Chapter V
Wrapping Information in Contract: How Does it Affect the Public Domain?

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1. INTRODUCTION

Contracts are an essential tool in the distribution of information. If a specific element of information has any commercial value at all, its access and use will most likely be governed by the terms of a license, whether it is protected by an intellectual property right or not. This is particularly true in the digital networked environment. Indeed, the combined use of contractual terms and technological measures gives individuals the ability to control the use of their information: first, by allowing them to affix conditions of use to each piece of information; and second, by permitting them to prevent further reproductions or distribution of such information thanks to anti-copying devices. The network’s interactive nature provides indeed the perfect preconditions for the development of a contractual culture in the digital networked environment. A variety of licensing methods are already or will soon be made possible as the digital networked environment develops, thereby allowing for the use of information to be licensed off-line or on-line directly to end-users through individual transactions. As a result, all kinds of information are being distributed on the Internet subject to the terms of a license, including among other things: books, magazines, newspapers, videos, music, television and radio programme listings, collections of case law and legislative texts, real estate listings, telephone directories, restaurant


directories, sports competition results, human genome sequences, plant taxonomy, geological and meteorological data, stock exchange quotes, or financial indices.

The central question addressed in this chapter is whether the use of contracts with respect to the distribution of public domain information bears any impact on the supply of information and on the composition of the public domain. Would contracts that restrict the use of public domain information or limit the exercise of uses privileged under the law be actually enforced by the courts? If so, would the use of contracts in the trade of information tend to increase the amount of information available to the public anyway? Or would it, on the contrary, withdraw from the public domain some elements of information that were until then freely available?

This chapter focuses on standard form contracts, rather than negotiated contracts, because this type of contracts actually governs the vast majority of transactions relating to information in the digital networked environment. Moreover, the enforcement of standard form contracts may ultimately have a greater impact on the balance of interests reached by the intellectual property regime than that of a negotiated agreement. Contrary to standard form contracts, the conclusion of fully negotiated contracts presupposes a more equal bargaining power between information producers and users of the licensed information. Individual users sitting across a negotiation table are often in a better position than an individual faced with a ‘click-wrap’ license to react to an information producer’s attempt to contractually restrict the use of public domain information or of protected material beyond the bounds normally set by intellectual property law. Arguably, no individual with a reasonable degree of bargaining power and knowledge of the law and the market would agree to a restriction on the use of public domain information or on the exercise of privileged uses under the law, unless some advantage could be drawn from the entire contract. Consequently, restrictive license terms included in fully negotiated contracts are not likely to be as widespread as those included in standard form contracts.

This chapter is structured as follows. Part 2 examines contracts relating to the public domain, as they are likely to be concluded in the digital networked environment. To this end, I first give a definition of the public domain from a European perspective. On the basis of this definition, I then consider how contracts over information not or no longer qualifying for protection, before turning to contracts over privileged uses. In this part, references to intellectual property law will mostly be made in relation to copyright and database law, because most information licensed over the Internet would fall, if at all, under either the copyright or database right regimes. Part 3 of this chapter analyses in greater detail the possible impact the commodification of information through contracts may have on the public domain. For this purpose, I propose to consider the legitimacy of this private ordering system, its effectiveness compared to the traditional public ordering system and its symbolic meaning. In Part 4, I draw a conclusion regarding the potential effect that wrapping information in contract may have on the public domain.
2. CONTRACTS RELATING TO PUBLIC DOMAIN INFORMATION

The use of standard form contracts to bind consumers, or end-users, to restrictive terms of use of information distributed over the Internet is a fairly recent phenomenon. Technological protection measures such as encryption technology make it possible to apply and enforce mass-market licenses on the Internet. The practice of marketing information to end-users subject to the terms of a standard form contract primarily aims at restricting the end-users’ capacity to use, reproduce or redistribute an undertaking’s information product, whether this information is protected by an intellectual property right or not.

2.1. THE PUBLIC DOMAIN FROM A EUROPEAN PERSPECTIVE

The concept of ‘public domain’ finds its origin in the French Decree of 1791, in which the protection of the author’s dramatic works was as important as the recognition and enlargement of the public domain. In the philosophy of the late eighteenth and nineteenth century, an author was deemed to vest his work in the public sphere through the mere act of publishing it. Authors were seen as servants of the public interest and the public property by the very fact that they contributed to the growth of knowledge. The perception transpires clearly from the writings of several thinkers of those times, including Le Chapelier, Renouard, and Hugo. In his speech of 1878 entitled ‘Domaine public payant’, Hugo advocated the creation of a property right in favor of authors on their works, coupled with a right for publishers to publish all works after the death of their author, under the sole condition that a very low royalty not exceeding five to ten percent of the net revenue be paid to the direct heirs.

