Private Use on Musical Works, Rights of Public Performance, and Collecting Society Systems[1]

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Introduction

A current hot issue in developing countries is the problem of conflict of interests in royalty collecting for music in department stores, restaurants and Karaoke shops nationwide. Some groups want to collect fees directly by themselves, others want to collect on behalf of the collecting societies, while the entrepreneurs do not want to pay fees.

Even though the dispute of copyright interests mentioned above may not be called "crisis" right now, but it has shown a significant sign that it might become a big problem in the near future, which some aspects have already occurred. For example; in Thailand, an event was the protest of the society of Karaoke owners against the government's policy on this issue in few months ago.

However, finally, fees must inevitably be collected. The important question is that how is the best?

If fees for music mentioned above will be collected without the system, what will be going on? In theory, the problems would be as below;

1 Many enterprises of entertainment will face the cost of allowances that occur both high fees for music and many other rights of the copyright's owners.

2 The higher the music copyright fees will be paid, the infringement of copyrights will be higher.

3 Music businesses may be obstructive.

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When there are the said problems, the questions on intellectual property rights will then be raised to discuss, inevitably, both the concept of the exclusive rights of the copyright owners and the concept of rights of users who have legitimate copyrighted works, moreover, the concept of private uses.

A classic question always raised is that why the owner of legitimate copyrighted works cannot freely use or play the legitimate copies without paying fees for the copyright owners, because they have already paid when they bought the copies? Why they cannot play music to entertain their customers without any direct charge to the customers.

How do we balance between the rights of owners and the rights of consumers? What will we choose between the money for the owner's rights and the entertainment for public? When do we focus on the economic rights, or do we concentrate on the public interests? These questions will respectively be answered later, otherwise the problems would be solved in their own process.

With the philosophy aspect, the copyright law is designed to achieve this objective by granting property right to authors that provide them with financial incentives to produce and distribute creative works. The user's right philosophy assumes that authors will only invest sufficient resources in creating and publishing new works if they will have ownership rights that will enable them to control and profit from their works' distribution to the public. So, actually, the concept of the copyright owner is the economic right. If we talk about the economic rights, unavoidably, we have to talk about the economic system. At present, the free market economic system disfavors monopoly unless there is a limited justification for them.[2] The question is whether the exclusive right of the copyright owner is a monopoly. Let see other philosophies. The United States'economy and the economies of most Western nations are based on the free market system and the belief that profits are the just reward for labor expended in creative endeavors. However, some other countries are based on different economic foundations and have different viewpoints on the concept of authorship. Many eastern economies are related to the religions of Confucianism, Buddhism, and Islam, which are more communally oriented. According to these countries' economic systems, profits should be shared within society. Under the authorship philosophies of some Asian countries such as Korea, creative works have historically been viewed not as private property belonging to their authors but as goods for everybody to share freely. In these countries, cultural esteem rather than financial gain was the main incentive for creativity. In feudal China, Confucian literary and artistic culture was based upon interaction with the past and discouraged bold innovation. Much of this background has survived in the people's Republic of China, which has been hostile to the concept of private ownership rights in intellectual property. However, China has been forced, due to foreign economic pressure, to adopt a copyright system highly similar to those of most Western nations. The forced nature of copyright is a probable reason for the enforcement problems that have been prevalent in China as well as other Asian countries. In many cultures, copying of copyrighted works is tolerated to a much greater extent than in the United States. In Islamic countries, where piracy is rampant, the rationale is that copying of original material should not be prevented since the most

[2] David J. Moser, Music Copyright for the New Millennium, ProMusic Press, 2002 at 5.

