

Comment of the European Copyright Society on the Implementation of the Extended Collective Licensing Rules (Arts. 8 and 12) of the Directive (EU) 2019/790 on Copyright in the Digital Single Market

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EXECUTIVE SUMMARY

Articles 8 and 12 of the DSM Directive provide the first explicit legal basis for extended collective licences (ECL) in the EU copyright acquis. Article 8 is a mandatory rule on the use of out-of-commerce works and other subject matter by cultural heritage institutions, whereas Article 12 is an optional rule that applies to all kinds of works or other subject matter and all forms of use. Although Article 12 is optional, it harmonises national rules on ECLs and leaves some, but limited, freedom to the Member States. Accordingly, national rules on ECL must comply with the safeguards in Article 12(3) and the stipulations in Article 12(2).

An ECL must be managed by a copyright management organisation (CMO) that complies with the conditions set out in Directive 2014/26/EU on collective management of copyright etc. The CMO must be sufficiently representative of rightholders in the relevant type of works or other subject matter and of the rights that are the subject of the licence. The ECS suggests that the representativeness requirement should not be construed too rigidly, for instance as a requirement that a majority of rightholders in the relevant field must be members of the mandated CMO. The representativeness requirement should be a flexible tool that safeguards the interests of rightholders and enables effective collective licensing.

The Directive is silent on further conditions for providing the CMO with the legal mandate to enter into collective agreements with extended effect. Hence, it is to be presumed that Member States are at liberty with regard to such conditions. The ECS recommends that an administrative authorisation scheme covering CMOs mandated to manage ECLs and the individual collective agreements with extended effect is implemented in each Member State. An authorisation scheme will provide for the highest degree of predictability and transparency for the process of determining which agreements will trigger the extension effect. Furthermore, an authorisation scheme enables the Member States to lay down further conditions for the CMO in order to safeguard the interests of unrepresented rightholders. Such further conditions could concern the extent to which the organisations shall employ resources in order to track down unrepresented right holders.

An ECL is only applicable in well-defined areas of use. This means that the area shall be clearly defined and must not be overly broad. Accordingly, the ECL agreement cannot be general in nature and comprise all kinds of works and all kinds of uses, but must do the job of specifying the uses subject to the ECL.

For all kinds of ECLs, it is a condition that unrepresented right holders should have the possibility of opting out of the ECL scheme easily and effectively and, in this way, regain the exclusivity of their copyrights. Member States that implement an ECL scheme shall, according to Article 12(3)(d), ensure that appropriate publicity measures are taken to inform rightholders about ECLs and Article 12's safeguards. According to the provision, publicity measures shall be effective without the need to inform each rightholder individually. In addition, opting out must not be so complicated and onerous as to discourage authors from doing so.

1. Extended collective licences

Collective licensing is a necessary form of clearance for copyright and related rights, in particular with regard to mass uses. In many instances, however, collective licensing of all relevant rights is not possible because of limitations to the mandates of the relevant collective management organisations (CMOs). To remedy this and, at the same time, to secure both right holders' and users' interests, the so-called extended collective licence (ECL) was invented in the Nordic countries in 1960–1961, first in respect of broadcasting, then in respect of photocopying.¹ Under the ECL, the effect of agreements between CMOs and users of copyrighted works is extended by statute to works of right holders not represented by the CMO. This is called the 'outsider effect'. Today, ECLs are used for rights clearance in a large variety of situations and in various countries. ECLs can be described as having the effectiveness of compulsory licences but, at the same time, leaving right holders in control with regard to negotiating the conditions for use.

¹ See, for example, Thomas Riis, Ole-Andreas Rognstad, Jens Schovsbo, "Collective Agreements for the Clearance of Copyright – the Case of Collective Management and Extended Collective Licenses", in Thomas Riis (ed.), *User Generated Law. Re-Constructing Intellectual Property Law in a Knowledge Society*, Copenhagen (2016) 55–76, 59 – 62; Johan Axhamn, "The Consistency of the Nordic Extended Collective Licensing Model with International Conventions and EU Copyright Norms", *Nordiskt Immateriellt Rättskydd (NIR)* (2017), 561–579, 563–567.

