Exploitation and Licensing

UTS Bachelor of Laws – Copyright

Francis Gurry, WIPO Lecture

- wealth creation shifting towards intangible assets / knowledge based capital
- how is knowledge produced, distributed and consumed
- IP's function as a mechanism for determining fair competition for the resource base of the knowledge economy
- IP's function as balancing and reconciling stakeholders' interests in innovation and creation
- IP creates social tension over price of access and lack of access

ownership rights

- copyright infringed by exercising copyright rights without being the owner /owner's permission – s36
- owner / exclusive licensee can bring action for infringement – s115 / 119
- => owner has right to complain about infringement

- BUT owner no absolute positive right
  - to grant rights in work
  - to use the work
- *because work may include other copyright works*

⇒ any person wishing to use work has to secure rights from all copyright owners

transmission of ownership

- transmit ownership – s197
  - assignment
  - will
  - devolution by operation of law (eg bankruptcy)
- future copyright – vests when it comes into existence – s197

- assignment must be in writing signed by copyright owner

- divisible / partial assignments or licences
  - certain classes of rights;
  - for a specified time; or
  - for a specified geographical area

licensing

- permission or consent to do something
- *sometimes implied when no written assignment*

- may be revocable and subject to
  - regular payments
  - satisfying performance criteria

- does not create proprietary interest
- may not survive insolvency / bankruptcy
- (*contract Copyright Act 1912 Act exclusive licence granted property interest)*

licence

- Therese (licensor) grants Ian (licensee)
- the exclusive right (type of rights)
- in and to the work “Finland Stories” published by Federation Press in 2005 (work)
- to communicate the work to the public (rights)
- In Australia (area)
- for 10 years (term)

exclusive

- in writing signed by owner/prospective owner – s10
- authorised to do act of copyright to exclusion of all other persons (*including copyright owner*)

- may commence proceedings for infringement, conversion and detinue – s119

- difference with assignment
  - tax reasons (may not constitute a "disposal" for CGT
  - may still be revocable
  - may be subject to satisfying performance criteria

Implied terms

- Reasonable and equitable, obvious, and necessary for business efficacy
  BP Refinery v Hastings Shire Council, Codelfa v State Rail
- necessary to imply term for reasonable or effective operation of contract – *Byrnes v Australian Airlines*

- If engage someone to produce material then implied permission to use material in the manner and for the purpose in which and for which it was contemplated between the parties that it would be used at the time of the engagement – *Beck v Montana Constructions Pty Ltd*

- Licence only implied if necessary to do so – not necessary because statutory licence available – *CAL v NSW*

examples – implied term

- Architecture plans to build house – *Beck v Montana*
- Use surveying plans to decide subdivision – *CAL v NSW*

- NOT if acquire chattel
- *Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands) BV*
  - Time Life exclusive rights in cookery books outside US
  - cookery books lawfully purchased off-shore and imported into Australia by Angus & Robertson
  - an unrestricted sale overseas does not confer any implied licence to import/distribute in Australia

restraint of trade

- *A Schroeder Music Publishing Co Ltd v Macauley*
- young unknown song writer
- exclusive agreement for 5 years
- assigned all copyright in all songs
- very modest royalties – £50.00
- publisher no obligation to publish
- => restraint of trade against public policy

- *Panayiotou –v– Sony Music* (the George Michael case)

Australian Consumer Law

- a term of a *consumer contract* is void if the contract is a *standard form contract* and the term is *unfair – s23(1)*
- *consumer contract* includes a contract for the supply of goods or services to an individual where the goods or services are acquired for personal, domestic or household use or consumption – s23(3)
- *goods* include computer software – s2
- *unfair* – s24 – 25

unfair terms – s25

- permitting party to **avoid or limit performance** of contract;
- Permitting party (but not other) to **terminate** contract;
- penalising party (but not other) for a breach or termination of contract;
- permitting party (but not other) to vary terms of contract;
- permitting party (but not other) to renew or not renew contract;
- permitting party (but not other) to vary upfront price payable under contract without other party right to terminate contract;
- permitting party (but not other) to unilaterally vary characteristics of goods or services to be supplied under contract;
- permitting party (but not other) to unilaterally determine whether contract has been breached or to interpret its meaning;
- limiting one party's vicarious liability for its agents;
- permitting party (but not other) to assign contract to detriment of other party without other's consent;
- limiting one party's right to sue other party;
- limiting evidence one party can adduce in proceedings relating to contract;
- imposing evidential burden on one party in proceedings relating to contract.

