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## Extended Collective Licenses in International Treaty Perspective: Issues and Statutory Implementation

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## **Extended Collective Licenses in International Treaty Perspective: Issues and Statutory Implementation**

Jane C. Ginsburg\*

### *Abstract*

*National legislation establishing extended collective licenses (ECLs) “authoriz[es] a collective organization to license all works within a category, such as literary works, for particular, limited uses, regardless of whether copyright owners belong to the organization or not. The collective then negotiates agreements with user groups, and the terms of those agreements are binding upon all copyright owners by operation of law.” Albeit authorized under national laws, collective coverage of non-members’ works may pose issues of compatibility with international norms. For example, if non-members must opt-out in order to preserve the individual management of their rights, is the opt-out a “formality” prohibited by art. 5(2) of the Berne Convention? Without an opt-out, does the collective’s exercise of non-member rights operate like an exception or limitation whose contours the Berne Convention, the TRIPS Accord, and the WIPO Copyright Treaty “three-step test” constrain? This essay will analyze the extent to which international norms apply to ECLs and then will propose a treaty-compatible approach to opting-out.*

*ECL systems are a pragmatic response to the growing demand for bulk use of works of authorship, particularly in the digital environment. They can enhance access for users and remuneration to authors, and often may furnish the best means of achieving these ends. Provided, however, that authors’ consent is properly presumed, or that the covered uses are defined to avoid conflict with normal exploitations, including emerging exploitations. An opt-out can enable the CMO to license uses that might otherwise encroach on normal exploitations, but for that reason, the more the ECL treads on transactionally-licensable exploitations, the higher the burden to justify the extension effect to non members through a rigorously-administered opt-out program that effectively notifies and clearly explains the consequences to non CMO member authors of their right to opt-out.*

National legislation establishing extended collective licenses (ECLs) “authoriz[es] a collective organization to license all works within a category, such as literary works, for particular, limited uses, regardless of whether copyright owners belong to the organization or not. The collective then negotiates agreements with user groups, and the terms of those agreements are

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binding upon all copyright owners by operation of law.”<sup>1</sup> Albeit authorized under national laws, collective coverage of non-members’ works may pose issues of compatibility with international norms. For example, if non-members must opt-out in order to preserve the individual management of their rights, is the opt-out a “formality” prohibited by art. 5(2) of the Berne Convention? Without an opt-out, does the collective’s exercise of non-member rights operate like an exception or limitation whose contours the Berne Convention, the TRIPS Accord, and the WIPO Copyright Treaty “three-step test”<sup>2</sup> constrain? This essay will analyze the extent to which international norms apply to ECLs and then will propose a treaty-compatible approach to opting-out.

*When do international norms apply?*<sup>3</sup>

International copyright treaties apply only outside the country of origin. Berne Conv. art. 5(3) establishes that “Protection in the country of origin is governed by domestic law.” As a result, ECLs covering domestic works for domestic exploitations need not conform to treaty norms. Treaties come into play if a local collective management organization (CMO) grants licenses in foreign works or if a local CMO engages in extraterritorial licensing of rights in its repertoire.

In either of those events, the state for which rights in foreign works are licensed must grant those works the same rights as are enjoyed by local works,<sup>4</sup> and in addition, must accord the minimum protections mandated by the international treaties. These include the rule that the “enjoyment and exercise” of copyright “shall not be subject to any formality,”<sup>5</sup> and the confining of exceptions and limitations to measures that meet the “three step test” (application only to “certain special cases” that “do not conflict with a normal exploitation of the work” and “do not unreasonably prejudice the legitimate interests of the author”).<sup>6</sup> The Berne Convention, TRIPS Accord, and WIPO Copyright Treaty all include within copyright’s exclusive rights the rights of reproduction and communication to the public.<sup>7</sup> CMOs license these rights on behalf of their

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<sup>1</sup> OFFICE OF THE REGISTER OF COPYRIGHTS, *Legal Issues in Mass Digitization: A Preliminary Analysis and Discussion Document* (2011), available at [https://www.copyright.gov/docs/massdigitization/USCOMass\\_Digitization\\_October2011.pdf](https://www.copyright.gov/docs/massdigitization/USCOMass_Digitization_October2011.pdf).