In the European Union, the ECL has long been accepted as compatible with EU law and is mentioned in article 3(2) of the Satellite and Cable Directive from 1993. Furthermore, recital 18 of the Infosoc Directive from 2001 states that the Directive “is without prejudice to the arrangements in the Member States concerning the management of rights such as extended collective licences”. Accordingly, ECLs are not exceptions or limitations under EU law, despite the fact that, in respect of unrepresented rightholders, they function as compulsory licences (or exempted uses subject to compensation). In fact, ECLs are meant to “boost” the scope of voluntary licensing. For this reason, the ECL provisions of the DSM Directive are drafted carefully in order to preserve the interests of ‘outsider rightholders’ and provide a number of safeguards. These safeguards include the requirement that individual right clearance must be onerous and impractical and make required licensing transaction unlikely in order for the ECL to apply (Article 12(2)), and the right to ‘opt out’ of the ECL (Articles 8(4) and 12(3)(c)). Given that these and other conditions for the application of the ECL are satisfied, Member States may provide for ECLs irrespective of the ‘exhaustive’ list of exceptions and limitations permitted under the Directive. In addition, the preamble of the DSM Directive (DSMD) clarifies that the possibility that works might be used under an ECL does not influence the scope of the exceptions and limitations to the exclusive copyrights.²

The DSM Directive contains two different ECL provisions. Article 8(1) is a mandatory rule on use of out-of-commerce (OOC) works and other subject matter by cultural heritage institutions (CHI).³ Article 12 provides for the general opportunity of “collective licensing with extended effect”. The provision in Article 12 applies on the one hand to all kinds of works or other subject matter and uses, but on the other hand is optional in the sense that it leaves it to the Member States to decide whether or not, to implement it. A provision similar to Article 8 was included in the Commission’s original proposal for the DSMD (September 16, 2016), whereas the general ECL-provision in Article 12 was not part of the original proposal, but was introduced in the Consolidated Presidency compromise proposal of 30 October 2017. This comment will

² Recital 43 regarding the ECL for out of commerce (OOC) works in Article 8.

³ “Mandatory” in this context means that Member States must provide for a provision that extends the effect of a voluntary licence to works of non-represented authors. However, the fact that Article 8(2) also provides for a mandatory exception or limitation to the exclusive rights, implies that the ECL will not cover use subject to the E&L, since a voluntary licence, and consequently the ECL providing for the extended effect, is not necessary in these situations.

concentrate on the special features of ECL implementation as such and not on specifics regarding OOC works.

Even though Article 12 is optional, some uncertainty exists as to the degree of freedom Member States have in shaping the specific ECL-provision. Normally, the Court of Justice states that a concept appearing in a directive without any reference to national laws must be regarded as an autonomous concept of European Union law and must therefore be interpreted uniformly throughout the European Union.⁴ This suggests that Member States must conform to the exact wording of Article 12 as interpreted by the Court. However, on the other hand, recital 46 of the Directive states that “Member States should have the ability to maintain and introduce such mechanisms in accordance with their national traditions, practices or circumstances, subject to the safeguards provided for in this Directive and in compliance with Union law and the international obligations of the Union”. Accordingly, Member States are free to shape provisions on extended collective licences on the condition that four safeguards set out in Article 12(3) are available for all right holders. Still, as already pointed out, according to Article 12(2), ECLs are only to be applied where obtaining authorisations from rightholders on an individual basis is onerous and impractical. In addition, the ECL can only apply within well-defined areas of use and Member States must ensure that the licensing mechanism safeguards the legitimate interests of the right holders. Taking into consideration the Court of Justice’s expansive and pro-integration style of interpretation, there is a strong argument that national provisions on ECL must comply with the conditions in Article 12(2) and not only the safeguards in Article 12(3). Since Article 12 is not a prerequisite for Member States to adopt provisions on ECL, the primary impact of Article 12 is the introduction of the safeguards and stipulations in Article 12(2) and (3). Furthermore, Article 12(2) contains additional conditions which, although not identical, are reminiscent of the formulation of the three-step test under the Berne Convention (Article 9) and the TRIPS Agreement (Article 13).