The idea that the author’s interests are subordinate to the public interest was somewhat short lived, however. For the natural rights theory has gradually taken over as the main foundation of the continental European authors’ rights regime. Centered on the person of the author, the natural rights argument holds that ‘all human beings who create works of the mind are entitled to a specific right embracing protection

of their moral and economic interests and covering all use of their works'.

This statement can be broken down into two elements: the 'personality rights' element, and the 'reward' element. Both elements find their justification in the ideology of the 'personal creation', i.e., in the intimate relationship that the author entertains with their work. Both attest to an essentially individualistic approach to copyright protection, where the 'reward' argument puts the accent on the material interest of the author (i.e., exploitation rights), while the 'personality rights' argument concerns the immaterial interest of the author (i.e., moral rights).

The debate that has been going on for at least a decade in the United States over the growing commodification of information and its impact on the wealth of the public domain has only recently started to take place in continental Europe. Contrary to the United States, where a whole body of literature recently developed on the subject, current continental European legal literature usually makes reference to the notion of ‘public domain’ only incidentally, mostly in relation to the duration of the authors’ rights protection. Discussions around the concept of ‘public domain’ did arise in the course of the twentieth century in France, Italy, Germany, and a few other countries following the author’s rights tradition. The scholarly debate took, however, an entirely opposite direction than the one currently put forward in the United States, for it had been suggested to introduce a remuneration right – otherwise known as domaine public payant (or ‘paying public domain’), referring thereby to Hugo’s proposal of 1878 – for the use of works that were no longer protected by copyright and had fallen into the public domain. Several proposals regarding the domaine public payant had been elaborated, one of which would have allocated the sums collected under this regime to the author’s heirs or assignees and another which would have gathered the sums into a cultural fund and awarded subsidies to subsequent authors with a view to helping creation. The very controversial nature of this proposal no doubt explains why it has never been widely put into practice and why it has now in the main been relegated to the past. One clear indication of the fact that the discourse on the domaine public payant found its roots in the natural rights theory and in the author’s personality rights is that no such claim has ever been made with respect to patented inventions that have fallen into the public domain.

What constitutes then the public domain in continental European law? When trying to map the public domain from a continental European law perspective, it must be emphasized that intellectual property regimes are designed to strike a

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9. Hugenholtz, supra note 2, p. 79.
delicate balance between the interests of authors, inventors or other rights holders in the control and exploitation of the fruit of their intellectual labor on the one hand, and society’s competing interest in the free flow of ideas, information and commerce on the other hand. To this end, most intellectual property regimes admit a number of inherent limits that are designed to promote the dissemination of new works or inventions and to ensure the preservation of a vigorous public domain. These limits are the definition of protectable subject matter (the idea/expression dichotomy), the criteria for protection (the requirement of originality or substantial investment), the fixed duration of the intellectual property protection, and the exhaustion doctrine.

Hence, the public domain comprises elements that no intellectual property regime protects. In the context of copyright protection, the principle according to which copyright protection vests only in original works contributes in maintaining the strength of the public domain, as the requirement of novelty for inventions or substantial investment for databases. Corollary to the requirement of originality is the principle that copyright only protects the form of expression and not the underlying ideas.13 **Anyone may communicate or reproduce the ideas contained in copyrighted material provided that the form of expression is not also reproduced.**14

Some national copyright laws expressly exclude certain types of information from the copyright protection. Article 11 of the Dutch Copyright Act 1912 and Article 5 of the German Copyright Act state for example that no copyright subsists on laws, decrees or ordinances issued by public authorities, or in judicial or administrative decisions.

In the context of the *sui generis* right on databases,15 collections of data only receive protection if the collection, verification and presentation of the data shows a substantial investment evaluated in a qualitative and quantitative manner. While the database directive contains no express exclusions from protection, the European Court of Justice (ECJ) has recently given a rather restrictive interpretation of what qualifies as a substantial investment.16 **By making a distinction between ‘created’ and ‘obtained’ data, the ECJ embraces one of the main arguments underlying the so-called ‘spin-off doctrine’.** According to this doctrine, the database right accrues only with respect to investment directly attributable to the production of the database.

