceptions provided by ss 47B (3) and 47C to 47F has no effect. Section 47H does not apply to the exception provided by s 47B.

ALIA is concerned that the express prohibition in section 47H of the *Copyright Act 1968* could be misread or misinterpreted by lawyers and courts to suggest that provisions elsewhere in the *Copyright Act 1968* could be overridden by contract. This could mean that the public policy objectives served by exceptions such as fair dealing and the library and archive provisions could be usurped by private contracts.

ALIA argues that all copyright exceptions should be treated alike in respect of contracting out. There is no reason to treat computer programs differently from other copyright works – especially given the objectives of the simplification project being undertaken by Copyright Law Reform Committee. Section 47H was devised because the exceptions in relation to computer programs would have little practical effect if parties could rely on contractual provisions to prevent these acts. Similarly, there should be express prohibitions against contracting out in respect of all the exceptions contained in the *Copyright Act 1968* because they would be rendered meaningless if parties could rely on contractual provisions to prevent these acts.

- 4. ALIA is concerned that the express prohibition in section 47H could be misread to suggest that provisions elsewhere in the *Copyright Act 1968* could be overridden by contract. Therefore, ALIA recommends that there be an express acknowledgment that all the exceptions contained in the *Copyright Act 1968* cannot be overridden by contract.**

Competition review of intellectual property

ALIA would like to draw attention to a number of recommendations made by the IPCR relating to collecting societies and the operation of the *Trade Practices Act* in relation to intellectual property.⁹

The IPCR advised that copyright-collecting societies should be subjected to greater scrutiny.¹⁰ It recommended that the grounds for ministerial revocation should be broadened to cover all collecting society arrangements, both input and output, including the disclosure of information to members and the public. Assuming a continued role for the Copyright Tribunal over the output arrangements of statutory societies in respect of other licences. The required mechanism should be for the Australian Competition and Consumer Commission (ACCC) to determine whether a reference should be made to the Copyright Tribunal based on either the application by a collecting society or from an actual or potential licensee.

⁹ Intellectual Property and Competition Review Committee. *Review of Intellectual Property Legislation under the Competition Principles Agreement*. Canberra: Australian Government, 2000.

¹⁰ Intellectual Property and Competition Review Committee. *Review of Intellectual Property Legislation under the Competition Principles Agreement*. Canberra: Australian Government, 2000.

The IPCR Committee recommended that intellectual property rights continue to be accorded distinctive treatment under the *Trade Practices Act*.¹¹ This would be achieved by:

- amending section 51 (1)(a)(i) of the *Trade Practices Act* to list all the relevant Intellectual Property statutes, that is ‘an Act relating to patents, trade marks, designs, copyright, circuit layouts and plant breeder’s rights’;
- repealing the current section 51 (3) and related provisions of the *Trade Practices Act*; and
- inserting an amended section 51 (3) and related provisions into the *Trade Practices Act* to give effect to ensuring that a contravention of Part IV of the *Trade Practices Act*, or of section 4D of that Act, will take place if the conditions in a contract, arrangement or understanding result or are likely to result in a substantial lessening of competition.

The term ‘substantial lessening of competition’ is to be interpreted in a manner consistent with the case law under the Trade Practices Act generally.

ALIA endorses the recommendations of the IPCR. It believes that the Australian Competition and Consumer Commission (ACCC) should be accorded a greater role in overseeing the role of copyright collecting societies, and monitoring contracts and license agreements dealing with the exploitation of copyright material.

5. ALIA recommends that the ACCC be given greater powers to regulate copyright collecting societies, and the competitive effects of contracts, agreements, and licences.

ALIA believes that libraries face particular difficulties in bargaining with electronic publishers, database owners and information providers. There are a number of reasons why the market alone will not regulate unreasonable contracts:

- inequality of bargaining power;
- gradual change;
- new markets; and
- ubiquity of such licensing.

It is salutary to reflect that the European experience has been that competition law has been necessary to ameliorate the market power accorded by database protection.¹²

Contractual practices

Electronic and print contracts

¹¹ Intellectual Property and Competition Review Committee. *Review of Intellectual Property Legislation under the Competition Principles Agreement*. Canberra: Australian Government, 2000.