The texts of Articles 8 and 12 both point in the direction of extended collective licensing as interpreted and practised in the Nordic countries. Article 8 provides for the extension of “a non-

⁴ See, for example, case C-467/08, *Padawan SL v. SGAE*, ECLI:EU:C:2010:620, para. 33; case C-201/13, *Johan Deckmyn Vrijheidsfonds VZW v. Helena Vandersteen et al*, ECLI:EU:C:2014:2132, para. 15.

exclusive licence for non-commercial purposes” to works and other subject matter to right holders that have not mandated the CMO in question (ie. “irrespective of whether all rightholders covered by the licence have mandated the collective management organisation”). Similarly, the headline of Article 12 reads “collective licences with extended effect” and concentrates on extending the application of an agreement entered into by the CMO to right holders “who have not authorised that collective management organisation to represent them”. Still, the recitals of the Directive make clear that the intention is to permit other licensing mechanisms than the traditional Nordic concept of ECL. Thus, it follows from recitals 33 and 44 of the Directive that Member States have flexibility in choosing the type of licensing mechanism that they put in place for the use of out-of-commerce works or other subject matter by cultural heritage institutions. Flexibility is also highlighted in relation to Article 12. With regard to “the increasing importance of the ability to offer flexible licensing schemes in the digital age, and the increasing use of such schemes”, recital 46 thus states on a general basis that “Member States should be able to provide for licensing mechanisms which permit collective management organisations to conclude licences, on a voluntary basis, irrespective of whether all rightholders have authorised the organisation concerned to do so”. It is emphasised that “Member States should have the ability to maintain and introduce such mechanisms in accordance with their national traditions, practices or circumstances”⁵. On the other hand, Article 12(4)(2) explicitly states that the provision shall not apply to mandatory collective management of rights. In many countries, compensation for E&L or remuneration rights are subject to mandatory collective management; that is, they are managed “by legal mandate” exclusively by CMOs. Rights and licences under mandatory collective management are not bound by the rules set by Art.12. Thus, a licence granted under mandatory collective management does not need to allow for opt-outs (in fact, opting-out would inherently contradict mandatory collective management).

This comment recognises that Member States have the flexibility to choose among various licensing models with extended effect in order to implement Articles 8 and 12 according to their legal traditions. Nevertheless, the comment will concentrate on extended collective licensing as the model of implementation in the sense that it is the extension of the effect of the *agreement* covered by the mandate of the CMO that will stay in focus and not the extended effect of the

⁵ Recital 46, cf. also recital 33.

mandate. It is the extended effect of a negotiated licence agreement that characterises an ECL in the true sense, in contrast to situations where a general mandate to enter into agreements with users is extended to works of right holders that are not members of the CMO. It is believed that many of the problems that the CJEU pointed out in *Soulier and Doko*⁶ could be avoided if emphasis is put on the extension of the agreement instead of the extension of a general legal mandate.⁷ This is not to exclude the possibility that legal mandates and presumptions of representation may also comply with the principles established in that decision, in accordance with the assumptions in the recitals of the DSMD that Member States have freedom with regard to the implementation of Articles 8 and 12.

Due to copyright law’s choice of law rules, the extension effect of an ECL is limited to the territory of the Member State that has adopted a provision on ECL.⁸ Accordingly, ECLs can only be used to clear rights throughout the EU if all Member States choose to adopt such provisions. We will come back to this in the closing section (6).

2. The collective organisation

Pursuant to Article 12(1) of the Directive, “Member States may provide ... that where a collective management organisation that is subject to the national rules implementing Directive 2014/26/EU [CRMD], in accordance with its mandates from rightholders, enters into a licensing agreement for the exploitation of works or other subject matter, ... such an agreement can be extended to apply to the rights of rightholders who have not authorised that collective management organisation to represent them”. Article 8(1) also refers to a “collective management organisation”. This must in turn mean an “organisation which is authorised by law or by way of assignment, licence or any other contractual arrangement to manage copyright or rights related to copyright on behalf of more than one rightholder, for the collective benefit of

⁶ Case C-301/15, *Marc Soulier and Sara Doko v Premier ministre and Ministre de la Culture et de la Communication*, ECLI:EU:C:2016:878, para 37 et seq.