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14. See: WTO, Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex 1C of the GATT Agreement, signed in Marrakech, April 1994, Art. 9(2): ‘Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such’.
The doctrine is premised on the ‘incentive’ rationale of the *sui generis* right.\textsuperscript{17} As a consequence, makers of sole source collections of data, like sports event schedules and telephone books, may be left in the future without protection under the database right. Note, however, that under the Dutch ‘*geschriftenbescherming*’ regime, the author of a writing or a database that neither meets the criterion of originality or of substantial investment has the right to prevent the slavish imitation of such content, provided that the writing had been made public or was destined to be made public.\textsuperscript{18}

Intellectual property rights are not perpetual. Copyright typically lasts for the life of the author plus seventy years after her death, while the database right lasts for a period of 15 years from the completion of the database or from any substantial revision thereof.\textsuperscript{19} When the protection on a work or other subject matter lapses, it normally falls into the public domain for everyone to freely reproduce or communicate to the public. Thus, part of the public domain is composed of works or other subject matter once subject to protection, but created so long ago that the protection has since expired. Indeed, notwithstanding the controversy around the establishment of a *domaine public payant*, it is universally accepted in continental Europe that any work the term of protection of which has lapsed can be used freely by anyone, e.g. without prior authorisation or payment of royalty.

Finally, copyright protection is confined by the application of the exhaustion doctrine. According to this doctrine, once a work is sold or distributed on a specific territory with the consent of the rights holder, the latter may not control or prevent the further distribution of that work. This rule is laid down in Article 4(2) of the Directive on copyright in the Information Society,\textsuperscript{20} which states that ‘the distribution right shall not be exhausted within the Community in respect of the original or copies of the work, except where the first sale or other transfer of ownership in the Community of that object is made by the right holder or with his consent’. The exhaustion doctrine applies to the distribution of physical copies of computer programs, i.e., on floppy discs, CD-ROMs, and the like. Consequently, a distinction must be made between the off-line or on-line distribution of copyright protected information. The notion that the electronic distribution of works does not give rise to the exhaustion doctrine because it falls under the scope of the right of making a work available to the public, rather than under the right of distribution, is now part of the *acquis communautaire*.\textsuperscript{21} For more certainty, the European Commission clearly stated, in its report on the implementation of the Computer

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\item \textsuperscript{17} M.J. Davison and P.B. Hugenholtz, ‘Football Fixtures, Horseraces And Spin Offs: The ECJ Domesticates the Database Right’, 27 *E.I.P.R.* 113-118 (2005), at p. 114.
\item \textsuperscript{18} *Ijsselstein v. Regulators Europa B.V.*, Dutch Supreme Court, 8 February 2002, NJ 2002/515.
\end{itemize}
programs directive, that community exhaustion only applies to the sale of copies, i.e., goods, whereas supply through on-line services does not entail exhaustion.\footnote{Report from the Commission to the Council, the European Parliament and the Economic and Social Committee on the implementation and effects of Directive 91/250/EEC on the legal protection of computer programs, COM/2000/0199 final.}

For this reason, the doctrine of exhaustion of rights will not be further discussed in the context of on-line contracts.

Apart from the copyright regime’s inherent limits, a balance of interest between encouraging the creation and the dissemination of new creations is further achieved through the recognition of limitations on the rights owners’ exclusive rights. Limitations on rights are designed either to resolve potential conflicts of interests between rights owners and users from within the intellectual property system or to implement a particular aspect of public policy. Technically, limitations should reflect the legislator’s assessment of the need and desirability for society to use a protected subject matter against the impact of such a measure on the economic interests of the rights holders. This weighing process often leads to varying results from one country to the next. Potential conflicts between the interests of rights owners and those of society take place at different levels and have different grounds. Limitations typically protect freedom of expression and the right to privacy;\footnote{P.B. Hugenholtz, ‘Fierce Creatures. Copyright Exemptions: Towards Extinction?’, keynote speech, IFLA/IMPRIMATUR Conference, Rights, Limitations and Exceptions: Striking a Proper Balance, Amsterdam, October 30-31, 1997, p.18; and F. Melichar in G. Schricker (ed.), Urheberrecht Kommentar, München, Verlag C.H. Beck, 1999, p. 735.} they safeguard free competition, promote the dissemination of knowledge, or respond to symptoms of market failure. Of course, certain limitations may have been adopted on more than one ground and the justifications underlying a particular limitation may change over time.

National laws are generally silent on the subject of the imperative character of copyright limitations. The legislator’s silence could be interpreted either way, i.e., as providing arguments for or against the imperative character of limitations on copyright. Generally speaking, limitations on copyright have been adopted as an express recognition by the legislator of the ‘legitimate interests’ of users. However, whether the limitations embodying such ‘legitimate interests’ are to be considered imperative or not is likely to depend on a number of factors, including the lawmakers’ conception of the overall objectives pursued by the copyright regime. The imperative or default character of the limitations must therefore be determined by examining the legislator’s intent, as revealed in the legal commentaries and the jurisprudence.\footnote{Guibault, supra note 1, p. 109.}

