



The Electronic Rights War.

Who owns the rights to new digital uses of existing works of authorship?

published in *IRIS – Legal Observations of the European Audiovisual Observatory*, 2000-4.

P. Bernt Hugenholtz & Annemique M.E. de Kroon

Introduction

“New technologies breathe new value into old content.” [\[1\]](#) The history of the media provides many illustrations of this simple truism. The break-through of television broadcasting in the 1950's and 1960's created huge secondary markets for existing cinematographic works. The proliferation of video recorders in the 1980's gave new life to popular television programs (e.g. Monty Python's Flying Circus), and further increased the commercial life-span of movies, new and old. With the introduction of each new medium, a new shackle is added to the existing 'chain of exploitation'. For a major film this chain will typically comprise cinema distribution, subscriber and hotel television, video release and rental, primary broadcast television, second-run broadcast television ('syndication'), cable retransmission, et cetera. Increasingly, successful films are also 'serialised' (adapted for television), 'novelised' (transformed into novels) or 'theatricalised' (turned into plays). In addition, film characters or props (e.g. the legendary Batmobile) are subjected to all sorts of merchandising.

In the digital revolution that is currently taking place, history repeats itself again. Authors, producers, publishers and broadcasters are discovering, as they did in 'analogue' times, that existing 'content' can be put to new, sometimes profitable secondary uses. Archived television news items may serve as input to multimedia encyclopedias; film clips may become part of computer games or educational software; newspaper articles may be republished on Internet web sites, or archived on commercial CD-ROMs.

Not surprisingly, the rapidly emerging market for secondary electronic uses of existing works of authorship has led to disputes over the ownership of so-called *electronic rights*. Who owns the rights to reuse in electronic form an article originally written for a newspaper; a television program originally produced for broadcast television; or a film originally made for the screen? Is it the journalist or the newspaper publisher; the television producer or the broadcasting company; the film producer or the distributor? In recent years, a number of disputes over the ownership of electronic rights, mostly involving the works of newspaper journalists, have been decided by the courts. This article provides an overview of the most interesting case law to emerge from Europe and the United States. Some of the cases have been previously reported, in summary form, in this journal; others have only recently surfaced.

Austria

The first 'electronic rights' case to be decided by a highest-level national court was litigated in Austria.^[2] In a publishing contract concluded in 1984, the widow of an author of literary works had assigned the exclusive publishing rights in the works to a publisher. Under the contract, exclusive rights had been granted, inter alia, for the reproduction and commercial distribution of the work, for reproduction on microfilm, and for uses in compilations. In 1997, another publisher had used parts of the author's works in an art catalogue (on the 'Wiener Gruppe') for the Venice Biennale art festival, to be published both in printed form, on CD-ROM, and over the Internet. The publisher, however, had failed to secure the right owner's prior permission.

Before the courts, the defendant (the publisher of the art catalogue) argued that the grant of rights in the publishing contract was limited to print media, and did not extend to uses in electronic form. The Austrian Supreme Court agreed. The language in the publishing agreement suggested that the plaintiff had acquired only such rights as were necessary for exploiting the work in printed form. At the time of contracting (in 1984), Internet and CD-ROM were either unknown media, or uses of which the author could not have foreseen their economic impact. In sum, the Court concluded, no electronic rights had been granted to the publisher. Thus, no such rights of the plaintiff's could have been infringed.

Belgium

Belgium boasts the first case on electronic rights to be decided anywhere in the world.^[3] Ten publishers of newspapers and magazines had founded *Central Station*, an online database containing a cross-section of news articles published in various print media. The articles were sent to Central Station when ready for print, and were put online on a daily basis. The Belgian Union of Journalists alleged that Central Station needed the permission of the journalists (both freelance and employed) for such electronic uses of their works.

The Brussels Court of first instance held that the then new Belgian Copyright Act (Act of 20 June 1994) applied to the contracts the freelance journalists had entered into. The 1994 Act requires a written contract of transfer, and provides that both the scope of the grant and the means of exploitation need to be narrowly interpreted. However, Central Station could not produce any written permission of the freelance journalists, and therefore lacked the authority to disseminate the articles electronically.