¹² Hugenholtz, P. B. ‘Database Protection In Europe’, Seminar, The Australian National University, 22 February 2001.

ALIA notes that there is compelling evidence that electronic trade in copyright works and other subject matter is subject to agreements which exclude or modify exceptions to the exclusive rights of copyright owners provided under the Copyright Act. For the purposes of illustration, ALIA would like to draw the Committee's attention to the on-line contracts provided by electronic publishers in Australia and overseas:

CCH Australia

The terms and conditions of the electronic contracts provided by CCH Australia make no allowance for the defence of fair dealing, or the special provisions protecting libraries and archives or the special provisions relating to computer programs:

Copyright-Restrictions on use of Materials This site is operated by CCH Australia Limited and its affiliates, (collectively referred to as 'CCH,' 'CCH Australia Limited,' 'we,' 'us,' or 'our' herein). No material from CCH Australia Limited or any website owned, operated, licensed, or controlled by CCH may be copied, reproduced, republished, uploaded, posted, transmitted, or distributed in any way, except that you may download one copy of the materials on any single computer for your personal use only, provided you keep intact all copyright and other proprietary notices. Modification of the materials or use of the materials for any other purpose is a violation of CCH's copyright and other proprietary rights. For purposes of these terms, the use of any such material on any other website or networked computer environment is prohibited. All trademarks, service marks, and trade names are proprietary to CCH.

In the event you download software from the site, the software, including any files, images incorporated in or generated by the software, and data accompanying the software (collectively, the 'Software') are licensed to you by CCH. CCH does not transfer title to the Software to you. You own the medium on which the Software is recorded, but CCH retains full and complete title to the Software, and all intellectual property rights therein. You may not redistribute, sell, decompile, reverse engineer, disassemble, or otherwise reduce the Software to a human-perceivable form.

It is arguable that the restrictions on the use of copyright material laid down in this contract are much tighter than the minimum standards laid down by the *Copyright Act 1968*. The demand that 'no material' be used seems at odds with the notions of 'substantial similarity' and 'fair dealing' – surely, it should be possible to use insubstantial parts of a work, or even substantial parts of a work provided that they are protected by fair dealing. The exception that a user 'may download one copy of the materials on any single computer for your personal use only' is much more limited than the range of dealings permitted under fair dealing. Furthermore, the prohibition against reverse engineering fails to reflect the position under s 47D of the *Copyright Act 1968* that a person may reverse engineer or decompile copies of a program owned by someone else if they intend to make a product that is inter-operable with that program.

LBC Information Services

The contract provided by LBC Information Services provides an interesting contrast. This agreement is an improvement on the contract of CCH Australia, but it still contains a number of problems:

a. Grant. LBC hereby grants Subscriber a non-exclusive, non-transferable, limited license to access LBC Online. 'Subscriber' refers to each person, partnership, company or any other firm or organisation whether incorporated or unincorporated who establishes an account to access LBC Online or who is otherwise authorised to access and use LBC Online. LBC Online consists of various LBC-owned and third party databases, services and functions (all of which

may be referred to as 'Features') which may change from time to time. Access to certain Features may be restricted. Subscriber is licensed to use data made available to Subscriber on LBC Online ('Data,' which includes 'Downloaded Data' as defined below) solely in the regular course of legal and other research and related work. Certain Features are subject to Additional Terms (as defined below) all of which take precedence over the license granted in this paragraph 1(a).