<sup>2</sup> WIPO, Berne Convention for the Protection of Literary and Artistic Works, art. 5(2), 9(2), Sept. 9, 1886, revised at Paris on July 24, 1971, amended in 1979, 25 U.S.T. 1341, 1161 U.N.T.S. 3; WTO, Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 13, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 [hereinafter TRIPS]; WIPO Copyright Treaty, art. 10, Dec. 20, 1996, S. Treaty Doc. No. 105-17, 2186 U.N.T.S. 121 [hereinafter WCT].

<sup>3</sup> ECLs that grant extraterritorial rights also present problems of private international law, which I raise but do not pursue further in this paper: an extraterritorial license may be ineffective if the country for which rights are licensed does not recognize CMO extensions of coverage of the works of non-member authors. The law of the country for which rights are licensed determines the scope of rights granted (e.g., moral rights are inalienable; new technological uses must be specifically enumerated). Does the law of the country for which rights are licensed also determine whether the licensor acquired the rights it seeks to license extraterritorially? For example, does a presumption of transfer in the country of origin extend to the transfer of foreign rights?

<sup>4</sup> See Berne Conv., *supra* note 2, at art 5(1).

<sup>5</sup> Berne Conv., *supra* note 2, at art. 5(2).

<sup>6</sup> Berne Conv., *supra* note 2, at art. 9(2); TRIPS, *supra* note 2, at art. 13; WCT, *supra* note 2, at art. 10.

<sup>7</sup> Berne Conv., *supra* note 2, at arts. 9(1), 11, 11bis, 11ter, 14; TRIPS, *supra* note 2, at art. 9(1) (incorporating Berne arts 1-21); WCT, *supra* note 2, at arts. 1 (Agreed Statement), 8. Moreover, under Article 2(a) and 3(1) of the EU Information Society Directive (Directive 2001/29), authors enjoy “exclusive rights to authorize or prohibit” the reproduction of their works or their communication to the public. Council Directive 2001/29, art. 3(1), 2001 O.J. (L 167) 10.

members – and, where national legislation authorizes ECLs, of non-members as well. Accordingly, when a CMO licenses rights in non-members’ domestic works for foreign exploitation, or when it authorizes domestic users to reproduce or communicate to the domestic public the works of foreign authors who are not members of foreign CMOs with which the local CMO has reciprocal contractual relationships, the CMO’s acts should be examined for compliance with international copyright norms.

*Is an opt-out a prohibited “formality”?*

A CMO can obtain rights from its members to permit not only domestic exploitation, but also to enter into reciprocal agreements with foreign CMOs to license rights in their respective territories. But a CMO’s grant of domestic or foreign rights in works whose authors have not authorized the CMO to exploit the work on their behalf seems a significant incursion on the authors’ own exercise of rights in their works (even if the CMO compensates the non-member authors at the same rate and to the same extent as member authors). One way to palliate a practice that might otherwise look like an expropriation is to allow non-member authors to opt-out of the extension effect of the license. An opt-out that prohibits the CMO in the work’s country of origin from granting local or foreign rights in the work would preserve the author’s autonomy in the exercise of rights in her work.<sup>8</sup>

But if, to preserve her rights, the author must opt-out of a CMO’s representation (member authors, by definition, would have opted into representation and accordingly will have authorized the CMO to grant foreign and domestic rights of reproduction and/or communication to the public), does that mean that the opt-out becomes a prohibited “formality”? Berne forbids subjecting the “exercise” of national and treaty minimum rights to “any formality.” The author’s retention of her rights is a necessary predicate to her ability to exercise those rights. If retaining her rights depends on compliance with a declaratory obligation, are the steps required to withhold her rights from the CMO a “formality”? As Schovsbo and Riis have observed: “to the extent that a certain use is covered by an ECL agreement and the ECL rule allows right holders to opt-out of the system and enforce their copyrights against an exploiter, one could argue that this would contravene the prohibition in [Berne] article 5(2) because the opting out would constitute a ‘formality’ as to the exercise of copyright.”<sup>9</sup>