widespread dissemination of knowledge benefits the public good. Similarly, in countries such as China, Taiwan, South Korea and Singapore, imitation and reproduction of ideas, art and scholarship are sometimes considered a token of honor and respect. In the concept of economic rights philosophy, American copyright law, although historically based upon the user's rights philosophy, also incorporates some of the author's rights philosophy. Actually, it may be more accurate to describe the current American copyright policy as an economic rights (or trade-based) philosophy. The United States is the world's largest producer and exporter of intellectual property. Copyrighted works account for over $457 billion (or 5.5%) of the annual gross domestic product in the United States. Copyright-related industries are also the fastest growing segment of the U.S. economy and employment in copyright related industries has grown at about three times the rate of employment growth in the economy as a whole in recent years, accounting for about 4.3 million jobs. Copyrights bring more revenue into the United States than any other major industry, including aircraft, automobiles and agriculture. As copyrighted works have become a larger part of international trade, they have also become one of the few positive components in the otherwise unfavorable United States trade balance (i.e., the U.S. imports more of just about everything than it exports). One major exception is copyrighted works, where the U.S. has a surplus trade balance with every country in the world. Although foreigners are not buying huge quantities of American physical products such as cars, stereos or computers, foreign sales of American intellectual property products such as music, movies, television programs and computer programs are substantial. Consequently, the United States has taken a much more active role in expending copyright's reach and enforcing copyright on an international basis, often without much consideration of either author's or user's rights. For example, the United States recently decided to extend the duration of copyright by twenty years. It seems unlikely that this additional twenty years of copyright protection will make authors more likely to create artistic works. In reality, the two primary motivating factors for the twenty year extension were: (1) to preserve many valuable copyrights (including the copyrights to several Disney characters such as Mickey Mouse and songs written by George Gershwin) that were about to expire; and (2) to bring the term of American copyright protection in line with many European countries. Although these reasons may be important, they have little to do with encouraging authors to create new works. These was no evidence presented to suggest that authors would be less likely to create new works without the additional twenty years of protection and, in fact, this issue was not even considered by Congress. The passage of the term extension amendment was due primarily to the lobbying efforts of the copyright owners of some very valuable copyrighted works such as Disney and the Gershwin estate, with only token consideration given to providing incentives to authors or public access. This goes against the ideological basis for copyright, but reflects the reality of our political system.[3]

Facts mentioned above have obviously shown that the reasons for protection on intellectual property works in each country are different. Those reasons are based on political, religious, economic, and cultural philosophical basis.

[3] *Id*. at 6-7.

Copyright owners may claim the property right is an original right of human being but it would be noted that even though the property right exist everywhere, what is necessary about them is just that some exist. It appears that many specific systems of ownership are compatible with any set of environmental conditions and social structures.[4] This paper will show some aspects of difference, some interesting concepts, and some important systems concerning the said topic of the paper.

Purposes of the Paper

This paper may probably be concentrated on the purposes as follow;

1 To make clear the concept of the exemption and the limitations of exclusive right of the copyright owners.

2 To show the concepts in laws and concerning cases on the issue of the limitations of the exclusive right occurred in European Countries and the United States of America.

3 To exemplify the current systems of collecting societies in European countries and the United States, problems, and the instances of cases.

This paper does not purport to deal with the complete all of data regarding aspects as such, but rather shows some of detail and ideas of interesting aspects in general.

For those purposes, that is necessary to talk about, in details, the concept of fair use or fair dealing, the concept of exhaustion of rights, and some of others, for the purpose of analyzing, or comparing with the main issues of the paper. Those concepts talk about the limitations of the exclusive right of the owner's rights. These will pave the way to understand a picture as a whole. Somehow, some of theories put in this paper seem to be ridiculous, but it will probably lead to the best way to move forward towards a full scale of the topics of the paper.

Fair Use

Why is the concept of fair use put here? Sometimes, it may be necessary to view the concept of fair use or fair dealing because these concepts exhaust the exclusive right of the copyright owners, and users are not infringed to the copyright law. In the uses of musical works, or in the way of public performance of musical works the concept of fair use or fair dealing may be brought to consider in case of no paying fee for such uses. Even though these concepts seem likely not related to the said topic in this paper but whenever the conflict of interest occurring, the court,[5] and even the WTO Panel[6] have always raised this issue to be considered.

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[4] Martin Kretschmer, The Failure of Property Rules in Collective Administration: Rethingking Copyright Societies as Regulatory Instruments, European Intellectual Property Review, Sweet & Maxwell, 2002 at 5 (Westlaw).