⁷ Compare Olav Stokmo, “The Extended Collective Licensing Agreement or the Extension of Voluntary Licensing Agreements around the World”, *NIR* (2017) 593–603, 600–603. See also Lucie Guibault and Simone Schroff, “The Use of Extended Collective Licensing for the Use of Out of Commerce Works in Europe: a Matter of Legitimacy Vis à Vis Right Holders”, *IIC* (2018), 916–939, 930 et seq.

⁸ Cf. recital 46.

those rightholders, as its sole or main purpose, and which is... owned or controlled by its members ... or organised on a not-for-profit basis” (CRMD Article 3(a)). At the same time, the term “subject to the national rules implementing [CRMD]” in Article 12 implies that the general requirements of the directive concerning transparency, distribution of remuneration and so on, thus implemented by the Member States, will apply to ECLs under Article 12.

A key element for the application of ECLs under Articles 8 and 12 is the representativeness requirement – that the CMO “on the basis of its mandates is sufficiently representative of rightholders in the relevant type of works or other subject matter and of the rights that are the subject of the licence” (Article 8(1)(a), Article 12(3)(a)). The representativeness requirement lies at the very core of the ECL as a rights clearance system and the legitimacy of the ECL model depends on this requirement.

According to recital 48 of the DSM Directive, relevant factors to determine the representativeness requirement are “the category of rights managed by the organisation, the ability of the organisation to manage the rights effectively, the creative sector in which it operates, and whether the organisation covers a significant number of rightholders in the relevant type of works or other subject matter who have given a mandate allowing the licensing of the relevant type of use, in accordance with Directive 2014/26/EU”. Although it is crucial that “a significant number of right holders” is represented by the CMO, because that triggers the “outsider effect” of the ECL, it is also important that the requirement is interpreted in accordance with the purpose of the ECL and is not applied too rigidly or considered as a mere quantitative requirement with fixed numerical indicators.⁹ Thus, for example, a “significant number” should not imply that a majority of rightholders in the relevant field must be members of the mandated CMO.¹⁰ The representativeness requirement should be a flexible tool that, on the one hand, safeguards the interests of rightholders and, on the other, guarantees the effectiveness of collective licensing where such “licensing based on an authorisation by rightholders does not

⁹ See Guibault/Schroff, *supra* note 7, 929.

¹⁰ Compare Guibault/Schroff, *supra* note 7, 929. See also Thomas Riis and Jens Schovsbo, “Extended Collective Licenses in Action” *IIC* (2012), 930–950, 937; Riis/Rognstad/Schovsbo, *supra* note 1, 65–66; Astri M. Lund, “The Nordic Extended Collective Licence – Particular Aspects”, *NIR* (2017), 552–562, 556–557.

provide an exhaustive solution for covering all works or other subject matters to be used” (DSMD, recital 45).

Instead of interpreting the representativeness requirement as a specific quantitative threshold, a number of factors should be relevant in assessing the representativeness of a CMO, some of them also of a qualitative nature, in order to secure the fulfilment of the purpose of an ECL. Recital 48 already mentions the ability of the organisation to manage the rights effectively. Other related factors could be how well-established the CMO is in the relevant field, the possibilities and position of the organisation with regard to entering into reciprocity agreements with other CMOs, the quality of the system for distribution of remuneration (cf. CRMD Article 13), and the level of transparency (CRMD Article 21).¹¹ It should be recalled that the possibility of ‘opt-out’ set out in Article 12(5) remedies the lack of formal consent on the part of the ‘outsider’ right holder. The practical situation is not much different from that of an individual right holder who has given the CMO, directly or indirectly through membership agreements, the mandate to negotiate agreements on his or her behalf. Many such right holders will not be aware of the specific agreements that the CMO has entered into and a right to opt out of the agreement may, for both categories of right holders (‘insiders’ and ‘outsiders’), be the only realistic way of exercising their private autonomy with regard to the individual agreement. Thus, the ability of the CMO to safeguard the interests of right holders, including the transparency of its practices with regard to represented and non-represented right holders, is at least equally crucial to the functioning of the ECL as the formal number of right holders represented by the CMO.