Except as otherwise provided with respect to certain Data, the license includes the right to download and temporarily store insubstantial portions of Data ('Downloaded Data') to a storage device under Subscriber's exclusive control solely (i) to display internally such Downloaded Data and (ii) to quote and excerpt from such Downloaded Data (appropriately cited and credited) by electronic cutting and pasting or other means in memoranda, briefs and similar work product created by Subscriber in the regular course of its research and work. Subscriber may also create printouts of Data for internal use and for distribution to third parties if such third parties agree not to further distribute the printouts.

b. Limitations. Subscriber may not copy, download, store, publish, transmit, transfer, sell or otherwise use the Data, or any portion of the Data, in any form or by any means, except (i) as expressly permitted by this Agreement, (ii) with LBC's prior written permission, or (iii) if not expressly prohibited by this Agreement or by the Additional Terms, as allowed under the fair use provision of the Copyright Act 1968. Downloaded Data shall not be stored or used in an archival database or other searchable database except as expressly permitted by this Agreement or as quoted in Subscriber's work product. Subscriber shall not sell, license or distribute Data (including printouts and Downloaded Data) to third parties or use Data as a component of or as a basis for any material offered for sale, license or distribution.

c. Restrictions. Subscriber may not reverse engineer, decompile, disassemble or otherwise attempt to discern the source code of the components of LBC Online. Further, Subscriber may not reproduce all or any portion of the components of LBC Online. Subscriber may use any information cached in Subscriber's local disk drive solely in support of its use of LBC Online and for no other purpose. Subscriber shall notify its employees who may have access to LBC Online of the restrictions contained herein and shall ensure their compliance with these restrictions.

It is unfortunate that the formal recognition of 'the fair use provision of the *Copyright Act 1968*' is an afterthought at the end of a long sentence. It gives the false impression that the defence of fair dealing is of minor significance or importance. There is no recognition of the notion of 'substantial similarity'. So prohibitions against using 'any portion of the Data' are at odds with the *Copyright Act 1968*. There are similar problems with the blanket prohibition against reverse engineering or decompilation that were encountered with the contract of CCH Australia.

Butterworths

The Butterworths contract is the most satisfactory and in conversation they have confirmed that they intend the provisions to be similar to those of the Copyright Act.

In consideration of you paying the Fee, we grant a non-transferable, non-exclusive licence to you for the term of this agreement only to:

- a) use the Licensed Products and reproduce part (but not all) of the Licensed Products for the purposes only of supplying professional services to your clients, research or study, or supplying academic services to students; and
 - b) if the Licensed Product includes precedents, copy and modify those precedents for your internal use or for the purpose of supplying those precedents to your clients or students.
- For each copy of part of a Licensed Product you are permitted to make, you must cite the Licensed Product as the source of that copy and must not remove any copyright or credit notice included in the original Licensed Product.

This seems to be a reasonable reflection of fair dealing provisions that exist under copyright law at present and demonstrates that you can have a commercially viable licence that honours the exceptions.

As shown by the examples of some licence agreements current licence agreements can undermine the defence of fair dealing, library and archive provisions, and the special exemptions in relation to computer programs. Furthermore, ALIA suggests that current licence agreements purport to:

- control public domain or otherwise freely available material, as in the agreement between the City of Sydney and Channel Nine in the case of *Nine Network Australia Pty Ltd v Australian Broadcasting Corporation* (1999) 48 IPR 333;
- control material otherwise outside the control of copyright such as facts or insubstantial portions;
- restrict further legitimate distribution and thereby destroy secondary markets; and
- restrict freedom of expression by directly restricting discussion of the product or by restricting the operation of fair dealing for criticism or review.

Mass-market agreements

ALIA is alarmed by a number of United States court decisions, which have contentiously held that fair use exceptions can be modified by contract.

In 1996, the Seventh Circuit decided the case of *Pro CD, Inc. v. Zeidenberg*, holding that software shrinkwrap license agreements were a valid form of contracting under Wisconsin's version of the Uniform Commercial Code and were not void as unconscionable. A number of other United States cases have followed this precedent.

ALIA maintains that license terms and conditions must be fully available to customers in advance of their contracting for said resources. Every license is subject to discussion of terms and to negotiation between the parties. In the case of 'shrink-wrapped' and 'click-through' non-negotiated licenses, the terms should support public policies in such areas as copyright, privacy, intellectual freedom, and consumer rights. Licenses (contracts) for information should not exclude or negatively impact for users of the information any statutory rights that may be granted by applicable copyright law.