specific forms of licence

- Shrink wrap
- Collecting society
- Open source
- standardisation

shrink wrap licences

- **shrink wrap – deemed to accept when open wrapping**

- **web-wrap**, click-wrap, browse wrap
- end user licence agreements (EULA)
- deemed to accept when start using
- interface may force click “accept” before use

- may be “contracts of adhesion”
- user may find difficult to confirm terms if didn’t print / didn’t check the date

collecting societies

screenrights

viscopy

Collecting Agencies or Societies

- CAL – Copyright Agency Limited (literary works)
- APRA – Australian Performing Right Association (musical works / lyrics)
- PPCA – Phonographic Performance Company of Australia (sound recordings)
- Screenrights – audiovisual copyright society (films)
- Viscopy – Visual Arts Copyright Collecting Society (especially aboriginal art)

collective administration – authors

- authors weak bargaining position

- small marginal revenue

= > little incentive for individual authors to enforce rights

- spread cost of enforcement over large number of authors

- BUT sampling system not reflect actual use
- BUT no right to refuse licence
- BUT overhead costs

- **How ASCAP Takes Money From Successful Indie Artists And Gives It To Giant Rock Stars – Techdirt 26 March 2012**
- **http://www.techdirt.com/articles/20120323/18055718229/how-ascap-takes-money-successful-indie-artists-gives-it-to-giant-rock-stars.shtml**
- **from the *not-cool* dept**
- Back in 2009, we wrote about the crazy situation in which ASCAP, the giant US collection society will funnel money from indie artists and pay it to big rock stars -- which seemed incredibly unfair. It's just one particular part of the royalties that ASCAP pays, but it's still clearly a case of taking from independent artists and giving money that they *should* be paid under the system and giving it to the most successful artists. The short version of the story is basically that, to make its own life easier, ASCAP just pays those performance royalties to the top 200 grossing tours in the US, and every other touring musician is more or less screwed -- unless you can convince ASCAP that you play "serious music."

  Very successful independent musician Zoe Keating, who has had multiple run-ins with the unfair practices of collections societies giving money she's owed to major labels, just came across this same issue and wrote a blog post about her experience:
- *After a concert, there is this thing called "doing the settlement". This is where the artist or their representative meets with the promoter, goes over the financial outcome of the night in relation to their contract…and gets paid.*

  Sometimes the contract is for a percentage of the gross revenues, but more often for me, I get a guarantee and maybe a percentage of "net" if it was a positive number. The line item deductions that go into the calculation of net are things like sound & lights, staff, venue rental, advertising, insurance, etc. There tend to be many line items in the calculation of "net" and I can't help but notice that one of them is ASCAP.

  For example, at one concert I played last month the gross ticket sales for the night were $9336. Of the many expenses deducted that night, one of the items was $86 to ASCAP.

  What is this? This is the nightly portion of a license fee that the hall pays to ASCAP for the permission to perform music by ASCAP artists in their venue. My compositions are registered with ASCAP, so I should get this money eventually, right?

  Wrong.

  I remembered that when I've played in the UK I listed all the songs I played on something called a PRS from and gave it to the venue. Six months or so later, I got a check for the percentage of the night's revenues due to me according to the PRS formula for that venue.

  Thinking that maybe instead of placing the burden on the venue, ASCAP puts it on the artist, I called ASCAP to see how I should go about claiming these concert royalties.

  The customer service representative on the phone said there was nothing for me to claim. He informed me that ASCAP pays out performing royalties only to the 200 top-grossing concert tours, as determined by Pollstar. They also pay royalties for "Live symphonic and recital concerts", whatever they are (he said I don't qualify for those).

  In other words….

  Every day, thousands of venues are required to pay a percentage of their gross ticket sales to ASCAP who then gives that money to… let's look here on Pollstar and find the highest-grossing concerts for 2011….U2, Taylor Swift, Kenny Chesney, Lady Gaga, Bon Jovi, etc.

collective administration – users

- don’t need to search out owner of each copyright work
- standard terms
- bundled fee
- BUT monopoly – no room to negotiate

Copyright Tribunal

- limited jurisdiction to make orders – Part VI
  - compulsory licences
  - declared collecting societies

- If parties cannot agree,Tribunal may determine the equitable remuneration payable under compulsory licence

- may determine the terms of use of copyright material by the Crown
- may have licence schemes submitted to it for approval – s136
- may deal with certain disputes in relation to the granting of licences under such schemes.