In view of the small volume of literature available in continental Europe on the subject of the public domain, it is difficult to tell whether the notion of public domain would generally be deemed in Europe as extending also to the user privileges recognised under intellectual property law, as it has been suggested in the American literature.\footnote{See Pamela Samuelson, ‘The Challenges of Mapping the Public Domain’, p. 7 in this volume.} However, even if the statutory user privileges are not to be considered...
as part of the public domain in the strict sense, the widespread use of contractual restrictions on the exercise of the privileges recognised by IP law does affect the free flow of information or, as Madison calls it, the ‘open space’.\textsuperscript{26} In this sense, the use of restrictive contract terms to license protected material must be part of the analysis of the impact of the commodification of information on the public domain, because as Elkin-Koren notes, ‘to the extent that contractual arrangements expand rights of control over informational works provided by copyright law, such contracts are shrinking the public domain’.\textsuperscript{27}

2.2. CONTRACTS OVER INFORMATION NOT OR NO LONGER QUALIFYING

Nowadays, it has become common practice to distribute commercially valuable information over the Internet subject to the terms of a standard form contract. Whether the information concerned relates to a telephone directory, a news service, sports scores (such as football, tennis, golf or horse races), stock exchange rates, bank quotes, or any other type of data or information, the end-user’s actions with respect to such information are often restricted under the terms of use set out by the provider. Despite the European Court of Justice’s recent decisions according to which no database protection is granted for the mere ‘creation’ of data,\textsuperscript{28} the use of restrictive license terms with respect to information posted on the Internet has not discontinued. For example, the Terms of Use posted on the website of the London Stock exchange are very strict with respect to the permitted use of the information posted there:

‘You are permitted to download, print, store temporarily, retrieve and display Information from the Website on a computer screen, print individual pages on paper (but not photocopy them) and store such pages in electronic form on disk (but not on any server or other storage device connected to a network) for your personal use. The permission to recopy by an individual does not allow for incorporation of material or any part of it in any work or publication in any form.

You are not permitted (except where you have been given express permission to do so) to adapt or modify the Information on this Website or any part of it and the Information or any part of it may not be copied, reproduced,
This website arguably contains some copyright protected elements, like the layout of the website itself and the commentaries on the activities of the stock exchange, but world indices, news items, statistics and market data do not qualify, in my opinion, as original protectable subject matter under copyright law. Admittedly, in this case, the information with the highest commercial value may not be the information that is protected by copyright, but rather the one that does not qualify for protection. In a competitive world where quick and accurate reporting of financial news is the rule of the game, world indices and market data may actually be what the terms of use are all about!

The problem with this type of clause is that it purports to wrap all categories of information into an indiscriminate single contractual mould, whether such information is protected by an intellectual property right or not. Furthermore, there is in practice no way for the user to ascertain, only from consulting the provider’s website, which information is likely to be the object of an intellectual property right and which not. Although this problem is not limited to the digital networked environment, the tremendous increase in the volume of exchanges of information of all sorts generated by the Internet certainly makes it more pressing. How can an average user easily know whether a work has fallen into the public domain or whether an element of information qualifies for protection? At this time, I would suggest that it is virtually impossible for this person to find out. Would the re-introduction of formalities as a requirement for copyright protection – and for database protection – constitute an acceptable solution to remedy the lack of legal certainty with respect to what is protected and what not?

In the case where some elements of information are not – or are no longer – qualifying for intellectual property protection, the licensor’s claim with respect to the information is based purely on the application of technological protection measures controlling the access to and use of the information in combination with the contractual arrangement made around it. Despite the absence of intellectual property rights, it may be of great commercial importance for a provider to control the use and dissemination of the information he makes available. In a competitive market, the rule of supply and demand should operate to weed out the extremes, e.g. those licenses that impose excessively harsh restrictions or an excessively high price. But in most situations, it would be up to the courts to decide whether to uphold the license agreement or not. There is very little jurisprudence on this point, and, as the two following examples illustrate, the courts sometimes have diverging views on the subject.

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The District Court of Rotterdam upheld the validity of a ‘browse-wrap’ license applied to non-copyrightable information in *Netwise v. NTS Computers*.\(^{30}\) In this case, the plaintiff Netwise produced and made a telephone directory available to the public on-line. Conditions of use were accessible by clicking on a button placed on the left hand-side of the screen. To avoid spamming, the conditions required that the user agree not to send messages to more than one person listed in the directory at a time, failure of which gave rise to a substantial fine. In defence, NTS Computers argued that it was not bound by the general conditions, because at the time of visiting the site, it hadn’t been asked to agree to the terms. **The judge noted that NTS, as a** professional visitor of the website, could be expected to understand that the easily accessible ‘Conditions’ would contain terms of use to which Netwise wished to bind the users of its directory. One could further expect NTS, the intention of which was to make use of such data for its marketing activities, to know that administrators of databases are not always keen on spamming and therefore to take account of the prohibition on such activities that appeared in the general conditions of use. The judge upheld the license and concluded that NTS had accepted it and therefore was bound by Netwise’s conditions by the mere fact that it made use of the information in the directory.