The legal mandate of the CMO is also of utmost importance to the legitimacy of the ECL. The ECL system is based on the agreement entered into by the relevant CMO and, in this respect, the CMO will explicitly have to be entrusted with a mandate to represent specific rights. Thus, Articles 8(1) and 12(1) DSMD refer to the CMO’s entering into agreements “in accordance with its mandates from rightholders”. Pursuant to Article 5(7) CRMD, the right holder must give consent specifically for each right or category of rights or type of works and other subject-matter which he authorises the collective management organisation to manage and any such consent shall be evidenced in documentary form.

¹¹ Cf. Ole-Andreas Rognstad, *Opphavsrett*, 2nd ed., Oslo 2019, 369–370.

The mandate to enter into agreements with users for the repertoire that the right holder has consented to is crucial to the legal mandate that forms the basis for the ECL. Articles 8(1)(b) and 12(1)(b) the ECL – i.e. the statutory provisions triggering the outsider effect of the agreement – provide the CMO’s legal mandate to represent right holders who have not authorised the organisation. Since the Directive is silent on the further conditions for providing the legal mandate, it is to be presumed that Member States are at liberty with regard to such conditions. Here, there are different solutions in the Member States, and in the Nordic countries specifically. The ECS considers, however, that an administrative authorisation scheme will provide for the highest degree of predictability and transparency in determining which agreements will trigger the ECL (‘outsider’) effect. The authorisation procedure may relate to the specific agreements that the CMO enters into,¹² the CMO that will enter into agreements in the relevant field,¹³ or both.

Article 9 of the Services Directive,¹⁴ which deals with the freedom of establishment for providers, stipulates that Member States may only make access to a service activity or the exercise thereof subject to an authorisation scheme if:

- the authorisation scheme does not discriminate against the provider in question;
- the need for an authorisation scheme is justified by an overriding reason relating to the public interest; and
- the objective pursued cannot be attained by means of a less restrictive measure (proportionality).

The concept of ‘overriding reasons relating to the public interest’ must be construed in accordance with the case law of the Court of Justice in relation to Articles 49 and 56 of the Treaty on the Functioning of the European Union. A relatively broad concept, it covers, amongst other things, the protection of IP and cultural policy objectives.¹⁵ National authorisation schemes for collecting societies are presumably justified by the protection of IP and cultural policy

¹² See for example the Danish General ECL, set out in the Danish Copyright Act (1995) Section 50(4).

¹³ See the Norwegian Copyright Act (2018) Section 63 third paragraph and the Finnish Copyright Act (1961) Section 26 second paragraph.

¹⁴ Directive 2006/123/EC.

¹⁵ Recital 40 of the Services Directive.

objectives. However, considerable doubt may arise as to whether various national authorisation schemes are non-discriminatory and proportional.¹⁶ A particular issue is whether an authorisation scheme for CMOs managing ECLs should ensure that only one CMO is authorised to manage each type of rights. The DSM Directive is silent on that issue. It has been an established principle of Nordic copyright law that only one CMO can be entitled for each type of right. The primary rationale for this stipulation is that it follows from the nature of ECL, in particular, from the economies of scale and scope involved. On the other hand, a situation with only one authorised CMO creates the well-known competition-related concerns associated with natural and legal monopolies: inefficiency, dead weight loss, abuse of market power. This is no different from ordinary CMOs managing exclusive copyrights on a voluntary basis.

However, the management of ECLs is different in some respects from other forms of collective management of copyrights and, as a consequence, only one CMO ought to be authorised for each type of work. As a practical matter, if more than one organisation were entitled to manage the same type of rights for the same type of works, unrepresented right holders might be confused as to where to claim remuneration and users might be confused as to the works administered by each organisation. Furthermore, the amount of remuneration might not be the same in different collective agreements. In addition, an organisation that manages a collective agreement does not have incentives to promote the interest of right holders who do not belong to the organisation because unrepresented right holders cannot influence the decisions of the organisation and they constitute a sort of dead weight to the organisation. For this reason, Article 12(3) guarantees equal treatment of unrepresented right holders. However, Article 12 does not specify the requirements which the organisations must satisfy in respect of promoting the interests of unrepresented right holders. Particularly, the extent to which the organisations should employ resources to track down unrepresented right holders is not set out. Such requirements could be specified in an authorisation scheme.¹⁷

¹⁶ Thomas Riis, Collecting societies, competition, and the Services Directive, *Journal of Intellectual Property Law & Practice* (2011), 482–493, 491.