OSS – wikipedia definition

- **Open-source software (OSS)** is computer software that is available in source code form: the source code and certain other rights normally reserved for copyright holders are provided under an open-source license that permits users to study, change, improve and at times also to distribute the software.

- Open source software is very often developed in a public, collaborative manner. Open-source software is the most prominent example of open-source development and often compared to (technically defined) user-generated content or (legally defined) open content movement

Open source licences

- open source software is protected by copyright
- **open source software is not copyright free**
- **open source software is not in the public domain**

- copyright work - computer program
- copyright owner – computer programmer who wrote the code
- licence - need owner's permission to use the computer program

- **the terms of the licence are *open source* terms**
- **if don't comply, no permission so infringe copyright**

licence conditions

- any distribution must be on same terms
- provided on “as is” basis
- must include copyright notice (*sometimes* licence terms)
  - in open source program (eg in comments)
  - *(sometimes*) documentation
- must provide source code of open source program
  - distribute with source code
  - provide source code on request
- (*sometimes*) all *your* changes and derivatives to OSS program are ALSO open source and subject to open source terms

advantages

- save engineering / programming time
- can tweak to tailor, rather than writing complete bespoke software from scratch
- robust because lots of people writing it / using it

=> easily identify and fix bugs

- encourages spread of program
- encourages interoperable products

where's the business model

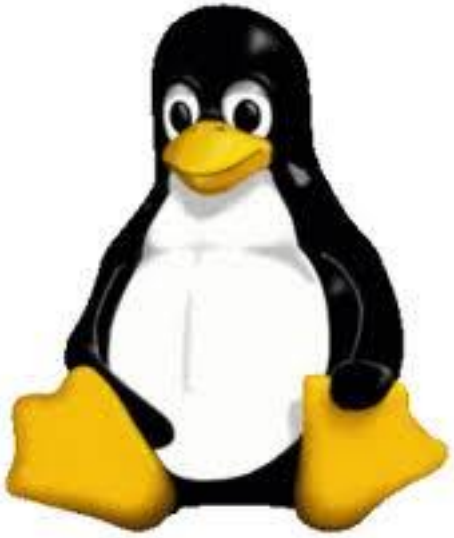
- free to distribute to anyone
- free to use for any purpose
- free to add, delete, change
- *not* free as in free beer

- supply complementary products
- supply tailored solutions on top of OSS
- maintain and support OSS
- encourage to build applications on platform

Adobe

MySQL

Sun
microsystems
ORACLE



NOKIA

IBM

redhat.

levels of engagement

- passive taking without modifications
- some modifications for product purposes
- active contribution in community
- foster / steer community –strategic investment

user risks

- will OSS community exist for product lifecycle
  - will OSS community support code in the long term
  - does OSS community roadmap match product roadmap
- who are the OSS community
  - need to analyse as if strategic supplier
  - hackers and sm@$h c@pitali$m!!! activists???
  - does OSS community have quality control
  - no deadlines

  ⇒ may need to join, foster, steer OSS community
- "as is" – no warranties, no indemnities
  - will customers / regulatory authorities accept OSS in products
  - can we exclude OSS from licence or will we need to cover risk and provide warranties/indemnities
- is it practicable to comply with the licence conditions
  - will it damage competitive position if source code openly available
- is anyone tracking / managing use of OSS

user risks – derivatives

- if author add/modify existing code
- Original author owns existing code and can impose conditions on use of existing code
- New author owns modifications and can control and impose conditions on use of modifications

- In open source, if add/modify existing open source code
- **ALL** code becomes subject to OS terms
- New author of modifications cannot control use of modifications

- Open source code is like a vampire or a zombie if it bites you….
  - modifications / derivatives royalty free
  - distribute source code of modifications / derivatives

	copyright notice	copy licence in source code	copy licence in materials	royalty free	provide source code	covers modifications/derivatives
BSD	X	X	X			
MIT	X	X		X		
Apache	X	X		X		
Mozilla	X	X	X	X	X	X
GPL	X	X	X	X	X	X

BSD

- first used for Berkeley Software Distribution, Unix-style operating system
- can redistribute in source or binary
- copy of licence and copyright notice
  - In source code if distribute source
  - In materials if distribute in binary
- all advertising material must contain acknowledgement (*original BSD)*
- name of creator/contributors can't be used to endorse any derived code/products
- "as is", no warranty
- NO OBLIGATION
  - Distribute source code
  - Royalty free
  - To extend licence to modifications/derivatives