In respect of the employed journalists, the Court applied the old Copyright Act of 1886. The Court considered that in order to determine the scope of the grant of their copyrights, it had to be established whether the dissemination of the articles on the Internet strictly corresponded with the publishers' principal activities; whether the "distribution is the natural complement of the written press" ("si cette diffusion est le complément naturel de la presse écrite"). The Court noted several important differences between print and electronic publication: putting the articles online requires certain manipulations; online audiences are generally larger and more international than readership of print publications; the Central Station database allows one to select articles by subject matter from a variety of newspapers; et cetera. For all these reasons, the Court held that the rights under dispute were not implicitly granted.

Central Station lodged an appeal against the decision concerning the employed journalists. The Brussels Court of Appeals affirmed the decision of the lower court, albeit for completely

different reasons. The contractual relationship between the publishers and the journalists was held to be a contract 'intuitu personae', i.e. a contract imposing personal obligations that cannot be assigned to third parties. According to the Court, a journalist of the printed press who has an oral employment agreement has merely granted to the publisher the right to render his ideas typographically - ideas which he has translated into an article for a specific publication in a particular newspaper or magazine. The Court concluded that the journalists' refusal to have their work exploited on the Internet was justified by Central Station's refusal to offer appropriate remuneration.

France

French courts have produced more than a handful of interesting decisions on electronic rights. In the case of *Plurimédia* [4] a number of journalists and their trade unions brought legal action, not against 'their' newspaper publisher, but directly against the provider of the online information service concerned (Plurimédia). The case concerned the online dissemination of news items, both from printed sources (the newspaper *Dernières Nouvelles d'Alsace*), and from television (news programmes broadcast by channel FR3). The newspaper publisher and the television station had given Plurimédia prior permission to re-use the printed and televised news on the Internet. Permission of the (employed) journalists had not been sought.

The Strasbourg Court decided (in the form of an *ordonnance de référé*, in summary proceedings) that in both cases the reproduction right was implicated. According to the Court, a newspaper qualifies as a collective work under article L 113-5 of the Intellectual Property Code. Consequently, the publisher of the newspaper is the owner of the copyright in the newspaper. On the basis of article L 761-9 of the Employment Code and article 7 of the collective bargaining agreement for journalists, however, a grant of rights is limited to first publication; the right to publish a work in more than one newspaper or magazine needs to be agreed upon expressly, and the express agreement needs to define the conditions for reproduction. The Court considered the medium of a newspaper in print to be different from the medium of an online newspaper, because online distribution requires certain technical manipulations; the online product is different from a newspaper, and a new means of communication is involved. Therefore, there had been publication in more than one newspaper or magazine. The collective agreement for journalists was concluded in 1983, at which time Internet uses could not have been foreseen. Therefore, no express agreement was found, and the online reproduction of articles previously published in the newspaper was subject to the journalists' prior permission. In respect of the televised news items, the Court came to similar conclusions, even though the journalists' employment agreements with FR3 did not contain any relevant provisions. The Court concluded that the journalists could not have granted the rights required because Internet use was unknown at the time the employment agreements were entered into.

After the decision, the journalists and the newspaper publisher reached an agreement. The appeal, [5] therefore, merely concerned the reuse of televised news items, which had been an experiment of only six months, and had been terminated at the time the appeal was heard. Even though the Court adopted the arguments of the court in first instance, the decision was overturned on procedural grounds. The Court held that there was no obviously illicit interference in a legal position nor imminent damage (*préjudice*). In consequence, no reason to issue an *ad interim* injunction existed.

The *Figaro* case was decided by a 'juge de fond'. [6] *Le Figaro*, a major French daily newspaper,

offered to the public the possibility of consulting its electronic archives containing news articles published in the past two years, and to obtain copies thereof. Journalists and a trade union complained that *Le Figaro* had not asked their permission. The Court prohibited the service, and awarded damages on grounds that echo the *Plurimédia* decision. In the absence of an express agreement to the contrary, the journalists' grant of reproduction rights only covers the first publication in the form agreed upon by the parties. "Since publication in more than one newspaper or magazine, that is on another support of the same kind, is prohibited, this applies *a fortiori* to the reproduction of articles on a new support resulting from recent technology."

Journalists of newspaper *Le Progrès*, supported by the national union of journalists (SNJ), took the newspaper publisher to court for putting their articles on the Internet and on Minitel without their consent. [7] Contrary to the lower court, the Court of Appeals considered the newspaper to be a collective work. It nevertheless upheld the decision of the lower court, once again invoking the Employment Code and the collective bargaining agreement for journalists. Moreover, the Court noted that article L 121-8 of the Intellectual Property Code stipulates that an author of a work which has been published in a newspaper or magazine reserves the right to reproduce and exploit his work in whatever form, provided that the reproduction or exploitation does not compete with that newspaper or magazine, and unless an agreement to the contrary has been concluded.