[5] *Twentieth Century v. Aiken*, 422 U.S. 151 (1975)

[6] Bettina C. Goldmann, Victory for Songwriters in WTO Music-Royalties Dispute Between U.S. and EU-Background of the Conflict Over the Extension of copyright Homestyle Exemption, IIC International

Basically, in eighteenth-century terms, the concept of exclusive rights meant 'property' for property meant the right to exclude.[7] The author has economic expectations appropriately deriving from what society offered him or her in the copyright scheme. Similarly, society does not intend that the "exclusive right" language shall bar "appropriate use" of his or her work by others in the furtherance of progress of knowledge and the arts.[8] In common law system, the court will focus on the point of "normal expectation", namely, the court will probably decide whether the author's expectation of economic reward was or was not appropriate, and such a determination ought to coincide with a simultaneous judgment about whether society's expectation of denial of access was or was not appropriate.[9]

If so, how do we weight for the "appropriate use"? or what is the "normal expectation" of the author?.

In term of the "exclusive right", the concept in the United States fall into two groups: (1) copying rights (reproduction in copies, preparation of derivative works, and distribution of copies to the public); and (2) public performance and display rights. A copyright owner may separately grant authority for different exclusive rights. For example, a musical or dramatic work copyright owner may sell copies without authorizing public performance.[10]

Obviously, exclusive right is an economic right, commercial right and industrial right[11] which is not different from the eighteenth century concept.

The relationship between copyright and economy has bong been regarded as obvious in many countries.[12] However, the rights of copyright owners are the economic right. Economic right is the right to reproduce, adapt, distribute and communicate on works for sales.[13] In general, a copyright, or other intellectual property rights, is a monopoly. A monopoly is in general detrimental to the public interest.[14] However, the said exclusive right should be exclusive that has been said in Berne and TRIPS, but those rights would

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Review of Industrial Property and Copyright Law, Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich, Germany, Volume 32 No.4/2001 at 412-429.

[7] Jane C. Ginsburg, Can Copyright Become User-Friendly? Review: Jessica Litman, Digital copyright (2001), The Clumbia Journal of Law & the Arts, vol. 25 No.1 Fall 2001 at 75.

[8] Leon E. Seltzer, Exemptions and Fair Use in Copyright the Exclusive Rights Tensions in the 1976 Copyright Act, Harvard University Press, Cambridge, Massachusetts and London, England 1979 at 29.

[9] *Id*. at 30.

[10] Donald S. Chisum, Michael A. Jacobs, Understanding Intellectual Property Law, Matthew Bender, 1992 at 4 -117.

[11] Terence Prime, European Intellectual Property Law, Dartmouth Publishing, 2000 at 11.

[12] Salah Basalamah, Compulsory Licensing for Translation: An Instrument of Development?, IDEA The Journal of Law and Technology, Vol. 40, No.4, 2000 at 503.

[13] J.A.L. Sterling, Intellectual Property Rights in Sound Recordings, Film & Video, London, Sweet and Maxwell,1992.

[14] Yoel Tsur, Compulsory Licensing in the Israel Patents Law, IIC International Review of Industrial Property and Copyright Law, Max Planck Institute, Volume 16 (1985) at 541.

be limited for the interests of public. Like in U.S.A., the exclusive right to use the intellectual property right must be consistent with the purpose of the antitrust laws, or competition laws in European Countries. From these concepts are finally, taking a long time, developed by courts to be called 'fair use or fair dealing.'

The concept of Fair Use or Fair Dealing in many countries are difference not very much because most of countries are the members of a Convention.

Fair Use in Conventions

Berne Convention[15] recognizes that in certain circumstances, governments will need to legislate for exceptions to the exclusive rights of copyright owners. Article 9(2) of the Berne Convention reads:

"It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author."

TRIPS Agreement[16] also recognizes the same elements. Article 13 of the TRIPS read:

"Member shall confine limitations or exceptions to the exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder."

Three Step Test

According to the conventions mentioned above, there is a standard test which has become known as the 'three step test.'