But one might on the contrary contend that the declaratory obligation goes neither to the existence nor to the scope of protection, nor to the right’s enforceability. Instead, it concerns ownership; it imposes conditions on *who* may enjoy or exercise rights, not on *whether* they exist or may be exercised. Only the latter enter art. 5(2)’s ambit. Ownership declaration obligations are a distinct matter. In general, apart from specifying the independence of moral rights even after the transfer of economic rights, and setting out certain rebuttable presumptions concerning second-level

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<sup>8</sup> As would an opt-out that excludes foreign authors’ works from the scope of a local CMO’s grant of exploitation rights, but a system of individual country of exploitation opt-outs would impose a significant burden on authors, and accordingly would pose a greater risk of inconsistency with Berne art. 5(2). See discussion *infra*.

<sup>9</sup> Thomas Riis and Jens Schovsbo, *Extended Collective Licenses and the Nordic Experience: It’s a Hybrid but is it a Volvo or a Lemon?* 33 COLUM. J.L. & ARTS 471, 479 (2010). *Contra*, Stef van Gompel, FORMALITIES IN COPYRIGHT LAW: AN ANALYSIS OF THEIR HISTORY, RATIONALES AND POSSIBLE FUTURE 209-11 (Info. Law Ser. 23, Kluwer Law International 2011) (contending that the “opt out” mechanism under the ECL system does not constitute a formality prohibited by the Berne Convention).

contributors' ownership of rights in cinematographic works,<sup>10</sup> Berne does not intervene in author-exploiter relationships. "The rationale and effect of" national rules designating entities to exercise the author's licensing of rights "are profoundly different from public-protective formalities, such as notice or registration, or copyright-specific litigation hurdles, which seek to shield the public from authors' claims. In the former instance, the formal rules tell us *who* is entitled to enforce a copyright whose existence the rules do not call into question. In the latter instance, the formalities limit *any* claimant's enforcement, and may destroy the copyright altogether."<sup>11</sup> For example, under this analysis, conditioning validity of a transfer on requirement of a signed writing is not an art 5(2) "formality."<sup>12</sup> National rules providing for presumptions of transfer and establishing mechanisms to rebut those presumptions should similarly fall outside art. 5(2). Because the ECL extension effect operates like a presumption of transfer of rights to the CMO, and the opt-out provides the means for authors to withhold their rights from the CMO, that is, to rebut the presumption of transfer, an appropriately designed opt-out should fit comfortably within the declaratory measures that member states may impose respecting transfers of ownership, without running afoul of the prohibition on formalities.

*It depends on the object and design of the opt-out*

It does not, however, follow, that an opt-out system never imposes a "formality." Consistency with treaty norms may depend what the author is opting-out of. The permissibility of the opt-out may also turn on ensuring that the author is in fact informed of the presumption of transfer, understands the consequences of exercising her right to opt-out, and is able effectively to exercise that right without incurring unreasonable burdens. In the absence of those procedural safeguards, extension of the license to an author who has not affirmatively consented to the CMO's representation should be treated like a limitation on the author's exercise of her rights whose consistency with international norms requires examination under the three-step test.

A recent decision of the Court of Justice of the European Union, C 301/15 *Soulier*, addressed both issues. Authors challenged a 2012 French law on "unavailable books" that vested a collecting society with authority to license digital rights in out-of-commerce pre-2000 French books.<sup>13</sup> Authors could opt out of the CMO's coverage of their works, but, in certain instances, only if they proved that their original print publishers no longer held print publishing rights. The CJEU invalidated the French licensing regime on two grounds: (1) it afforded authors inadequate

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<sup>10</sup> Berne Conv., *supra* note 2, at art. 6bis ("(1) *Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.*" (emphasis added)), art. 14bis (setting out elaborate rules for presumption of transfer of rights from authors of cinematographic works to producers; the presumptions exclude the screenwriter, the director and the composer).

<sup>11</sup> SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT LAW AND NEIGHBORING RIGHTS: THE BERNE CONVENTION AND BEYOND) para. 6.105 (2nd ed. 2006).

<sup>12</sup> *Id.* (national author-protective requirements, such that transfers of title be in writing and signed by the author, are not "formalities").