The Court held that online publication and archiving on a server "cannot be considered an extension of the distribution on paper, particularly since the typographic layout and the presentation of an article in a publication corresponding to a current of ideas upheld by its author at the time the contract was concluded, disappear; readership is extended and the duration of publication is different." Absent the express agreement of the employed journalists, the re-use of the journalists' articles on the Internet and on Minitel was prohibited.

Germany

Germany has produced some important case law on electronic rights as well. In 1997, the District Court of Hamburg decided that the use of photographic works in an annual CD-ROM compilation of news magazine *Der Spiegel* did not infringe the rights of freelance photographers. [8] The annual CD-ROM, which contained the full texts and illustrations of the printed volumes (not including advertisements), started to appear in the spring of 1993. No express permission for electronic uses had been granted by the photographers. According to FreeLens, an association of some 70 freelance news photographers, the licences previously granted by its members to *Der Spiegel*, either in oral or in written form, did not extend to re-uses on CD-ROM.

In this context two 'author-friendly' provisions of the German Copyright Act ('GCA') were of particular importance. Article 31(4) GCA declares null and void any obligation in respect of uses (i.e. any independent means of exploitation) that were unknown at the time a licence was granted. Obviously, under the rule of article 31 (4) the moment of knowledge of a novel use is crucial in determining the scope of a license. In 1982 the German Federal Supreme Court decided that television broadcasting was a known use since 1939. [9] The secondary exploitation of films on video was considered unknown in 1968 [10], but a known use as from 1971 [11]. In respect of digital uses, the Court of Appeal of Duesseldorf held that the reproduction of musical works on digital media (CD, DAT, DCC) was still unknown in 1971. [12]

Another import provision is Article 31(5) GCA, that codifies the so-called 'purpose-of-grant' rule ('Zweckübertragungsregel'). Whenever the terms of a contract do not specifically enumerate the uses for which rights are granted, the author is deemed to have granted no more rights than are required by the purpose of the contract.

Surprisingly, the Hamburg Court held for defendant Der Spiegel. The Court left open the question of whether re-use on CD-ROM constitutes an independent means of use for the purpose of article 31(4). According to the Court, at the time the licences were granted (in 1989 or later) CD-ROM was a known use, even if market success for the new medium came only later. Thus, the photographers could not invoke article 31(4).

In interpreting the licences, the Court noted that the photographers had never previously objected to republication of their works in printed compilations, or in microfilm versions of the same. Accepting Der Spiegel's argument, the Court observed that the CD-ROM edition was merely a substitute for previous paper or microfilm editions. Thus, the licences were deemed to include the right to republish the photographs on CD-ROM.

On appeal, the FreeLens decision was overturned. [\[13\]](#) The Court of Appeals considered that the CD-ROM, compared to the magazine, the bound volume and the microfilm, constituted a new independent means of exploitation. According to the Court, a CD-ROM allows for a more intensive use, and is not merely a new technique for transmission. Moreover, consumers perceive CD-ROM as a medium different from print or microfilm. A CD-ROM not only looks different, but, more importantly, has faster search capabilities; is more easily manageable; takes up less space; does not wear (out); and is easier to reproduce - digital data can be distributed directly over international networks such as the Internet. The Court further observed that, once an image has been digitised, further distribution without any loss of quality is possible, with obvious (negative) consequences for the rights of the authors.

In another decision involving the rights of photographers, a daily newspaper and the editor of the newspaper's web site were ordered to stop publishing photos online without the photographer's permission. [\[14\]](#) Providing online access to photographs was held to be a technically and economically separate and independent form of exploitation. Therefore, a separate license for the use of the photographs on the Internet was required. According to the Court, no such permission was ever granted, either expressly or implicitly. The mere fact that the photographer had continued his business relationship with the publisher, without protesting, could not be taken to imply that he had agreed to the use of his works on the Internet. [\[15\]](#)

In a case involving the unauthorised Internet use of an item broadcast on television, the Munich District Court [\[16\]](#) confirmed that such use constitutes an independent means of exploitation. No permission could be inferred from the production contract. Only television broadcast rights had been expressly granted; the contract did not contain any language to suggest that items might also be used in other media, such as the Internet. Even today, the Court continued, the possibility of watching television programmes on the Internet is very limited; only few television stations offer their programs online.