The three step test provides that exceptions to copyrights can only be justified if they:

1 Apply only in certain special cases.
2 Not conflict with the normal exploitation of the work; and
3 Not unreasonably prejudice the legitimate interests of the author.

If we will analyze step by step, it would be as follows;

Step 1: Confinement to special cases

In certain special cases must be interpreted in narrow scope.[17] The 'first step' is interpreted to require a clear-cut definition of the exception, a narrow scope, and an

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[15] The Berne Convention for the Protection of Literary and Artistic Works 1886. Thailand joined in 1931.

[16] The Agreement on Trade-Related Aspects of Intellectual Property Rights 1994. Thailand joins as a member of the World Trade Organization.

[17] Caroline Morgan, Fair Use:Experience in Australia, sheet distributed in the Seminar on "Fair Use and Collective Management for Reprographic Copying", organized by the Department of Intellectual Property. 31 July 2002 at the Arnoma Hotel Bangkok, Thailand.

exceptional objective. This does not mean that the exception has to follow a legitimate public policy objective. The test is looking for the character of the use and the portion of uses covered. When examining if the scope of an exception is narrow, both the actual and potential impact has to be taken into account.[18]

Step 2: No conflict with the normal exploitation of the work

In the meaning of not conflict with the normal exploitation of the work, it must not be of considerable or practical importance or economically compete with the author's interests.[19] Exploitation of a work means the activity by which the right holder employs the exclusive rights to extract economic value from their rights. What is 'normal' shall be determined by looking at the usual and typical ways employed on the market with an additional 'dynamic element'.[20] What is mean the 'dynamic element'. If we look at the WTO Panel's decision,[21] the dynamic element would be the ways of exploitation of the copyright work. In the said dispute, the dynamic element of music work is the significant or tangible revenue.

Step 3: No unreasonable prejudice to the legitimate interest of the right holder

In the meaning of not unreasonably prejudice the legitimate interests of the author, it must be focused on both moral and economic rights of the author.[22] The 'legitimate interest' of a right holder is arguably not only difficult to define but also hard to distinguish from the 'normal exploitation' criterion. Moreover, the difficult question is to assess the threshold of what makes a prejudice to such interest unreasonable. The legitimate interests are not necessarily limited to economic issues. Relevant factors of high impact of the interest of the right holder include the context in which the content appears, the extent to which it is exposed to piracy threats, and the intensity of its use as a consequence of the exception. The interest in question is not limited to the interest of right holders in the country initiating proceedings. That interest must take the interest of right holders in all territories into account.[23]

In a nutshell, the Three Step provides that limitations and exceptions of the exclusive right. The Three Step Test originates in the Berne Convention and has found its way not

[18] Ute Decker, The Three Step Test International Standards for Limitations in Copyright Guidelines issued by a WTO Dispute Settlement Decision, Copyright World, February 2001 issue 107, Informa Professional, 2001 at 26.

[19] *See Id*, *supra* note 17.

[20] *See* Decker, *supra* note 18, at 26.

[21] Music-Royalties Dispute Between U.S. and EU, decided by WTO's Panel, the complete report of the Panel published on August 22, 2000.

[22] *See Id*, *supra* note 17.

[23] *See* Decker, *supra* note 18, at 26-27.

only into TRIPS, but also into the WIPO Treaties and is discussed in the context of the Draft EU Copyright Directive.[24]

Fair Dealing in the United Kingdom

In the United Kingdom, whether a circumstance is fair dealing or not may consider in the relevant factors as follows;[25]

(a) The amount and importance of what has been taken.

(b) The nature of the accompanying material and the relation it bears to what has been taken.

(c) Whether it was necessary to use the performance or whether the use was gratuitous.

(d) Whether the performance or recording was published or not. If it was not, it will be more difficult to establish fair dealing.

(e) Whether what is sought to be justified as a fair dealing in fact competes with the performance.

(f) The motive for the dealing.