- 6. ALIA recommends special protection for consumers of mass-market products, such as shrink wrap and other restrictive licences, to protect their rights under the *Copyright Act 1968*.**
- 7. ALIA recommends that shrinkwrap clauses that mandate binding arbitration should be invalidated.**

Arbitration clauses

ALIA is concerned that contractual ‘shrinkwrap’ or ‘clickwrap’ clauses create their own ‘law’ by mandating binding arbitration in consumer transactions.

Associate Professor Beth Thornburg comments that merchants have a strong incentive to pre-select a privatised decision maker to enforce the ‘law’ as specified in the contract.¹³ To this end, they can include an arbitration clause specifying the arbitral body, the location of the arbitration, the substantive and procedural law to be applied (or creating its own ‘law’), and the grounds, if any, for appeal. Such clauses have several consequences for the power of courts as institutions and for due process to litigants:

‘First, they result in privatised justice. These processes take place independently, with little or no participation or sanction from government actors. Rather, private or even automated decision makers have sole power to control the rights of the parties.

‘Second, the processes shift procedural advantage to certain powerful players. Rules can be designed to promote desired outcomes. Interim relief can be obtained without the need to prove irreparable injury or probable success on the merits and without a balancing of interests.

‘Third, the mechanisms do not protect certain traditional components of due process in dispute resolution. Aspects of litigation such as affordable access to justice, notice, discovery, collective action, live hearings, confrontation of witnesses, a neutral decision maker, and a transparent process may be absent from these privatised processes.

‘Fourth, by eliminating the courts as the arbiters of disputes, these processes decrease the power of government to shape and enforce substantive law. The ‘law’ becomes what is specified in the contract or programmed into the software, and courts lose the ability to enforce mandatory rules and to subject contractual ‘law’ to the needs of public policy’.¹⁴

ALIA is concerned that such clauses that prescribe a jurisdiction and an arbitrator will undermine the role of the courts, and the sovereignty of the Australian parliament, and the ability of parties to receive due process in litigation.

Site clauses

ALIA, is concerned that some contracts have unfavorable provisions in relation to access for users in one institution based in multiple sites. Publishers don’t seem to understand that it is possible to be a single institution, under a single administration, yet be geographically separated by hundreds and sometimes thousands of kilometres. The things that contracts seek to prevent libraries from doing with their electronic journals, are the very things that they have always done with hard copy journals. For example, university libraries provide copies of journal articles to students and staff at other campuses. However, many licenses for online access prevent libraries from letting all campuses have access, by refusing to acknowledge that the university is a single institution.’

¹³ Thornburg, E. ‘Going Private: Technology, Due Process, and Internet Dispute Resolution’, *University of California Davis Law Review*, 2000, Vol. 34, p 151.

¹⁴ Thornburg, E. ‘Going Private: Technology, Due Process, and Internet Dispute Resolution’, *University of California Davis Law Review*, 2000, Vol. 34, p 151.

Following are some examples of license definitions of a site, which prevent libraries from providing access to students and others.

American Roentgen Ray Society (via Highwire)

<http://www.ajronline.org/subscriptions/institutional-faq.shtml>

‘For the most part, an Institutional Subscription authorizes use at a localized site. A ‘site’ is an organizational unit, and may be academic or nonacademic. *For organizations located in more than one city, each city office is considered a different site.* For organizations within the same city that are administered independently, each office is considered a different site. For example, each campus in the State University of New York system is considered a different site, and each branch or office of UpJohn Laboratories is considered a different site.’

American Society for Microbiology (via Highwire)

<http://www.journals.asm.org/subscriptions/sitelicense.shtml>

‘An Authorized Site is a localized site that is an organizational unit and may be academic or nonacademic. *For organizations located in more than one city, each city is considered to be a different site.* For organizations within the same city that are administered independently, each location is considered to be a different site. *No access from remote campuses or remote sites and no consortia or other forms of subscription sharing are allowed under this License.*’

Society for General Microbiology

<http://vir.sgmjournals.org/subscriptions/institutional-faq.shtml>

‘Access is for a single institution or campus (that is the same constituency of users served by each single subscription at the institutional rate to the paper version). *Use by others in geographically distinct or separately administered sites will require further subscriptions. For example universities with separate campuses, or administratively distinct units on the same campus with their own libraries, will need separate subscriptions for each unit where access is required.*’