¹⁷ See Riis, *supra* note 16, 482–493, 492.

3. The scope of the licence

The scope of the extended licence is not unlimited. The ECL cannot comprise any kind of unspecified use. According to Article 12(2), “the licensing mechanism ... is only applied within well-defined areas of use”. Two different models of specifying the use are possible here. One is the so-called “specific ECL” which implies that the scope of the licence is specified in the statutory provision providing for the ECL. The licence for out of commerce (OOC) use pursuant to Article 8 is one example of a specific ECL, but the requirement of “well-defined areas of use” in Article 12(2) may also be fulfilled by other specific ECLs. For example, it could be possible, within the framework of Article 12, to provide for a statutory provision deciding that agreements entered into by a CMO for the use of protected content by online content-sharing providers, pursuant to Article 17, shall have extended effect, as long as the general conditions for ECLs are met. Some other possible examples of sector-specific ECLs are ECLs for copying for educational purposes, communication to the public of audiovisual works, digitisation of works in libraries’ collections, to mention some. It must be emphasised, though, that the scope of an ECL will never extend beyond the scope of the agreement entered into by the CMO.

The second possible model is the “general ECL”, where the statutory provision only provides that the CMO may enter into agreements “within well-defined areas of use” that will have extended effects. Here, the agreements will fully define the scope of the ECL. The requirement that the areas of use will have to be “well-defined” implies that the agreement cannot be general in nature and comprise all kinds of works and all kinds of uses, but must do the job of specifying the uses subject to the ECL. The term “general ECL” refers to the fact that the statutory provision legitimising the ECL is general in nature and that the specification is left to the agreement – not that the ECL escapes the requirement of specification. In practice, the general ECL will supplement specific ECLs, as it does in the Nordic countries. As the ECL for OOC works pursuant to Article 8 is mandatory, a general ECL will have to be supplementary to the former.

As already mentioned, it is an absolute condition for the application of an ECL under Article 12(2) that “obtaining authorisations from rightholders on an individual basis is typically onerous and impractical to a degree that makes the required licensing transaction unlikely, due to the

nature of the use or of the types of works or other subject matter concerned. “Typically onerous and impractical” is not tantamount to “impossible”, but it means that individual rights clearance is, for all practical purposes, not viable. It is, however, conceivable that the ECL might supplement individual rights clearance and apply to the extent there is no reason to believe that rights can be cleared individually. In order to implement this obligation, it ought to be sufficient to stipulate in statute that the ECL applies to the extent that obtaining authorisations from right holders on an individual basis is typically onerous and impractical. The subsequent obligation to “ensure that such licensing mechanism safeguards the legitimate interests of rightholders” should be considered fulfilled as long as all the conditions for applying the ECLs set out in Article 12 are complied with. However, as follows from recital 47, special consideration should be taken to the fact that the ‘outsider effect’ often tends to affect non-nationals or non-residents of the Member State of the user seeking a licence and that foreign citizenship or residency should not in itself be a reason to consider the rights clearance onerous or impractical. Moreover, a bottom line, reflected in the requirement that Member States shall ensure that the licensing mechanism safeguards the legitimate interests of right holders, is that ECLs are meant to benefit right holders as much as users. Hence, the ECL system ensures that right holders are remunerated in situations in which it is likely that they would not otherwise have received compensation. This is particularly the case with respect to foreign right holders.