There are several more German cases involving electronic rights, but in the framework of this article only one more will be mentioned briefly. In December 1999, the Court of Appeals of Cologne granted a temporary injunction against a service providing electronic press reviews via e-mail. The Court considered that electronic press reviews are far more harmful for copyright owners than their 'paper' equivalents. The use of computers providing direct access to information stored allows for a different and more rapid use of articles, as compared to press

reviews in paper form. According to the Court, individual contributions put online can be freely used by anyone, and the circle of users is not as limited as is the case in respect of traditional press reviews. [\[17\]](#)

The Netherlands

A Dutch case pitting three prominent freelance journalists against *De Volkskrant*, publisher of a major daily newspaper, has attracted considerable attention. [\[18\]](#) For several years, De Volkskrant had posted a selection of articles from its printed version on its Internet web site, and had produced quarterly CD-ROM compilations containing all newspaper copy in full-text - without securing the journalists' permission. Were the rights of the journalists infringed?

Unlike its neighbouring countries Germany and Belgium, Dutch law does not contain any 'author-friendly' provisions dealing with publishing agreements or copyright contracts in general - with a single notable exception. The exception is article 2 of the Dutch Copyright Act ('DCA'). Article 2 (2) limits the scope of any transfer to such rights as are specifically mentioned in the contract, or are necessarily implied by the nature or purpose of the agreement. Even if the wording of this provision is similar to article 31 (5) of the German Copyright Act, controversy in Dutch legal doctrine persists as to whether the purpose-of-grant rule has effectively been codified in the Dutch Act. Whatever the eventual outcome of this debate, it is clear that article 2 (2) calls for a restrictive interpretation of copyright transfers.

In the *De Volkskrant* case, no rights had been transferred at all. Apart from the occasional letter, no contracts in writing were ever concluded between the journalists and the commissioning newspaper publisher. According to plaintiffs, the (implied) licenses granted by the journalists included only one-time print rights; no electronic uses were implied.

The Amsterdam District Court held for the plaintiffs. According to the Court, the unauthorised republication of articles on CD-ROM and over the World Wide Web amounted to copyright infringement. Such electronic uses constitute restricted acts, subject to the right holders' prior authorisation.

According to the Court, both the CD-ROM compilations and the web site differ substantially, qua content and lay-out, from the original printed version of the newspaper. In respect of the CD-ROM publication the Court observed "that the CD-ROM consists of a compilation of separate articles that appear in the newspaper, by which circumstance the cohesion which makes these articles a newspaper in the paper edition is lacking in the CD-ROM."

Similarly, the Court identified multiple differences between the De Volkskrant web site and its paper counterpart, e.g. the web site's hyperlinks and its global reach. The Court concluded that the CD-ROM and Internet versions of De Volkskrant are not simply extensions or substitutes of existing archival or documentary media. CD-ROM and web site constitute independent means of reproduction and communication to the public in different media, for which additional permissions must be secured.

The Court then focused on the scope of the licences granted by the journalists. Did the print licences imply a right of electronic re-use? Tacitly applying the rule of article 2 (2), the Court rejected the principal argument put forward by De Volkskrant, that the journalists had implicitly granted permission for electronic uses, by submitting their articles for publication in the journal.

In the 1980's, when the licences were initially granted, plaintiffs could not have foreseen their contributions would be included in a CD-ROM or web site.

In sum, the Court held for the plaintiffs. Interestingly, the Court found infringement not only of the authors' pecuniary rights, but of their moral rights as well. The Court ruled that the authors' moral right of first publication ('droit de divulgation') effectively covers first publication in every separate (new) medium. In other words, the journalists had the moral right to decide over electronic republication.

In a recent follow-up decision [19] involving the amount of compensation, the Amsterdam Court ordered De Volkskrant to pay 3 % of the journalists' annual honorarium for each initial year of web site republication, and 1,5 % for each subsequent year. For CD-ROM uses the percentages were set at 4 % and 2 % respectively.

United States

The much-publicised case of *Tasini v. The New York Times e.a.* [20] involved six freelance authors who had written articles for publication in *The New York Times*, *Newsday* and *Sports Illustrated*. The contents of these periodicals were then sold to companies for inclusion in their electronic databases, such as NEXIS. As a result, the articles became available to the public through electronic databases, and could be retrieved individually or in combination with other pieces originally published in different editions of the periodical or in different periodicals.