In *Vermande v. Bojkovski*,\(^{31}\) the District Court of The Hague refused to enforce the publisher’s license against the user. The case involved the posting on a student’s website of parts of a commercial CD-ROM containing Dutch legislation, which is expressly excluded from copyright protection under Article 11 of the Dutch Copyright Act 1912. The plaintiff, a Dutch publisher, sued for copyright infringement. In support of this claim, the publisher argued that the student had breached the contract that was clearly printed on the product’s packaging and that prohibited ‘any unauthorized downloading or any other kind of copying of the CD-ROM’. The District Court admitted as a common practice the fact that producers of data and sound supports inscribe such statements on their products (as producers of gramophones did in the past) and that the restrictions included therein are usually broader, sometimes much broader, than what the law provides.\(^{32}\) The Court considered that there is for the buyer of a CD-ROM little reason to see in such a statement anything more than a warning about the existence of statutory limitations on use. The defendant could and might therefore have understood the statement in such a way that the word ‘unauthorized’ meant nothing else than ‘legally unauthorized’. In other words, the Court interpreted the contract clause as aiming only at the limitations provided under the Dutch Copyright Act, rather than at any other broader limitation flowing from the contract.

At this time, and in view of the scarce volume of relevant case law, it would be pure speculation to say how national courts would decide should a plaintiff demand

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32.  Id., p. 67.
the enforcement of a license purporting to restrict the use of information not or no longer qualifying for intellectual property protection.

2.3. CONTRACTS OVER PRIVILEGED USES

In view of the growing tendency to recognise ‘click-wrap’ licenses as valid and enforceable under European contract law, rights owners now have the power to condition every use of copyrighted material to the terms of a standard form contract. Indeed, copyrighted material is increasingly made available on the Internet under specific terms of use, which are often much narrower than what copyright law would otherwise allow. But for a few exceptions, continental European copyright law is silent on the issue of the status of the statutory limitations. The provisions of the copyright systems therefore offer no definite guideline for the solution of conflicts arising between the user’s legitimate interest in benefiting from a statutory limitation and a rights owner’s freedom of contract. Is this kind of restrictive licensing valid and enforceable under copyright policy norms? How far can parties contractually circumvent the limitations on copyright?

The answer to these questions is far from conclusive. European law recognizes very few mandatory limitations: the right to make a back-up copy of a computer program, the right to study, observe and test the computer program as well as to decompile it for purposes of interoperability, and the right for the lawful user of a database to access and use the contents of the database. Nevertheless, these mandatory provisions of the EC directives on computer programs and databases have been implemented differently among Member States, bringing about an inconsistent degree of ‘imperativeness’ for these provisions. Apart from these specific provisions, French and Dutch copyright legislation give no further indication concerning the mandatory character of limitations on copyright. In view of the strong naturalist foundations of the French droit d’auteur regime, the French courts would probably be reluctant to admit the mandatory character of the limitations included in the Intellectual Property Code. In the Netherlands, some court decisions would lead me to believe that the courts might take a more cautious approach and try to interpret contractual provisions in conformity with the letter and intent of the copyright law. In Germany, the application of the Sozialbindung principle could lend support to the argument that, although the law makes no express mention of the mandatory nature of the copyright limitations, the copyright system has been carefully designed so as

33. There is one noticeable exception to this portrait, however. Although Belgian law lies beyond the scope of my study, it is worth pointing out that Belgium is the only Member State of the European Union, where almost all statutory limitations on copyright have been expressly declared mandatory. The act of 1998 implementing the Database Directive not only introduced in Belgian law all mandatory and optional limitations in favor of the lawful user of a database that were permitted under the Directive, but it also proclaimed the mandatory character of most other limitations included in the Copyright Act.

34. Goldstein, supra note 2, p. 868.
to incorporate public interest considerations. Consequently, a German court might conclude that an agreement enjoining the user from performing certain acts that are otherwise allowed under copyright law is contrary to the public interest and to the *Sozialbindung* principle.

In view of the absence of a general mechanism in continental European copyright law for solving potential conflicts between copyright and contract law with respect to the use of copyrighted material, the validity of contract clauses that purport to restrict the users’ statutory privileges should be assessed according to the general rules of law.\(^{35}\) The validity of such restrictive contract clauses should therefore be tested under the general rules of law, just as the contract clauses that purport to prevent the use of public domain information. Numerous mandatory rules of law limiting the freedom of contract have been adopted in Europe, which also apply to the formation and the execution of licenses, as they would for any other type of contract. Among them are the norms deriving from competition law, consumer protection law, constitutional law and the doctrine of abuse of rights, which may impose separate limits on the parties’ freedom of contract with respect to the licensing of public domain information and to the exercise of the privileges that copyright law normally grants users of copyrighted material.