- 8. ALIA finds that the current legislative regime is inadequate in dealing with copyright and contract law and recommends that the government put in place comprehensive measures to ensure that parties cannot contract out of the exceptions laid down in the *Copyright ACT 1968*.**

Confidentiality clauses

ALIA is concerned about the presence of commercial confidentiality clauses attached to contracts dealing with copyright works. Such provisions serve to stymie the gathering of information about contracts relating to copyright law. They harm the capacity of libraries to engage in collective bargaining with copyright owners over fees for access to databases and on-line resources. They also inhibit the proper supervision of contracts by the courts and government regulators. ALIA maintains that requirements for non-disclosure of license terms are generally inappropriate.

9. ALIA recommends that copyright licences should not prohibit disclosure of license terms.

Jurisdictional issues

ALIA is concerned that copyright contracts may be governed by a foreign jurisdiction. In *Code and other Laws Of Cyberspace*, Lawrence Lessig comments that such contractual clauses undermine the rights of consumers, and the sovereignty of local governments:

‘We can assume that sophisticated actors are able to defend themselves against rules [about contracts] inconsistent with their interest, or with the requirements of their local jurisdictions. Consumers, individuals, and ordinary cyber-contractors are not in the same position. When people lack the competence or advice to negotiate effectively, the effect is to shift control over such agreements from local courts and administrators to whatever rule is built into code. Thus, local governments lose control over the rules and the effective rule-maker shifts to cyberspace’.¹⁵

ALIA argues that the choice of applicable law should be acceptable for both parties. Preferably it should be the national or state law of the licensee.

10. ALIA recommends that no Australian individual or organisation should be forced to comply with the laws of a foreign jurisdiction unless they are operating outside Australia’s jurisdiction.

International context

United States

In the United States, there has been much debate over copyright law and contract law in relation to Draft Article 2B of the Uniform Commercial Code—a model law for transactions in information. Article 2B of the UCC was eventually adopted in the summer of 1999 under a new name: the *Uniform Computer Information Transactions Act* (UCITA).

In *Licensing Information in the Global Information Marke*’, Pamela Samuelson and Kurt Opsahl consider the implications of the United States debate over Article 2B for other countries

‘The debate over Article 2B is a reflection of a larger struggle between public policy and the freedom of contract. Regardless of the fate of this particular model law, the tensions, and the eventual compromise, illustrated in this debate suggest how the larger debate might play out in other venues. There 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?’¹⁶

¹⁵ Lessig, L. *Code and Other Laws Of Cyberspace*. New York, NY : Basic Books, 1999, p 197.
¹⁶ Samuelson, P. and Opsahl, K. ‘Licensing Information in the Global Information Market: Freedom of Contract Meets Public Policy’, *European Intellectual Property Review*, 1999, Vol. 21 (8), p386.

First, Pamela Samuelson and Kurt Opsahl comment that contract law may undermine the public policy imperative of promoting innovation:

‘The American intellectual property system allows for certain exceptions to the property rights accorded inventors and authors, so as to not frustrate opportunities for future development. Unlimited enforcement of contractual terms can endanger this careful balancing. For example, a mass-market contractual clause might purport to prohibit the copying of some information in the public domain... Under American innovation policy, a clause restricting that right should be unenforceable’.

Second, Pamela Samuelson and Kurt Opsahl comment that contract law may also upset the public interest in competition:

‘Article 2B has the potential to upset the efficient allocation of resources with which antitrust law is concerned. For example, both US and European competition policies favour interoperability of computer systems. In the United States, the copyright concept of fair use permits end users to decompile a copyright computer program to achieve interoperability. A mass-market contractual provision, however, could attempt to override this pro-competitive right.’

Third, Pamela Samuelson and Kurt Opsahl are concerned that contract law might disturb the freedom of expression. They observe:

‘While it may be reasonable to uphold a contract that is limited to two parties, a mass-market contract raises more compelling concerns. When a term is non-negotiated and distributed with every instance of the licence, what was compelling becomes almost overwhelming. For example, Network Associates, an American developer of anti-virus utilities, licenses software on the basis that ‘the customer will not publish reviews of the product without prior consent’. If this term was enforced, no criticism of the product could be effectively enforced’.