<sup>13</sup> Décret 2013-182 du 27 février, 2013 portant application des articles L. 134-1 à L. 134-9 du code de la propriété intellectuelle et relatif à l'exploitation numérique des livres indisponibles du xxe siècle [Decree 2013-182 of Feb. 27, 2013 implementing articles L. 134-1 to L. 134-9 of the Code of Intellectual Property and relating to the digital exploitation of out-of-print 20th century books], JOURNAL OFFICIEL DE LA REPUBLIQUE FRANÇAISE [J.O.] [OFFICIAL GAZETTE OF FRANCE], Mar. 1, 2013, p. 3835.

information regarding the uses the law authorized the CMO to make of the authors' works absent the authors' objections, and (2) it subjected the author's reclamation of her digital rights to proving that the print publisher held no rights in the work. The court ruled that the latter feature of the French law violated Berne art. 5(2): "the author of a work must be able to put an end to the exercise, by a third party, of rights of exploitation in digital format that he holds on that work, and in so doing prohibit him from any future use in such a format, without having to submit beforehand, in certain circumstances, to a formality consisting of proving that other persons are not, otherwise, holders of other rights in that work, such as those concerning its exploitation in printed format."<sup>14</sup>

If, as contended above, ownership issues fall outside the prohibition of formalities, why is disproving others' ownership of rights that are not the rights presumed transferred a "formality"? Proof of the author's or successor in title's ownership of the rights they seek to enforce is not a "formality"; it is a necessary part of the case in chief.<sup>15</sup> For example, Berne art. 5(2) does not require that non-US member state enforcement authorities accept my unsupported assertion that I own digital rights in *Gone With the Wind*. By contrast, requiring me to prove *third-party* non-ownership of *other* rights is a burden on the exercise (whether by the author or the successor in title) of the rights at issue. Suppose I in fact owned digital rights in *Gone With the Wind* (and can prove it), and that a member state's authorities would not enforce my rights unless I proved that someone else did not own rights to non digital exploitations. Since non digital rights would not normally be at issue in an action to enforce digital rights, their ownership is extraneous to my claim. Instead, the spurious ownership issue operates as a condition on the "exercise" of my rights by limiting their enforceability. The obligation thus goes not to "who" holds the rights for which enforcement is sought, but to "whether" those rights can be exercised.

As for the first issue, adequate information, the infirmities the CJEU identified rendered the French law inconsistent with the Court's articulation of the scope of protection under the 2001 Information Society Directive, which requires EU member states to protect the exclusive rights of reproduction and communication to the public.<sup>16</sup> Although the Court ruled on grounds of EU law rather than international norms, EU law implements those norms; the court's prescriptions concerning the procedural safeguards required to validate a presumption of transfer might afford useful guidance to the interpretation of the scope and exercise of the reproduction and communication to the public rights in the international context. While, as we have seen, the treaties do not address the voluntary transfer of rights, a State-imposed involuntary transfer effectively limits the author's rights by legitimating an exploitation that otherwise would be infringing. In other words, an involuntary transfer is tantamount to an exception or limitation on the author's exclusive rights. With an appropriately designed opt-out, however, the author's failure to rebut a presumption of transfer may imply consent, thus conferring sufficient voluntariness on the CMO's exercise of the rights of authors who have not opted-out. The *Soulier* decision, in detailing the

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<sup>14</sup> 2016 E.C.R. C-301/15, E.C.L.I. 856.

<sup>15</sup> See, e.g., *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991) ("To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original."); 3 NIMMER ON COPYRIGHT § 12.02 (2017) ("Under the Copyright Act of 1976 as well, only parties with ownership rights in a copyright have standing to bring claims for its infringement.").

<sup>16</sup> 2016 E.C.R. C-301/15, *supra* note 14, at 38 ("Article 2(a) and Article 3(1) of Directive 2001/29 require the "prior express consent of the author for any reproduction or communication to the public of his work, including in digital format.").

inadequacies of the French opt out, lays the ground for a permissible means of implying consent to the transfer to the CMO.

The *Soulier* Court ruled:

38 In particular, every author must actually be informed of the future use of his work by a third party and the means at his disposal to prohibit it if he so wishes.

39 Failing any actual prior information relating to that future use, the author is unable to adopt a position on it and, therefore, to prohibit it, if necessary, so that the very existence of his implicit consent appears purely hypothetical in that regard.