Generally speaking, the rules on copyright and the general limits on freedom of contract appear insufficient to ensure that the legitimate interests of users of copyrighted material are taken into account in the context of copyright licensing agreements. The inadequacy of the general rules of law is particularly acute with respect to the newly developed practice of marketing copyrighted works to end-users subject to the terms of a standard form contract. In fact, none of the legal principles examined provides sufficient means to control that the copyright owner’s right is exercised in conformity with its intended purpose and that the functionality of the copyright regime is respected. The lack of effective control over this form of exercise of copyright may in the long term have negative consequences for the production, dissemination, and access to protected – and unprotected – subject matter. Tolerance for restrictive licensing practices may also have a determinative impact on the size and the wealth of the public domain.

### 3. IMPACT OF CONTRACTUAL PRACTICES ON THE PUBLIC DOMAIN

In view of the world-wide tendency to distribute public domain information subject to restrictive license terms or to distribute copyright protected works subject to terms that purport to restrict the exercise of user privileges normally conferred under the copyright act, the question to be addressed at this point is whether this practice of marketing information poses a threat to the integrity of the public domain and to the functionality of the intellectual property rights regimes. In this context, several

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\(^{35}\) Guibault, *supra* note 1.
American authors have argued that such a contractual practice is comparable to the establishment of a private \textit{ordering system, in which individuals, groups, and} corporate entities in domestic and transnational society generate the rules, norms, and principles they are prepared to live by.\textsuperscript{36} The emergence of private governance or private ordering system, as a substitute to public governance, has already led to a substantial volume of scholarly literature in the United States,\textsuperscript{37} but it is still relatively unexplored in Europe, at least from an intellectual property perspective. Applying Madison’s scheme of analysis to our enquiry on the impact of contractual practices on the wealth of the public domain, I will consider the following three dimensions of this private ordering process: first, whether the commodification of information through contracts looks and acts like traditional copyright legislation (legitimacy argument); second, whether it delivers the goods that are expected from traditional legislation (the effectiveness argument); and third, whether it fills the institutional role that the traditional copyright laws fill (the symbolic meaning argument).\textsuperscript{38}

3.1. \textbf{LEGITIMACY OF PRIVATE ORDERING}

As Madison explains in relation to computer software licenses, licensing is \textit{governance} of an unusual sort, since it operates at three levels simultaneously. At the level of the individual license, all licenses exert some form of governance, since they determine how information can be used without fear of suit. On a second level, the license for a given element of information typically governs not only the relationship between the information provider and a particular licensee, but also the relationship between the owner and all ‘users’ of that work. Each user may pay royalties according to a different schedule (or not pay royalties at all), but the license serves as an effective constitution for the domain defined by the licensed information. At a third level, to the extent that all information is subject to licenses and to the extent that those licenses are effectively identical in relevant respects, the on-line distribution of information is effectively governed by the very concept of the license. If no substitute is available for the ‘licensed’ information, the licensing norm displaces the norms of intellectual property as the relevant applicable law.\textsuperscript{39} On this point, Madison adds:

\begin{itemize}
\item \textsuperscript{38} Madison, \textit{supra} note 26, p. 1030.
\end{itemize}
'To the extent that this norm extends beyond computer programs to digital works of all kinds and potentially to all copyrighted works, the Copyright Act recedes to an even greater extent. Finally, there is the possibility that the licensing norm itself is internalized by the reader, listener, and user communities such that the world of information production and consumption is regulated informally, even in the absence of formal “legal” enforcement of particular licenses and of norms exogenous to the license itself. Understanding the legitimacy of the licensing norm, as both a formal and an informal governance institution, is important at each of these levels'.

Indeed, a quick survey of the current licensing practices carried out on European operated websites indicates that information providers increasingly tend to restrict or even to prohibit certain uses with respect to the content made available via the Internet, in a manner that goes far beyond the bounds of intellectual property law. Often, the wording of a click-wrap license will seem to imply that the restriction on use of the website’s content also extends to the elements of such content that are in principle part of the public domain, because they lack either originality, substantial investment or novelty or because they are no longer protected by any intellectual property right. Other common terms of use that can be found on the Internet prohibit the making of ‘any reproduction [of the content] for any purpose whatsoever’, clause which purports to restrict the use of protected as well as non-protected material posted on the website.