4. **Unrepresented right holders**

This leads to the special safeguarding measures in Article 12(3) on the treatment of unrepresented right holders, including the non-discrimination obligation in Article 12(3)(b), which asserts that “all right holders are guaranteed equal treatment, including in relation to the terms of the licence”. The non-discrimination requirement is a vital element of the ECL, the very idea of which is to extend the effect of the agreement entered into by the CMO to the benefit both of the users and the right holders involved. One consequence is that whatever the CMO decides regarding the distribution of remuneration shall equally apply to non-represented right holders. This is at least partially already reflected in CRMD through obligations to ensure that the CMO distributes and pays amounts due to right holders (Article 13(1)), and to take all

necessary measures to identify and locate right holders. Article 13(3)) also applies to right holders who have withdrawn from the CMO (Article 5(5)). Article 12(3)b) DSMD goes one step further and extends in effect the obligation also to right holders who have never been members of the CMO, since the right of equal treatment applies to all right holders that are not represented by the CMO in question.

Another important safeguard is set out in DSMD Article 12(3)(d) regarding the right to information.¹⁸ The provision must be read in close context with Article 12(3)(b), since the latter provides that obligations to inform right holders about relevant matters in licence agreements apply equally to non-represented right holders. Article 12(3)(d) emphasises the special importance of providing non-represented right holders with information about the ECL and the conditions of the licence which are applicable to their work. Thus, Member States must provide that “appropriate publicity measures are taken, starting from a reasonable period before the works or other subject matter are used under the licence, to inform rightholders about the ability of the collective management organisation to license works or other subject matter, about the licensing taking place in accordance with this Article and about the options available to rightholders as referred to in point (c)”. Again, obligations under CRMD are relevant, in particular Article 21 on the disclosure of information to the public, as non-represented right holders are to be considered as “the public” in this respect. Hence, information about general organisational statutes, revenue collection and distribution, details on dispute resolution procedures, etc. must be available also to non-represented right holders. In particular, appropriate publicity measures are, as pointed out in the DSMD Article 12(3)(d), of vital importance for the functioning of the ‘opt out option’ set out in Article 12(3)(c), which is discussed further below.

5. Opt-out

Articles 8(4) and 12(3)(c) provide that rightholders must be able to exclude their works or other subject matter from the ECL mechanism (opt out) easily and effectively and, in this way, regain the exclusivity of their copyrights. Article 5(2) of the Berne Convention stipulates that the

¹⁸ Regarding the OOC provision in Article 8, see the special information safeguards set out in Article 10.

“enjoyment and exercise” of copyright “shall not be subject to any formality”. If 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, it might be argued that the prohibition in Article 5(2) is contravened because the opting out constitutes a “formality” as to the exercise of copyright. Ginsburg points out that the ECL extension effect, with the possibility of opt-out, functions as a presumption of transfer of rights to the CMO managing the ECL, and the opt-out provides the means for authors to withhold their rights from the CMO, that is, to rebut the presumption of transfer.¹⁹ According to this line of argument, the ECL scheme does not encroach on the enjoyment and exercise of copyright and thus falls outside the scope of Article 5(2).

However, in *Soulier and Doke*, the Court of Justice of the EU (CJEU) found that a national rule that functions as a presumption of transfer of rights to the CMO conforms with Article 5(2) of the Berne Convention only if the associated opt-out provision satisfies a number of conditions.

Soulier and Doke concerned French legislation that gave an approved CMO the right to authorise the reproduction and communication to the public, in digital form, of out-of-print books, while allowing the authors of those books or their successors in title to oppose or put an end to that practice on conditions laid down in that legislation. The CJEU found that ‘opt-out’ must offer a mechanism ensuring that authors are actually and individually informed. Otherwise, it would not be inconceivable that some of the authors concerned would not, in reality, even be aware of the envisaged use of their works and, therefore, that they would not be able to adopt a position, one way or the other, on that use. In those circumstances, a mere lack of opposition on their part could not be regarded as the expression of their implicit consent to that use.²⁰ Furthermore, the Court stated that, in order to comply with Article 5(2) of the Berne Convention, an author of a work must be able to put an end to a third party’s exercise of rights of exploitation in digital format that he holds on that work. In so doing the author can prohibit that third party from any future use in such a format, without having to submit beforehand to a formality consisting of proving that other persons are not holders of other rights in that work.²¹

¹⁹ Jane C. Ginsburg, “Extended Collective Licenses in International Treaty Perspective: Issues and Statutory Implementation”, *NIR* (2019), 215–227, 218.