40 Consequently, without guarantees ensuring that authors are actually informed as to the envisaged use of their works and the means at their disposal to prohibit it, it is de facto impossible for them to adopt any position whatsoever as to such use.

An ECL opt-out system therefore must ensure that authors are individually and actually informed of the scope of the CMO's exercise of their rights. Only then can their consent to the transfer be inferred from their failure to opt out. Moreover, while the Court did not detail the requisite means of effecting the opt-out, it is fair to imply that the "means at [authors'] disposal to prohibit" the CMO's exercise of their rights must not be so burdensome as to discourage authors from endeavoring to prohibit that exercise. Any opt-out system should not only provide adequate notice by being designed to (1) reach the maximum number of affected authors, and (2) clearly explain what rights the CMO would be exercising for what purposes, but also should (3) make it as inexpensive and easy as possible to inform the CMO of the author's objections to its exercise of her rights.

The practices established in the US under the class action provision of the Federal Rules of Civil Procedure may provide a template. F.R.Civ.P. 23(b)(3) makes the judgment in a class action for damages binding on all members of the class who do not opt out of the litigation. Class members may not thereafter litigate individually in search of a better outcome. Because the curtailing of class members' rights would pose significant due process issues if the class members did not consent to this outcome, Rule 23 and the courts have imposed considerable safeguards to ensure that class members are properly informed of the litigation and its consequences, and have adequate means to opt-out in order to preserve their rights to litigate individually. Thus, Rule 23 states that class members must be furnished with "the *best* notice that is *practicable* under the circumstances, *including individual notice* to all members who can be identified through reasonable effort."<sup>17</sup> Moreover, "the notice must clearly and concisely state in plain, easily understood

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<sup>17</sup> Fed. R. Civ. P. 23(c)(2)(B) (emphasis added); *Eisen v. Carlisle & Jacquelin* 94 S. Ct. 2140, 2150 (1974) (requiring notice by mail to 2.25 million class members because "the express language and intent of Rule 23(c)(2) leave no doubt that individual notice must be provided to those class members who are identifiable through reasonable effort"); *Karvaly v. eBay, Inc.*, 69 Fed. R. Serv. 3d 192 (E.D.N.Y. 2007) ("Rule 23(b)(3) does not permit anything less than individual notice to each prospective Class Member, and the law is quite clear that concerns about the financial burdens of such notice cannot excuse noncompliance with that requirement."). The rule continues:

The notice must clearly and concisely state in plain, easily understood language:

- (i) the nature of the action;
- (ii) the definition of the class certified;

language” the “time and manner for [a class member to] request[] exclusion” from the class.<sup>18</sup> Courts have not required that class members adhere strictly to the manner of opting-out prescribed in the notice; because the class may include hundreds of unrepresented and potentially unsophisticated parties, “considerable flexibility is desirable in determining what constitutes an effective expression of a class member's desire to be excluded.”<sup>19</sup> The objective is to ensure that a class member who wishes to opt out may do so upon any clear expression of that intent; it is not to override that intent when its expression fails precisely to conform to the notice.

With these guidelines in mind, the checklist set out in the Appendix outlines a series of ECL opt-out explanation and execution requirements which should satisfy the CJEU’s command that “every author must actually be informed of the future use of his work by a third party and the means at his disposal to prohibit it if he so wishes.” The implementation of these requirements would most efficiently be centralized in the country of the work’s origin, thus covering the local CMO’s grant of rights to foreign CMOs for extraterritorial exploitations. Alternatively, local CMOs could notify foreign authors of their right to opt-out of local territorial exploitations, but a system of individual country of exploitation opt-outs would impose significant burdens both on CMOs and on authors. Among other things, it is not clear that a local CMO would possess the information necessary individually to notify foreign authors. Accordingly, an author’s failure to effect multiple country of exploitation opt-outs may prove less amenable to inferences of consent than would a country of origin approach.