From factors mentioned above, it can be said that the exception of copyright Infringement in the United Kingdom must be looked in detail of circumstances. Namely, if amount of copies is a few or short when compared with the whole of an original work or a part of work copied is not the important part of the original work, it would be fair. If the nature of work is normally to be criticized or reviewed, it would be fair. If it is strongly necessary to use the work, it would be fair. If the work was published before, it would be fair. If the act of dealing does not compete with rights' owners, it would be fair. If the motive for the dealing is not commercial advantage, it would be fair dealing.

However, the circumstance of those factors is not straightforward to every case. Sometimes, a use of even a very limited part of a work can constitute breach of copyright.[26]

In the area of computer programme, fair dealing is obviously permitted. This allow lawful users to make back-up copies of computer programs, to decompile computer programs and to copy and adapt computer programs if certain conditions are present.[27]

The Copyright, Designs and Patents Act 1988 provides for some specific exceptions to copyright infringement collectively known as the "permitted acts". These are acts which can be done without requiring the permission of the copyright owner and without infringing the copyright in the work in question. The permitted acts can be classified as follow:[28]

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[24] *See* Decker, *supra* note 18, at 25.

[25] Richard Arnold, Performers' Rights and Recording Rights, ESC Publishing Limited, Oxford 1990 at 101

[26] *Jonas Wickstraund v. Forening Svenska Tonsattares Internationella Musikbyra*, Swedish Supreme Court, 10 December 1986.

[27] David Bainbridge, Software Copyright Law, Second edition, Butterworth & Co (Publishers) Ltd. 1994 at 26.

[28] *Id*. at 26.

Fair dealing
Educational purposes
Library and archive use
Use associated with public administration
A great many other miscellaneous exceptions.

In summary, in UK, fair use or the exceptions to copyright infringement, the defendant has to answer the following questions in the way of as follows:[29]

1 Does copyright subsist in the work? NO
2 Is the act complained of a restricted act? NO
3 Does the act related to a substantial part of the work? NO
4 Did copyright owner authorise/consent to the act? (Express or Implied) YES
5 Is infringement in the public interest? YES
6 Does act fall within the "permitted acts"? YES.

Fair Use in European Countries

Most of European Countries probably have the law systems relating to private use and fair dealing in different ways; Belgium Copyright Law does not permit the making of private copies for domestic use.[30] Denmark, the making of an individual copy of a 'disseminated work' for private use is permitted under the Denish Copyright law of 1961[31]. France, the making of copies and reproductions which are strictly reserved for the private use of the copying party, and which are not intended for collective utilization, is permitted[32]. Germany, the making of single copies of a work for personal use is permitted whether the copy is made by the would-be user or by a third party; if the work is reproduced in a sound or visual record, however, the copying is only permitted if the third party makes the copy gratuitously[33]. Please note that under German Law, both own use and small scale of copies are permitted. Greece, Greece Copyright Law makes no provision for private copying, it is difficult to see how the making of private copies could be justified in term of protection of the public interest.[34] Ireland, the Irish Copyright Act 1963, section 12 provides fair dealing with a literary, dramatic or musical work for purposes of research or private study, but taping of works incorporated into sound

[29] *Id*. at 27.

[30] Gillian Davies, Private Copying of Sound and Audio-Visual Recordings, A study prepared for the Secretariat-General of the Commission of the European Communities, Cultural Questions Division, ESC Publishing Limited, 1984 at 78.

[31] *Id.* at 81.

[32] *Id*. at 82..

[33] *Id.* at 87.

[34] *Id*. at 90

recordings or cinematograph films is not permitted.[35] Italy, the Italian Copyright Law No. 633 of 22 April 1941, as amended up to 1981, Article 68, the reproduction of individual works for the personal use of 'reader' is permitted if the copying is done by hand or by an uncommercial medium of reproduction.[36] Luxembourg, the law on the Protection of Performers, Producers of Phonograms and Broadcasting Organisations of 23 September 1975, providing 'fair use' by way of public policy, states that none of the related rights granted under the law of 23 September 1975 may, however, be invoked against the making of any copy for private use. This means that the home taping of phonograms does not infringe the producer's right, even if it infringes the copyright in an author's work.[37] Netherlands, Dutch copyright law, the New Regulation of Copyright, of 23 September 1912, as amended up to 27 October 1972, by Article 16(b) it is not an infringement of copyright to reproduce a work in limited number of copies for the sole purposes of the personal practice, study or use of the person who makes the copies or who order that they be made exclusively for himself.[38] The United Kingdom, the Copyright, Designs and Patents Act 1988 Section 29(1), 30 (1)-(3), fair dealing with a literary work, dramatic, musical or artistic work for the purposes of research of private study, or in the way of incidental inclusion[39] of copyright material.[40]