²⁰ *Soulier and Doke*, *supra* note 6, para 44.

²¹ *Soulier and Doke*, *supra* note 6, para 50–51.

The judgment in *Soulier and Doko* provides guidelines for requirements for ECL schemes under the DSMD. However, *Soulier and Doko*'s requirement that authors should be individually informed of the possibility of opting out, is substituted by the provision of Article 12(3)(d) on 'appropriate publicity measures', which is a more relaxed condition than 'individual information'. Nevertheless, the publicity measures must be effective. Apart from that, it must be assumed that Member States implementing an ECL scheme must not introduce any rule that requires others' ownership of the rights to be disproved. Furthermore, it follows from *Soulier and Doko* that opting out must not be so complicated and onerous as to discourage authors from doing so.²²

6. Cross-Border Dimension and Solution for Online Platforms Rights Clearance

It follows from copyright's choice of law rules that the extension effect of an ECL is limited to the territory of the Member State that has adopted an ECL provision, cf. the *lex protectionis* principle laid down in the Article 8(1) Rome II Regulation 864/2007/EC. Thus, where an infringement is claimed in a Member State which has not extended the effect of a collective agreement, a user cannot argue that the agreement applies to works of unrepresented authors. This result is recognized in Article 12(1) ("as far as the use on their territory is concerned") and in Recital 46 of the DSM Directive, where it is emphasised that an ECL, and similar mechanisms, "should only have effect in the territory of the Member State concerned, unless otherwise provided for in Union law."

One such provision exempting the application of the general choice of law rule is Article 9(1) of the same Directive regarding the ECL provision on OOC works under Article 8. According to this provision, Member States shall "ensure that licences granted in accordance with Article 8 may allow the use of out-of-commerce works or other subject matter by cultural heritage institutions in any Member State". In other words, the ECLs for OOC works shall extend also beyond the territory of each Member states and have cross-border effect. The situation is, however, different for ECLs granted in accordance with Article 12, which does not contain a

²² *Soulier and Doko*, *supra* note 6, para 50–51.

comparable provision but, on the contrary, confines the scope of the ECL to use on each Member State's own territory.

This limitation has been characterised as the “main problem” in regard to the potential that the ECL system and Article 12 have as a mechanism to secure rights clearances for Online Content-Sharing Service Providers under Article 17 DSMD.²³ Nevertheless, the cumulative effect of Member States' application of ECL provisions to platform uses may be that repertoires are cleared for such uses throughout the EU.²⁴ Thus, Member States can adopt the statutory basis for ECL in accordance with Article 12 for the purpose of clearance of exclusive rights pursuant to Article 17(1). If, despite negotiation, the CMO and the platform do not succeed in reaching a collective agreement, the platform is left with the possibility of escaping liability pursuant to Article 17(4). In the context of that provision, the mere existence of the statutory basis for ECL does not satisfy the “best effort obligation” under Article 17(4)(a). Best effort must be assessed in accordance with the efforts put into negotiating a prospective collective agreement.

Hence, Member States are also encouraged to use the option under Article 12 with a view to the advancement of future regulation at the EU level.²⁵

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²³ See Matthias Leistner, “European Copyright Licensing and Infringement Liability Under Art. 17 DSM Directive Compared to Secondary Liability of Content Platforms in the U.S. – Can We Make the New European System a Global Opportunity Instead of a Local Challenge?”, forthcoming in *Intellectual Property Law Journal (IPL)* 2020, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3572040, 35. Cf. the Comment of the European Copyright Society on Selected Aspects of Implementing Article 17 of the Directive on Copyright in the Digital Single Market Into National Law, available at <https://europeancopyrightsociety.org/opinions/>, 6, pointing to the role that ECLs may have in regard to Article 17(4).

²⁴ It should be noted, however, that there are also other obstacles to the effectiveness of Article 12 in order to solve problems under Article 17, like the risk of right holders “opting out”, see Leistner, *supra* fn 23, 34.

²⁵ Cf. Leistner, *supra* fn. 23, 36.

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