### *3-step test analysis*

Nonconsensual (or inadequately consensual) ECLs in effect impose involuntary transfers from authors to CMOs. As discussed above, a nonconsensual transfer is tantamount to an exception or limitation on the author’s exercise of her exclusive rights. Such transfers may nonetheless comply with international norms, provided they pass the three-step test.<sup>20</sup>

Regarding the first step, “certain special cases,” The WTO dispute resolution panel interpreting the first step has stated that “an exception or limitation should be narrow in quantitative as well as a qualitative sense” and “a limitation or exception in national legislation should be clearly defined and should be narrow in its scope and reach.”<sup>21</sup> Thus, the more narrowly and specifically

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- (iii) the class claims, issues, or defenses;
  - (iv) that a class member may enter an appearance through an attorney if the member so desires;
  - (v) that the court will exclude from the class any member who requests exclusion;
  - (vi) the time and manner for requesting exclusion; and
  - (vii) the binding effect of a class judgment on members under Rule 23(c)(3).

Not all of these requirements are relevant to ECL opt-outs, but they point the way toward articulating analogous explanations.

<sup>18</sup> *Id.*

<sup>19</sup> 7AA CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE AND PROCEDURE § 1787 (3d ed. 2005, Apr. 2017 update); *See, e.g. Plummer v. Chemical Bank*, 668 F.2d 654, 657 n.2 (2d Cir. 1982) (“Any reasonable indication of a desire to opt out should suffice.”).

<sup>20</sup> *See also* Johann Axhamm & Lucie Guibault, *Cross-border extended collective licensing: a solution to online dissemination of Europe’s cultural heritage?* INSTITUUT VOOR INFORMATIERECHT (ed. EuropeanaConnect August 2011), available at <http://su.diva-portal.org/smash/get/diva2:465947/FULLTEXT01>, and Schovsbo and Riis, *supra* note 9, at 487, for their analyses of ECL compatibility with the three-step test.

<sup>21</sup> Panel Report, *United States – Section 110(5) of the U.S. Copyright Act*, WT/DS160/R 6.109, 6.112 (15 June 2000).

defined the classes of works or of uses covered by the license, the more likely analysis of this factor is to favor the limitation. For example, mass digitization of all published books for purposes of dissemination to the general public seems a weak candidate to pass the first step. By contrast, digitization for purposes of instruction in music conservatories of the scores of musical compositions created during the 1950s and not commercially available better comports with the WTO Panel's interpretation of the first step. The CMO's representativeness may also be taken into account. The "extension effect" generally is not triggered unless the CMO has already enlisted a "substantial number" of authors whose works would be covered by the license.<sup>22</sup> The greater the critical mass of participating authors required before the CMO will be permitted to grant licenses in non-member authors' works, the more "special" the case becomes because the percentage of unrepresented authors to whom the license would apply will diminish as the percentage of authors consenting to the CMO's representation increases.

With respect to the second step, non conflict with a "normal exploitation" of the work, if the CMO is licensing rights that authors normally would exploit individually, the prospect of a conflict arises. The ECL may function best in situations of "market failure" in which the value of the licensed uses, while collectively significant, is individually too trivial to be worth the transactions costs of individual management. The French law that the CJEU invalidated on other grounds may also have been vulnerable on three-step test grounds, not only for the breadth of its coverage (all books published in France before 2000), but also because the CMO was granting rights to convert print books to ebook format – rights that currently are the object of individual contractual arrangements.

Finally, because ECLs compensate member and non-member authors alike,<sup>23</sup> they should meet the third step, no unreasonable prejudice to the legitimate interests of the author. It is generally accepted that remuneration may offset prejudice that otherwise might be unreasonable.<sup>24</sup> Thus, ECLs confined to limited classes of works or uses by CMOs which have attained a high level of representativeness, for example, over 75% of authors to whom the license would apply, when the