The establishment of a private ordering system is all the more probable in view of the extensive use of standard form contracts to license information to end-users. Indeed, ‘click-wrap’ licenses are pervasive in on-line mass-market transactions and purport to bind all users of a work to the terms set by the rights owner. On-line mass-market licenses owe their pervasiveness mainly to the manner in which assent to the terms of use is presumed given on the part of the licensee and to the fact that the license is presented on a take-it-or-leave-it basis. If the user does not agree with the terms he has no choice but to refrain from using the information. If the user does agree with the terms, assent to the contractual obligations contained in the on-line license will typically be inferred from the click of a button on the computer screen or the continued consultation of a website. Whether this way of concluding a contract always meets the criteria of the law is debatable. Nevertheless, even in Europe, ‘click-wrap’ licenses have been upheld as valid.

40. Madison, supra note 39, at p. 277.
41. Radin, supra note 37, p. 4.
As Elkin-Koren explains, the establishment of a private ordering system through mass-market licenses does not share the same justification as the statutory copyright regime.\textsuperscript{44} The main reason for this is that the private ordering mechanism follows other values and choices than the public ordering system. The former gives priority to economic power, leaving no room for public interest considerations, which the latter system attempts to arbitrate through the political process or processes in civil society. As a result, the terms of use that are developed through the market system alone are likely to be dominated by the interests of those who enjoy superior economic power. The typical mass-market information license therefore completely foregoes the normal democratic process, to the benefit of the information provider (who enjoy superior economic power) and the detriment of the user.\textsuperscript{45} Yet democratic perspectives are called for precisely when private consensual activity affects non-parties to some substantial degree, as ‘click-wrap’ and ‘browse-wrap’ licenses purport to do.\textsuperscript{46} As such, the use of mass-market licenses that restrict the use of information beyond what the law permits can hardly be reconciled with the basic tenets of the several intellectual property regimes.\textsuperscript{47}

3.2. Effectiveness of Private Ordering

The impact of contractual practices on the wealth of the public domain can be further analyzed from the perspective of the effectiveness of the private ordering system, in comparison with the public ordering system. Does the use of contracts in the information trade tend to increase the amount of information available to the public? Does the regime configure a market in the good or service that is more effective at building markets in follow-on goods or services, because transactions costs are reduced or certainty and predictability enhanced?\textsuperscript{48} Or does it withdraw from the public domain some elements of information that were until then freely available? An economic assessment of the impact of this type of contractual practice on the supply of information would go far beyond the scope of this chapter. Rather, I will attempt to offer some thoughts on the factors that might be taken into consideration when examining the possible consequences of an increased commodification of information through contracts.

In principle, on-line licensing of information should both reduce transaction costs between information providers and information users, and increase certainty, transparency and predictability for the parties concerned. But is restrictive licensing really necessary – and therefore, efficient and justifiable – for the commercial viability of the information provider? In my opinion, some restrictive licenses could

\textsuperscript{44} Elkin-Koren, supra note 27, p. 1185.
\textsuperscript{45} M.J. Radin, Regulation by Contract, Regulation by Machine, Stanford Law School, p. 8.
\textsuperscript{46} Madison 2003, supra note 39, p. 318.
\textsuperscript{48} Madison 2003, supra note 39, p. 326.
be held valid and enforceable. The answer depends on several factors. Among them are the presence or absence of intellectual property protection for the information supplied, the nature of the information, the type of restriction involved, the effect of the restriction on the licensee, the presence of substitutes on the market and the market share of the information provider.

In the absence of any copyright or database protection, the possibility to control the use of non-protectable information through contracts constitutes an important factor in the decision to venture into the production and distribution of commercially valuable information. Otherwise makers of commercial databases and information providers would not invest in the creation of value-added products from the raw facts and data that otherwise compose the public domain. Without the possibility to contractually bind licensees to a certain behavior, the information provider may not gain enough lead-time over his competitors to make his investment worthwhile. The restrictions imposed on the licensee should be commensurate to the commercial aim to be achieved and should not be unreasonably burdensome for the licensee. A clause, which prohibits the licensee to use the data included in a telephone book for spamming purposes or that limits further reproduction and distribution of stock exchange quotes of the day, would probably fall under this category. On the other hand, a clause that would limit the further reproduction and distribution of a collection of laws or of the works of Shakespeare would be, in my opinion, entirely unacceptable. Of course, this is without prejudice to the possible application of the rules on competition, should an information provider abuse his dominant position.