Such criticisms of Article 2B are echoed by other commentators, such as Jessica Litman,¹⁷ Michael Froomkin,¹⁸ Samuel Muramba,¹⁹ P. Bernt Hugenholtz argues that the combination of contract law and technological measures poses a direct threat to the copyright system as we know it, and may require an entirely new body of information law to safeguard the public domain.²⁰

The Australian Government should not follow the United States model set down in Article 2B of the *Uniform Commercial Code by the Uniform Computer Information Transactions Act* (UCITA).

11. ALIA recommends that the government not follow the United States model in either domestic law or international copyright negotiations because of the overwhelming criticism of that model in allowing contracts to override copyright law.

¹⁷ Litman, J. ‘The Tales that Article 2B Tells’, *Berkeley Technology Law Journal*, 1998, Vol. 13 (3), p 931.

¹⁸ Froomkin, M. ‘Article 2B as Legal Software for Electronic Contracting - Operating System or Trojan Horse?’, *Berkeley Technology Law Journal*, 1998, Vol. 13 (3), p 1023.

¹⁹ Muaramba, S. ‘The Emerging Law of the Digital Domain, and the Contract/ IP Interface’, *Brooklyn Journal Of International Law*, 2000, Vol. 91.

²⁰ Hugenholtz, P.B. ‘Copyright, Contract and Code: What Will Remain of the Public Domain?’, *Brooklyn Journal of International Law*, 2000, Vol. 26, p. 77.

Europe

In Europe, the debate has only just begun over the relationship between copyright law and contract law.

In *Copyright, Contract and Code*, the European scholar P. Bernt Hugenholtz comments:

‘In contrast, copyright in Europe is still very much regulated on a country- by-country basis. The Member States of the European Union have, until today, preserved their autonomy in this field, but must comply with a handful of harmonization directives that the European Council and Parliament have adopted since 1991. The specific constitutional foundation on which copyright rests in the United States does not have a parallel in most European countries. Unlike the United States, continental-European ‘authors’ rights’ are based primarily on notions of natural justice: ‘authors’ rights are not created by law but always existed in the legal consciousness of man.’ 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.²¹

‘Both the principle of freedom of contract and the ‘property rights’ nature of European copyright would appear to leave ample room for licensing provisions that override user freedoms existing under copyright law. Indeed, copyright limitations not serving a clearly defined social function, such as statutory licenses enabling photocopying in government institutions or the broadcasting of musical works, may well be set aside by contractual arrangements. Conversely, limitations that reflect unequivocal public policies, such as consumer protection or freedom of competition, will probably be considered non- overridable- even in Europe. This is true, a fortiori, for copyright limitations reflecting fundamental freedoms, such as the right to privacy or the freedom of expression and information protected inter alia in the Convention for the Protection of Human Rights. Thus, provisions in licensing agreements that would unduly prohibit private copying or critical review might be considered null and void.’

‘The European legislature has been the first to expressly enact copyright limitations of a mandatory nature. The European Software Directive contains four such exemptions, presumably geared at protecting consumer interests and promoting competition. According to Article 5(2) of the Directive, ‘the making of a back-up copy by a person having a right to use the computer program may not be prevented by contract insofar as it is necessary for that use.’ Also, the observing, studying or testing of a computer program may not be contractually restricted. Following Recital 17 of the Software Directive, the same applies to running a program and for error correction. The extremely complex provisions on ‘decompilation’ (reverse engineering) are declared mandatory as well. The European Database Directive also contains a number of mandatory exemptions. The legitimate user may perform acts inherent to normal usage; and the right to re-utilize non-substantial parts of a database may not be overridden. Surprisingly, the proposed European Copyright Directive is silent on the question of ‘overridability.’