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<sup>22</sup> See, e.g., Danish Copyright Act, art. 50(1); Finnish Copyright, art. 26(1); Icelandic Copyright Act, art. 26a(4); Norwegian Copyright, art. 38a(1) Swedish Copyright Act, art. 42a.; U.K. Copyright and Rights in Performances (Extended Collective Licensing) Regulations, regulation 4(4)(b), 2014, permits the secretary of state to authorize a CMO to operate an ECL if, inter alia, "the relevant licensing body's representation in the type of relevant works which are to be the subject of the proposed Extended Collective Licensing Scheme is significant." The U.K. Intellectual Property Office 2016 Guidelines similarly do not set a percentage of right holders, but require "significant" representation, and "a very sizeable number of affected rightsholders." U.K. INTELLECTUAL PROPERTY OFFICE, *Extended Collective Licensing (ECL): Guidance for relevant licensing bodies applying to run ECL schemes* (2016), available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/544362/extended-collective-licensing-application-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544362/extended-collective-licensing-application-guidance.pdf). The proposal for a Directive on Copyright in the Digital Single Market, Com, 593, art. 7(1)(a), 2016, providing for ECLs for "use of out-of-commerce works by cultural heritage institutions" requires that the CMO be "on the basis of mandates from rightholders, broadly representative of rightholders in the category of works or other subject-matter and of the rights which are the subject of the licence."

See also, Schovsbo and Riis, *supra* note 9, at 491; Gunnar Karnell, *Extended Collective License Clauses and Agreements in Nordic Copyright Law*, 10 COLUM. J. L. & ARTS 73, 77 (1985).

For an extensive analysis of CMO representativeness requisite to trigger the ECL extension effect, see Rán Tryggvadóttir, *Copyright and cross-border online use of works by libraries in Europe: the case for extended collective licences* Ch. 5.2 (PhD Thesis, KU Leuven University 2017).

<sup>23</sup> See, e.g., Schovsbo, *supra* note 9, at 488 n. 66 ("A non-member has a right to demand individual remuneration."); Gunnar Karnell, *supra* note 22, at 74.

<sup>24</sup> See, e.g., RICKETSON, *supra* note 11, at paras. 13.26-13.27, 13.35, 13.114.

uses would not ordinarily be the objects of individual transactions, and when the CMO compensates non-member authors on the same basis as member authors, should be found to comply with the three step test.

### *Opt-out versus Exception*

An appropriately designed opt-out system avoids potential non compliance with international norms because the author's consent to the CMO's licensing will have been legitimately presumed. But if the ECL would have passed the three step test in any event, why bother with the administratively cumbersome and expensive measures requisite to a treaty-compatible opt-out? An outright exception provides security to the CMO and its foreign counterparts and licensees. The more authors exercise their opt-outs, the less useful the ECL. Moreover, if authors opt out at different times, they exacerbate the uncertainty of the CMO's representation. As a practical matter, the CMO or its foreign correspondents might in fact continue licensing all works within the license's coverage, leaving it to the author to enforce her rights against the local or foreign CMO or user. Whether or not the opting-out author seeks to prevent the exploitation of her work (a prospect many authors may find prohibitive), the CMO will no longer be obliged to pay the author her share of the license revenues. As a result, apart from any psychological satisfaction the author may derive from having, at least formally, preserved her rights, opting-out seems a losing proposition all around.

That conclusion is probably correct, so long as the object and use of the ECL would pass the three step test. That is, so long as individual transactional licensing is not cost-effective. But once the scope of the ECL begins to overlap with uses that copyright owners might prefer to exercise on their own, the risk of treaty non compliance increases. At that point, an opt-out system will shield the CMO and its foreign correspondents. But if authors in fact opt-out, they may compromise the value of the ECL. This conundrum suggests that the scope of the ECLs' coverage should be sufficiently modest that most authors, even if they might profitably license (and enforce) on their own, will prefer the convenience of remaining within the license. In other words, the opt-out ECL most successfully targets uses for which the efficacy of transactional licensing is uncertain. What those uses are – or, more importantly, given evolving modes of exploitation, will be – probably resists precise identification. But for the same reasons, the uses that pass the second step because they fall outside a “normal exploitation of the work” risk equal indeterminacy. Given these moving targets, carefully-defined opt-out ECLs rather than reliance on exceptions, seem the safer course for a CMO.

ECL systems are a pragmatic response to the growing demand for bulk use of works of authorship, particularly in the digital environment. They can enhance access for users and remuneration to authors, and often may furnish the best means of achieving these ends. Provided, however, that authors' consent is properly presumed, or that the covered uses are defined to avoid conflict with normal exploitations, including emerging exploitations. An opt-out can enable the CMO to license uses that might otherwise encroach on normal exploitations, but for that reason, the more the ECL treads on transactionally-licensable exploitations, the higher the burden to justify the extension effect to non members through a rigorously-administered opt-out program that effectively notifies and clearly explains the consequences to non CMO member authors of their right to opt-out.