If the information concerned already enjoys copyright or database protection, efficiency reasons justifying the use of restrictive license terms are more difficult to find. Except perhaps as a means to curtail piracy, I see no valid commercial motivation underlying the prohibition imposed on users of copyrighted material from exercising the limitations otherwise permitted under the law. On what economic grounds should licensees be prevented from making reproductions for purposes of quotations, news reports, parodies, research and study? In relation to the efficiency of restrictive software licenses, Madison concluded that "[a]s a basic justification for enforcing a regime of licensing as private governance, however, the efficiency/effectiveness argument is fatally indeterminate".49

Finally, some authors have suggested that theories which regard intellectual property rights are detrimental to the continued flourishing of a public domain of ideas and information understate the significance of the intangible nature of information, and thus overlook the contribution that even perfectly controlled intellectual creations make to the public domain.50 Considering the lack of democratic process, this argument once applied to the private ordering regime only holds true, in my opinion, provided that a number of conditions are met: that the license is transparent and properly formed; the restrictions on use are commensurate to the commercial

objective to be achieved; the provisions are not unreasonably burdensome for the licensee; and that the user has the choice to access and use the same non-licensed information. If any one of these conditions were missing, there would be a good argument not to enforce the license. If this situation were generalized across the information market, the private ordering system would then have to be rejected as a means to regulate the production and distribution of information, since it would jeopardize the integrity of the public domain.

3.3. SYMBOLIC MEANING

Governance regimes do more than merely regulate and produce goods. They embody the idea that certain activities are so important, to such a broad population, that they ought not to be manifested purely in private transactions. Privatization regimes that undercut that symbolic function by becoming or expressing private, rather than public, ideals are presumptively offensive. Regimes that confirm public ideals are presumptively acceptable. 51 What are ‘public’ and ‘private’ values in copyright law? Assuming that the main goal of copyright is to establish a balance between the interests of authors in exploiting their work and society’s competing interest in the free flow of ideas, then the regime’s inherent limits, like the idea/expression dichotomy, the requirement of originality, and the exhaustion doctrine are normative goals to be pursued and enforced via application of the copyright act, rather than circumvented via carefully drafted licenses. Madison concludes in relation to software licensing, that ‘[f]rom a symbolic standpoint as well as from democratic theory and effectiveness perspectives, licensing-as-private-ordering cannot be said to be clearly legitimate’. 52

One must realize that copyright law is but one element of a legislator’s overall innovation, cultural, and information policy. The copyright regime must therefore not be examined in isolation from the other elements that constitute the legislator’s general public policy objectives. Moreover, under the continental European droit d’auteur regimes, the balance established by the legislator is carefully designed so as to acknowledge the existence of the several underlying interests of private individuals and of society as a whole. The legitimate interests reflected in the copyright balance are as numerous as they are diverse, ranging from the protection of freedom of expression and of the right to privacy, to the regulation of competition and industry practice, and to the dissemination of knowledge. Although some of these interests may weigh heavier in the balance than others, the copyright regime forms a coherent structure that has its own functionality within the legislator’s general public policy objectives.

The widespread use of standard form contracts has the potential to severely upset the traditional balance established by intellectual property law and of standing

52. Id., p. 332.
as an obstacle to the accomplishment of the full purposes and objectives of the general public policy. These contracts typically attempt to redefine – outside any intellectual property regime – what is protectable subject matter, and therefore legally excludable, and what isn’t. For instance, licensors may attempt through standard form contracts to appropriate information that is not protectable subject matter and that should normally remain freely available to everyone, such as non-original creations, or ideas. These contracts also attempt to set other conditions of use than those typically admitted under the intellectual property regimes, a practice which can frustrate the objectives that the legislator intended to pursue when it defined the scope of protection. This is particularly evident in licenses that purport to prohibit the end-user from making any use of the licensed information other than a private copy. These agreements essentially mean that neither the use of the public domain elements included in the information supplied nor the exercise of the limitations on copyright is allowed outside of what the licensor has expressly chosen to authorise. In my opinion, it cannot have been the European legislator’s intention to see the inherent limits of the copyright and database regimes or the application of all limitations on copyright contractually put aside at the information provider’s will.

4. CONCLUSION

As this chapter demonstrates, there is a growing tendency in continental Europe to distribute information subject to the terms of on-line standard form contracts. The rules on copyright and the general limits on freedom of contract seem insufficient to ensure that the legitimate interests of users of public domain information or of copyrighted material are taken into account in licensing agreements. Even in the absence of any relevant case law examining the legality of mass-market licenses that prevent the use of public domain information or that purport to restrict the exercise of user privileges normally conferred under the laws of intellectual property, there is reason to believe that such licenses would be invalidated only in very exceptional circumstances. As a result, the widespread use of on-line licenses may end up posing a threat to the intellectual property policy objectives and the integrity of the public domain, insofar as they may contribute to displace democratically established public ordering assumptions. This remark holds true whether the contractual arrangement attempts to reserve non-protectable subject matter or purports to restrict the exercise of user privileges normally conferred under the laws of intellectual property. In both cases, such contracts may have the effect of shrinking the public domain to the extent that contractual arrangements expand rights of control over informational works provided by intellectual property law.

54. Madison, supra note 39, p. 1030.
55. Guibault, supra note 1, p. 298.