‘Of course, European law sets various other limits to parties’ freedom to enter into information transactions. Consumer law is particularly well developed in many countries of the EU, and may protect not only consumers, but also small businesses against the unconscionable licensing practices of dominant information providers. Unfortunately, most consumer law is still very much oriented towards an economy of physical goods, and does not provide adequate protection in respect of information goods or services. Interestingly, in a recent letter to Parliament, the Dutch Minister of Justice has suggested introducing so-called ‘unwaivable

²¹ Hugenholtz, P.B. ‘Copyright, Contract And Code: What Will Remain of the Public Domain?’, *Brooklyn Journal Of International Law*, 2000, Vol. 26, p. 77.

use rights' in order to expressly protect information consumers against unconscionable licensing practices.'

ALIA applauds the developments in relation to the European Software Directive and the European Database Directive. However, it believes that there is a need for comprehensive provisions dealing with copyright law and contract law in Australia – not just in limited areas such as software and databases.

12. ALIA finds some merit in the European directives seeking to prevent contracting out in respect of copyright exceptions. However, it maintains that a more general approach to copyright law and contract law is required in Australia to ensure simplification, clarity and the present balance interest in the Act.

APPENDIX

International Federation of Library Associations and Institutions

IFLA (The International Federation of Library Associations and Institutions) is the leading international body representing the interests of library and information services and their users. It is the global voice of the library and information profession.

Licensing Principles

Prepared by IFLA's Committee on Copyright and other Legal Matters (CLM)

Introduction

1. The worldwide marketplace for all types of electronic information resources is rapidly being developed as publishers and vendors who create electronic information seek to attract libraries of all types (public, academic, special, national) as their customers. Today, libraries around the world continue in their role as mediators between citizens, including those affiliated with specific institutions, and information and cultural expression - roles that persist even more energetically, it appears, for electronic information than for print. And, just as libraries advance the archiving and preservation of traditional media, so they are seeking ways to ensure that electronic resources will be archived and preserved to be accessible over a long period of time. Pricing also remains an issue: libraries continue to express concerns about the fact that a number of electronic resources appear to be priced higher than were their print counterparts.
2. While the library community strongly supports the continuation into the digital environment of exceptions that have been granted under copyright law, there are some areas where different procedures and policies need to be developed to handle electronic publications. Of particular interest to IFLA in the development of licenses is the following:
 - 2.1 Use of electronic information everywhere in the world is, at this time, usually defined and described by contractual agreements, otherwise known as licenses. These licenses describe comprehensively the terms of the provider/library relationship. Contracting is a comparatively new (1990s) way of doing business for most parties in the information chain.
 - 2.2 Licenses are pure marketplace arrangements in which a willing information provider and a willing purchaser of information access come together to make arrangements, deal by deal, resource by resource.
 - 2.3 User rights are defined within the terms and conditions of the licenses. They are not governed by (comparatively well understood) copyright legislation to the same extent as is the use of 'fixed' or traditional information formats.
 - 2.4 Libraries generally provide patron access to such information via access to remote publisher or vendor sites, rather than library-controlled sites. Yet, the tasks and costs of libraries and information providers with regard to long-term archiving and preservation of electronic resources are disturbingly unclear. While a license cannot resolve this complicated set of electronic archiving issues, it will, generally, recognize them and express a set of commitments or expectations on the part of the contracting parties.
3. IFLA views the licensing arena positively, although key issues remain to be resolved. In particular, licensing is showing itself responsive to the complex business arrangements being entered into between information providers and library consortia of different types and sizes. IFLA encourages and supports the evolution of all types of libraries negotiating as consortia. Nonetheless, even with the current move to licensing as a complementary means of regulating the use of electronic information, libraries and their users need effective, well-balanced national copyright laws that recognize not only the copyright owners' need for remuneration and recognition, but also the critical purposes of public information, education and research. This balance, struck in carefully crafted copyright legislation, must find expression in all information resource licenses.

IFLA hereby presents a set of basic principles that should prevail in the contractual relationship and written contracts between libraries and information providers

Licenses and the Law

P1. Licenses represent an agreement between the library that seeks to make an electronic resource available for its readers or constituents, and a publisher or vendor who has the rights to such resources and seeks to make them available in the library marketplace. License terms and conditions must be fully available to customers in advance of their contracting for said resources. Every license is subject to discussion of terms and to negotiation between the parties.