## APPENDIX: ECL Notice Checklist<sup>25</sup>

Effective Notice Requirements:

Mode of delivery

- Deliver individual notice to all known and locatable non-member rights-holders affected
- Confirm that notice reaches a substantial number of locatable non-member rights holders (at least 75%)
- Deliver notice in all relevant languages
- Deliver notice via multiple media (e.g. mail, email, text messages, printed & social media, physical and internet advertising)
- Deliver notice to all last known addresses of non-member rights-holders
- Update outdated addresses before (e-)mailing
- Re-deliver, via alternate means, all notices returned as undeliverable
- Ensure that notice will not be delivered as “spam” or “junk mail” (e.g. notify servers, create individual-specific subject lines, send single-recipient emails, etc.)

Form and Content of Notice

- Ensure that notice will stand out as important, relevant, and reader-friendly
- Use graphics when possible and helpful
- Use only clear, concise, and easily understood language, with the most important information introduced first
- Include all essential, but only essential information (notice should be as short as possible)
- If notice spans multiple pages, include a summary page/paragraph
- Include a description of the ECL mechanism and collective management organization
- Clearly explain what uses are covered by the license (explanation may include uses that the license does not cover)

For example,

The license covers digitization of excerpts of works in the collections of nonprofit university libraries so that students enrolled in the courses for which the excerpts have been assigned may access and read them on their own computers or devices, wherever located. The license does not permit the university libraries to digitize and communicate the entire contents of the works. It does not allow persons not registered as students for the course to access the excerpts. And it does not permit enrolled students to download the excerpts to their hard drive nor to print them out.

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<sup>25</sup> This list adapts the criteria found in FEDERAL JUDICIAL CENTER, *Judges' Class Action Notice and Claims Process Checklist and Plain Language Guide* (2010), available at <https://www.fjc.gov/sites/default/files/2012/NotCheck.pdf>. See also U.K. INTELLECTUAL PROPERTY OFFICE, *Extended Collective Licensing (ECL): Guidance for relevant licensing bodies applying to run ECL schemes* Guideline 4 (2016), available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/544362/extended-collective-licensing-application-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/544362/extended-collective-licensing-application-guidance.pdf)

- Clearly explain the effect of not “opting out”

For example,

If you choose to remain covered by the license, rather than exercising your right to opt out of the license, [name of CMO] and its correspondent collecting societies in other countries will authorize nonprofit universities to allow students enrolled in the courses for which the work is assigned to access excerpts of your work to read online (but not to copy or print out). [Name of CMO] will collect and distribute payments for these uses, and you will be paid your share of the licensing revenue.

- Clearly explain the effect of “opting out”

For example,

If you choose to opt out of the license, you will receive no payments from [name of CMO]. You may attempt to license the same rights on your own, and/or to bring a lawsuit for infringement of those rights if universities use your work in the ways described above without your permission.

- Clearly explain that rightholders may change their minds and rescind the opt-out (explain how to opt back in by becoming a member of the CMO)

#### Explanation of how to opt-out

- Provide simple, straightforward, easy-to-follow instructions to opt-out via electronic, telephonic and mail-in means
- Where notice is delivered by post, provide a return envelope with postage and simple opt-out form (such as the sample form provided below)
- Where notice is delivered electronically, provide a link to the electronic opt-out mechanism (such as the sample form below)
- Create an interactive website hosting further information and answers to questions
- Provide link to website in each notice

#### Effective Opt-out Requirements:

- Make opt-out free, easy, simple, and fast (one step if possible)
- Make clear that it is not necessary to consult a lawyer in order to opt-out (e.g. use the sample “ECL Opt-out Form” form provided below)
- Accept opt-out by any reasonable means, including by email, post or phone
- Make opt-out easily reversible (allowing authors to opt back in)
- Confirm receipt of opt-out for each individual rights-holder who opts-out
- Provide a means for rights-holders to confirm their opt-out status (e.g. via website member page, toll-free number, mail-in request etc.)

