Searching for Certainty in Implying a Copyright Licence

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A person infringes copyright if she exercises one of the exclusive rights without the licence of the copyright owner. An express licence granted by the copyright owner is the most common example of such a licence. Copyright law in most jurisdictions also provides for statutory limitations and exceptions, to balance the competing interests, including those of content users and the public. Such limitations and exceptions address specific instances of permitted uses of copyright works to achieve specific policy objectives. If a person's actions are covered neither by an express licence, nor by the statutory limitations or exceptions, it does not automatically mean that the person has infringed copyright. It may be possible to imply a licence to cover her actions. Exactly when and how a copyright licence is to be implied, however, is far from clear, especially in the current state of theory and doctrine on implied copyright licences.

There are several advantages to focusing on licences, rather than the statutory limitations or exceptions. A licence is integral to the definition of infringement, and the existence of a licence negates infringement. Statutory limitations and exceptions on the other hand, both within the scheme of copyright statutes and conceptually, are external defences, or as the name suggests, exceptions to copyright. As exceptions to the rule of protecting copyright, statutory limitations and exceptions are interpreted narrowly. The list of specific instances of permitted uses in many jurisdictions is exhaustive. However, a licence, being part of the infringement discourse, does not suffer from these constraints. A licence does not have to only address a pre-determined set of permitted uses, nor does it have to be necessarily interpreted narrowly. Indeed, the strength of licences lies in their malleability to address a diverse set of circumstances.

How a licence is implied, therefore, holds the key to a range of uses being permitted, which otherwise may have been an infringement. Understandably, copyright owners fear that a broader recognition of implied licences may authorise a wider use of copyright works, which the copyright owners find unacceptable. For users of copyright content, on the other hand, implied licences could legitimate a variety of beneficial uses of copyright works. In particular, implied licences could ensure that end-users are not infringing copyright while performing the most basic functions on the internet. Implied licences could thus make the application of copyright law fairer and more efficient.

However, there are many uncertainties associated with implied copyright licences. Firstly, implication as a process is contentious, and there are no established rules for implying a copyright licence. Secondly, the conceptual understanding of a licence is unsatisfactory not only in property theory, but also in copyright theory. Thirdly, copyright has its own structure, with essentially voluntary licences granted by the copyright owner on one hand and essentially involuntary statutory limitations and exceptions on the other. Locating implied licences to fit the middle ground might appear to copyright purists as an interference with the structure. Given these uncertainties, courts have not embraced them as readily as they should. This paper focuses on the first named uncertainty, namely the process of implication, with a quest to make it more methodical and transparent. It draws inspiration from English contract law, and in particular the rules of implication of a term into a contract, to guide the process of implying a copyright licence.[1] It argues that one of the ways of making the process of implication methodical is to categorise implied copyright licences based on the methodology of implication; and transparent by

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[1] This paper is based on the author's doctoral thesis on 'Implied Licence in Copyright Law', submitted in 2017 to the Faculty of Law, University of Oxford.

developing conceptual frameworks within each category to guide the process of implication. Given the constraint of space, this paper focuses on the categorisation of the process, giving only a brief overview of how conceptual frameworks may be developed. In this vein, it may be clarified that this paper is more in the nature of an extended abstract than a full-length article.

Implying a Term into a Contract

The process of implication is no stranger to law. In contract law, one may recall implying a term into a contract, in particular, a warranty, and in land law, implying an easement, to name a few. In each of these instances the law has stepped in to bring an element of certainty – either by incorporating the term to be implied into a statute, such as implied warranties in a sale of goods contract, or by courts formulating rules on a case by case basis, an aggregate of which leads to common law rules of implication. The most extensive common law rules of implication are those in relation to implying a term into a contract. Although quite controversial, these rules divide the process of implication into three categories: implied in fact, implied by custom and implied by law.