P2. In the case of 'shrink-wrapped' and 'click-through' non-negotiated licenses, the terms should support public policies in such areas as copyright, privacy, intellectual freedom, and consumer rights.

P3. Licenses (contracts) for information should not exclude or negatively impact for users of the information any statutory rights that may be granted by applicable copyright law.

P4. The choice of applicable law should be acceptable for both parties. Preferably it should be the national or state law of the licensee.

P5. Licenses should be negotiated and written in the primary language of the library customer.

Licenses and Values

P6. The license agreement should be clear and comprehensive, recognizing the needs of the concerned parties. In particular, important terms should be defined so as to be clearly understood.

P7. The license should balance the rights and responsibilities of both parties.

P8. The license should provide for remedy periods and other modes of resolution before either cancellation or litigation is contemplated.

P9. The contracting parties should have the right to back out of the arrangement under appropriate and defined circumstances.

Licenses: Access and Use

P10. The license should provide access for all of the users affiliated with a licensee, whether institution or consortium, regardless of whether they are on the licensee's premises or away from them.

P11. The license should provide access to individual, unaffiliated users when on the licensee's premises.

P12. The license should provide access for geographically remote sites if they are part of the licensee's organization.

P13. Remote access should be provided by way of a web-based, user friendly interface.

P14. Data that is downloaded locally should be available in multiple standard formats (e.g. PDF, HTML, and SGML), portable to all major computing platforms and networked environments.

P15. At a minimum the license should permit users to read, download, and print materials for their own personal purposes, without restrictions.

P16. Resources provided via remote access to providers' sites should be available on a 24-hour basis, with appropriate 'help' or service support, except for short scheduled downtimes announced with adequate notice to the customer library(ies). Penalties may accrue if service commitments are not met.

P17. A high degree of content stability, both in single and in aggregated resources, should be guaranteed and the institutional customer should be notified of changes. Penalties may accrue if content commitments are not met.

Licenses and End Users

P18. Libraries should work with users to educate them about proper use of electronic resources and take reasonable measures to prevent unlawful use, as well as with providers to halt infringing activities if such become known. Nonetheless, the library should not incur legal liability for actions of individual users.

P19. It is not appropriate to ask the individual user to agree to a contract, such as a 'click' contract, where the institution/library has already made -- or may engage in making -- an agreement on behalf of its patrons.

P20. Users' privacy should be protected and respected in the license and in any intervention made by information providers or intermediaries.

P21. The networked information provider should offer usage (as opposed to user) data so that the library licensee may assess the effectiveness of the use of the resource.

Licenses and Perpetual Access

P22. A license should include provision for affordable, perpetual access to the licensed information by some appropriate and workable means.

P23. A license should address provisions for long-term access and archiving of the electronic information resource(s) under consideration and should identify responsibilities for these.

Licenses and Pricing

P24. Prices should be established so as to encourage use rather than discourage it. For example:

- Many suppliers price electronic information at lower than the print equivalent (if there is one)
- Many suppliers now offer incentives, such as consortial pricing, a choice of pricing models, and the like.

P25. Prices should be fully disclosed with no hidden charges.

P26. An unbundled (from print) price should be offered for electronic versions; a bundled price may be offered as well where this offers advantages for the licensee.

P27. There should be no penalty for canceling print in order to take up the electronic version of a resource.

P28. Requirements for non-disclosure of license terms are generally inappropriate.

Interlibrary Loan

P29. Provisions for interlibrary loan or equivalent services should be included.

P30. In general, libraries should be able to deliver reasonable length extracts from licensed information to libraries that have not signed a contract for that information for use by a specific patron.

Teaching and Learning

P31. Licenses should support local teaching and learning efforts, from elementary through university level, by permitting links to, or copies of, specific course-related information to appear in online course-support activities such as electronic reserve.

P32. Distance Independent Learning poses a challenge to providers and libraries. Licensors should recognize the affiliation of users with a given library or institution, regardless of users' physical location and should permit them routine access to licensed electronic information resources (see also clause 8).

Approved by IFLA's Executive Board, March 2001