Before the court of first instance, the Federal District Court, the publishers did not dispute that the authors owned the copyright in their individual works. Rather, they argued that the publishers owned the copyright in the 'collective works' that they produced, and were subsequently protected by the privilege, under section 201(c) of the U.S. Copyright Act ('USCA'), of "reproducing and distributing" the individual works in "any revision of that collective work".

According to Section 201 (c) USCA, "copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series." Section 101 USCA defines 'collective work' as "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole."

The District Court accepted the publishers' argument, and ruled in favour of the defendants. According to the Court, the electronic databases at hand were, indeed, simply 'revisions' of the individual periodical issues from which the articles had been taken. The Court of Appeals (Second Circuit) disagreed. The higher court held that the copyright law does not permit the publishers to licence individually copyrighted works for inclusion in electronic databases. The Court rejected the argument, embraced by the District Court, that each database constitutes a 'revision' of the particular collective work in which each author's individual contribution first appeared. Each database comprises thousands or millions of individually retrievable articles taken from hundreds or thousands of periodicals. It can hardly be deemed a 'revision' of each edition of every periodical that it contains. In holding for the plaintiffs, the Court of Appeals emphasised that its decision focuses entirely on the facts of the case, i.e. a situation where no (express) transfer of copyrights had occurred. Thus, publishers and authors would be free to

contract around the statutory framework.

Conclusion

“The seismic explosion of digitised information systems appears to drive myriad splinters into copyright contracting”. Professor Cornish's introductory words to the ALAI Conference in Montebello (1997) have proven to be prophetic. [21] Indeed, the digitalization of the information industry has had, and is still having, far-reaching consequences for the law of copyright contracts. In this process, media convergence plays an important role – a development already begun in analogue times, but progressing at a dazzling pace through the digitalization of the production, distribution and consumption of information products and services. The traditional borderlines between print publishing, sound recording, film production, broadcasting and so-called 'new media' are rapidly evaporating.

As we have seen from the case law summarized in this article, Round 1 of the 'Electronic Rights War' has been won, quite convincingly, by the original authors of the works reused. All over the world courts seem to agree that, absent clear contractual language to the contrary, authors have granted only one-time, single-medium rights in their works, and have retained all rights in respect of any subsequent uses in new media. Even if courts (and market players) still appear to struggle with questions of rights valuation (what is the market value of web site republication, when web sites only rarely generate additional income?), the message the courts have delivered is clear: additional licenses, presumably for payment, are required - even in cases of works created under employment. Publishers or broadcasters that embark on 'digital adventures' without properly clearing electronic rights, run serious legal risks.

However, the rights war is far from over. The court decisions discussed in this article have inspired media companies world-wide to redraft their standard publishing or production contracts in such a way as to secure electronic rights for the future. In many cases, revised standard contracts effectively strip the authors of their pecuniary rights entirely. More often than not, authors who do not wish to sign the amended agreements will no longer be commissioned for future work.

Not surprisingly, this development is causing great anxiety among the authors and their representatives. Organisations of authors would prefer to draft model contracts bilaterally with organisations of publishers, broadcasters or producers, so as to achieve an equitable allocation of rights between the authors and their counterparts. From their part, publishers, broadcasters and producers might argue that in this emerging world of multimedia their 'mission' has become media-independent, and that it would be inefficient to leave rights for unknown uses with the authors. Producers would be forced to track down and negotiate with authors (or their heirs) each time a novel use would become reality.

Perhaps the case law described in this article, and the contractual countermeasures it has provoked, might inspire both authors and producers (in the widest sense of the term) to rethink their future interrelationship, particularly in the light of the digital environment. Is the author of the future an independent creator, willing and able to market each 'slice' of the copyright 'cake' individually, or perhaps collectively? Is the publisher or broadcaster of the future truly capable of exploiting works 'in all media now known or to be developed in the future', as some particularly author-unfriendly contractual provision might have it? Will the future really bring us 'multimedia publishers', or will separate media-specific companies exploit rights in different media, much in

the same way as in the past?

Whatever the outcome of the ongoing 'rights war', and the interesting debates it inspires, much can be said in favour of harmonisation, both on the European and the international level, of existing statutory law governing copyright contracts. From country to country, there are astounding differences in the ways the copyright law deals with questions of contract formation and interpretation. In view of the ongoing process of globalisation of the information and entertainment markets, these divergences create additional unwanted complexities - problems exacerbated by the fuzzy state of private international law ruling conflicts of law. For the lawmakers of the world, much work still remains to be done.

* * * * *