'Implied in fact' refers to cases where a term is implied into a contract as a matter of fact. The effort of the courts in these cases is to ascertain the unexpressed joint intention of the parties. English courts have found several ways of doing this. One of them is the test of obviousness – if the term to be implied is so obvious that its inclusion in the contract goes without saying.[2] Since in most cases the term to be implied is not that obvious, a more common test adopted is that of business efficacy. Business efficacy can be described as the commercial purpose of a transaction. When the intention of the parties is not readily discernible, the strategy is to look at the commercial objective that the parties intended to achieve. The underlying presumption is that in entering into a contract, the parties intend to achieve this objective, and not to frustrate it.[3] More recently, English courts have proposed a more holistic test which asks the question whether the implication 'would spell out in express words what the instrument, read against the relevant background, would reasonably be understood to mean."[4] Whatever the test the courts adopt, the methodology here focuses on the terms of the contract itself, the surrounding circumstances and the conduct of the parties as the factual basis for implying a term.

'Implied by custom' refers to cases where a custom becomes the basis for implying a term. It is essential to note that in English law, it is not the court but the voluntary conduct of a community that gives rise to a custom.[5] Before a custom can be made the basis of implying a term, one must establish its existence. In English law, the criteria that go into establishing a custom include certainty in terms of the recurrence of a pattern of behaviour and notoriety in terms of extent of the knowledge of the pattern of behaviour among the members of the relevant community.[6] A custom is also required to be reasonable.[7] Since customs have a tendency to favour the actors in a particular market, industry or trade, courts must exercise additional caution to ensure that a custom has a normative and aspirational motive, is representative of the community it is claimed to exist in and has a balanced impact on the members of the community.[8] Once these considerations are satisfied, a custom can become the basis for implying a term into a contract.

'Implied by law' is perhaps the most controversial. It refers to cases where regardless of the intention of the parties, courts imply a term to achieve a policy objective. Such objective can

[2] *Shirlaw v Southern Foundries (1926) Ltd*, [1939] 2 KB 206.
[3] *The Moorcock* (1889) 14 PD 64 (CA).
[4] *Attorney General v Belize* [2009] UKPC 10 [21].
[5] *Cunliffe-Owen v Teacher and Greenwood* [1967] 1 WLR 1421, 1438.
[6] Ibid.
[7] *Robinson v Mallett* [1874] LR 802, 818.
[8] Jennifer Rothman, 'The Questionable Use of Custom in Intellectual Property', (2007) 93 Va L Rev 1899, 1906.

be as broad and general as achieving a just, fair and reasonable result in a case. This method is adopted when the contract is especially unequal, either in the information available to the parties or in their bargaining power. In effect, if a term is implied by a court adopting this method, a court would eventually be re-writing the contract for the parties, a result much resisted by scholars who support freedom of contract. However, in order to bring certainty into the process of implication, English courts ascertain whether the term to be implied is a common incidence in the type of contract in issue and whether the term is reasonably necessary to be implied. A shining example is where the type of contract is a lease in a multi-storeyed building, a common incidence is that the landlord has the responsibility to maintain the common areas.[9]

Deriving Methodology for Categorising Implied Copyright Licences

It must be noted in the discussion above that the boundaries between implied in fact and implied by law are contested because in its effort to ascertain the unexpressed join intention of the parties, a court can ends up implying a term to achieve a policy objective such as fairness and equity. Nevertheless, the broad categorisation can serve as guiding tool for implying a copyright licence. When one observes the way in which the common law rules of implication are divided, the following first level of categorisation of implied copyright licences becomes possible:

- 'Implied in fact' represents private ordering. Here, all that is relevant is the conduct of the parties, the words they have used in dealing with each other and the surrounding circumstances. While the effort of the court in a contract is to ascertain the unexpressed joint intention of the parties, the effort in relation to a copyright licence will be to ascertain consent of the copyright owner. Thus, between the parties to the licence, similar methodology can be used to ascertain the unexpressed consent of the copyright owner based on her conduct and her knowledge of the surrounding circumstances. This category could be called 'consent-based implied copyright licences.'

- 'Implied by custom' represents private ordering to the extent that it begins as a practice voluntarily adopted by actors in a community and public ordering to the extent that it grows to be accepted by the whole community over time as having the force of law within the community. It is possible to visualise customs of relevance in copyright law within certain trade or industry such as publishing industry, film industry and so on. In these industries, customs can and do form the basis of implying a copyright licence. This category could be called 'custom-based implied copyright licences.'