MIT http://www.opensource.org/licenses/mit-license.php

- royalty free
- to deal in Software including use, copy, modify, merge, publish, distribute, sublicense, and/or sell
- licence and copyright notice in Software copies / substantial portion
- “as is”, no warranty
- **NO OBLIGATION**
  - Distribute source code
  - To include notice in materials
  - To extend licence to modifications/derivatives

Apache http://www.apache.org/licenses/LICENSE-2.0

- royalty free
- *copyright licence* – reproduce, prepare Derivative Works of, publicly display, publicly perform, sublicense, and distribute the Work and such Derivative Works in Source or Object form
- *patent licence* – make, have made, use, offer to sell, sell, import, and otherwise transfer the Work, to extent contribution necessarily infringed (terminate if bring patent lawsuit)

Apache

- give recipients of work/derivatives a copy of licence
- any modified files carry notice that modified
- must retain any notices in the source code in work / derivatives source code
- any attributions in NOTICE text file must appear in work derivatives NOTICE text file, source code or accompanying materials
- can add/change terms that apply to modifications/derivatives *provided* use, reproduction and distribution of original work complies

Apache

- as is, no liability, no indemnity
- any contribution intentionally submitted for inclusion covered by licence unless state otherwise
- user may offer and charge fee for support, warranty and indemnity *but* solely responsible and indemnify other contributors
- NO OBLIGATION
  - distribute source code
  - to extend licence to modifications/derivatives *except* notices

Mozilla– http://www.mozilla.org/MPL/2.0/

- royalty free
  - IPR rights (except TM and patent) – use, reproduce, modify, display, perform, sub-licence and distribute
  - Patent – make and have made, use practice, sell, dispose of, to extent contribution necessarily infringe
- If distribute source, then original /derivatives subject to licence
- If distribute binary, must include notice that source available and must make source available
- "as is", no warranty
- may offer and charge fee for support, warranty and indemnity *but* solely responsible
- NOTE – extends to derivatives

GPL http://www.gnu.org/licenses/gpl.html

- may make, run and propagate covered works that you do not convey, without conditions (ie internal use)
- If distribute object, must supply or offer to supply source
- May charge fee for conveying copy, providing warranty or support, but can't charge royalty fee for exercise of rights
- NOTE – extends to derivatives

GPL

- If convey verbatim work
  - can charge fee
  - waive power to forbid circumvention of technological measures
  - publish copyright notice
  - retain all notices that provided subject to GPL
  - provide copy of licence

- If convey work based on program or modifications*
  - modified work must carry notice that modified
  - carry notice that provided subject to GPL
  - whole work subject to GPL

  * Work based on program or modifications ***not include*** compilations of separate and independent works, which are not by their nature extensions of original

- Can impose additional terms for work based on program or modifications
  - Disclaiming warranty, limiting liability, requiring indemnification from others who convey
  - Requiring notices
  - Prohibiting misrepresentation of origin and limiting use for publicity of other authors

co-operative vs competitive innovation

- open source technology

- fundamental research
- European Commission framework projects – universities, SME, MNE, across EU countries

- economies of scale
- commoditisation of technology – value in brand, manufacturing and logistics
- *contrast* GSM (Europe/ETSI) and CDMA (US)

- inter-operability and consistency across products /components

form of consortium

- professional body
  - IEEE (Institute of Electronic and Electrical Engineers)
- supra-national body
  - ETSI (EU – European Telecommunications Standards Institute)
  - 3GPP (3rd Generation Partnership Project – ETSI, TIA, TTA (Korea), ARIB (Jap))
  - ISO (International Standards Organisation)
- national statutory body
  - TIA (US – Telecommunications Institute of America)
- non-profit company
  - OMA (Open Mobile Alliance)
  - WiMax
  - Bluetooth
- a bunch of guys on a listserv (who sometimes meet in San Diego or London)
  - IETF (Internet Engineering Taskforce)
  - W3C (World Wide Web Consortium – Tim Berners Lee)

scope of licence

- Essential patents
- Necessary claims

- patents that are necessarily infringed by implementing the specification

- necessarily infringed
  - no commercially reasonable alternative
  - no technically reasonable alternative
  - based on state of technology / expertise when specification approved

terms of licence

- RAND
  - reasonable and non-discriminatory terms
- FRAND
  - fair, reasonable and non-discriminatory terms
- RF
  - royalty free terms
- RF and RAND
  - royalty free and otherwise on reasonable and non-discriminatory terms