- 'Implied by law' represents public ordering whereby broader policy objectives become relevant as the basis for implying a term. Policy concerns often inform the structure and substance of copyright law – statutory limitations and exceptions being a clear example. While the statutory limitations and exceptions leave it for the legislature to drive the underlying policy objectives, courts could be empowered to achieve these objectives in certain exceptional cases too. Given the close association of copyright with freedom of expression, public law parameters may inform the process of implication in this category. This category can be referred to as 'policy-based implied copyright licences.'

Moving forward, one may argue that these common law rules are available for import *in toto* into copyright law to guide when courts are asked to imply a copyright licence. A stumbling

[9] *Liverpool City Council v Irwin* [1977] AC 239.

block for doing this is that a licence is not a contract, although a contract can be a vehicle through which a licence is granted. Therefore, before attempting to formulate rules of implication of a copyright licence, one must have clarity on the concept of licence and how these arise in copyright law. Although a detailed exposition of the concept of licence is beyond the scope of this paper, it suffices to say that analytical jurisprudence, and especially Hohfeldian analysis provides an incisive overview of a licence. In summary, a licence in its most basic form is only a privilege and imposes no rights or duties on the parties concerned. In this state, a licence can exist on its own without the support of a contract, which is commonly called a bare licence in English law. For example, a lyricist helps a friend who is a singer by writing the lyrics of a song for him to sing in a band, without asking for any payment in return. The handing of the lyrics represents a bare licence to use the lyrics for purpose of performing in the band.[10] There could be many instances of this kind where there is an informal arrangement without a concluded contract. Thus, even if the rules of implication of a term in a contract are useful in case of contractual licences, they may not be in relation to bare licences. Separate rules will have to be developed for implying bare licences. Nevertheless, this helps us identify the second level of classification of implied copyright licences – into implied bare licences and implied contractual licences.

With these two levels of classification, the following categories of implied copyright licences is possible – consent based implied bare and contractual licences, custom based implied bare and contractual licences and policy based implied bare and contractual licences. Bare licences help us to see licences in their most basic form. Contractual licences have characteristics of both a contract and a licence. To the extent that a contractual licence has contractual elements, the rules of implication of contractual terms could still be relevant and applicable.

The next step is to develop conceptual frameworks within each category. This may be achieved by inductively analysing the cases that the courts have had an opportunity to consider the issue of implying a copyright licence. The number of cases available for such analysis may differ between jurisdictions. Though not extensive, there are a number of English case law which can be regarded paradigm cases in each category. The conceptual frameworks so developed upon such analysis serve to guide the courts in the process of implication in future cases.

Conclusion

When one examines the landscape of permitted acts, the origin of permission is predominantly either the copyright owner herself in granting copyright licences or the legislature in enacting statutory limitations and exceptions. This binary nature of permitted acts makes the structure of copyright rigid, unsatisfactory and unfair, especially given the current and dynamic technological milieu within which copyright must operate. What occupies the middle ground is a wide range of circumstances, some of which are eligible to be protected from infringement. Such cases have been brought to focus in recent times as a response to copyright infringement online, in particular, by the US[11] and German[12] courts. The UK courts have also had the opportunity to consider cases of implying copyright licences in the analogue environment, but has fallen short of doing so on the internet.[13] It is imperative now more than ever that the courts are equipped with a robust methodology to guide the process of implying a copyright licence. This paper and the research behind it are a modest effort towards this goal.

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[10] *Banks v CBS Music* [1996] EMLR 440.

[11] For example, *Field v Google* 412 F Supp 2d 1106.

[12] For example, Google Image Search (*Vorschaubilder*) Federal Supreme Court, 2010 GRUR 628.

[13] In *Newspaper Licensing Agency v Meltwater Holdings BV* [2010] EWHC 3099 (Ch), a case on the legality of internet browsing, the judge acknowledged that she was taken to no authority on implied licence, at [100].