Fair Use in the United States

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[35] *Id*. at 93

[36] *Id*. at 96

[37] *Id*. at 99

[38] *Id*. at 100

[39] The incidental inclusion of a performance or recording in a sound recording, film, broadcast or cable programme does not infringe performers' rights or recording rights. It is expressly provided that music and any accompanying words (whether spoken or sung) that are deliberately included are not included. It is not clear whether this means that any other class of performance must be included non-deliberately in order to be incidental. The exception extends to subsequent dealings in anything the making of which was not an infringement by virtue of paragraph 3(1) and in copies of any such thing.-Richard Arnold, Performers' Rights and Recording Rights, ESC Publishing Limited, Oxford 1990 at 102

[40] The Copyright, Designs and Patents Act 1988

Section 31 Incidental inclusion of copyright material

(1) Copyright in a work is not infringed by its incidental inclusion in an artistic work, sound recording, film, broadcast or cable programme.

(2) Nor is the copyright infringed by the issue to the public of copies, or the playing, showing broadcasting or inclusion in a cable programme service, of anything whose making was, by virtue of subsection (1), not an infringement of the copyright.

(3) A musical work, words spoken or sung with music, or so much of a sound recording, broadcast or cable programme as includes a musical work or words, shall not be regarded as incidental included in another work if it is deliberately included.

In the United States, the idea of fair use, in the beginning, was recognized by the courts[41] in the name of "Innocent Infringement". The courts consider the elements as these:[42]

1 The nature of the plaintiff's authorship and intention.

2 The status and purpose of the user.

3 the extent of the use, both quantitatively and qualitatively.

4 The effect of the use on the copyright owner's interests. Competitive or Non-competitive.

5 The absence of intent to plagiarize, especially as evidenced by proper acknowledgement of the copyrighted source.

Fair use of a copyrighted work is not infringement. The root of what in the United States is so called now as 'fair use' firmly planted in the early English common law, where the defense was known as 'abridgment'. From the earliest days of the doctrine, courts have recognized that when a second author uses another's protected expression in a creative and inventive way, the result may be the advancement of learning rather than the exploitation of the first writer.

Fair use made its in debut in American Law in case of Folsom v.Marsh,9F. Cas. 342(C.C.D. Mass 1841)[43]

At present, the 1976 Copyright Act of the United States Section 107 states for fair use obviously.[44]

However, whether the idea of fair use mentioned above can be also used to the music or not. In the United States, the Congress indicated that "the same general standards of fair use are applicable to all kinds of uses of copyrighted material"[45]

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[41] *De Acosta v. Brown*, (1944) 146 F.2d 408.

[42] Benjamin Kaplan, Ralph S. Brown, Jr., Cases on Copyright, Unfair Competition, and Other Topics Bearing on the Protection of Literary, Musical, and Artistic Works, Brooklyn, the Foundation Press, Inc. 1960 at 309

[43] *See* Chisum, Jacobs, *supra* note 10, at 175.

[44] **Section 107. Limitations on the Exclusive Rights: Fair Use**

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any others means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

[45] William F. Patry, The Fair Use Privilege in Copyright Law, The Bureau of National Affairs, Inc. Washington, D.C. 1985 at Preface ix.

In particular, on music, there are the provisions of limitations on exclusive rights in Section 110 (4)[46] and Section 111(a) (1)[47]

On music, if we strongly scrutinize to the Copyright Act of the United States Section 110 (4) and 111(a) (1) that would be impliedly held that if no direct charge were made to hear the works, Exclusive Rights would be exempted.

An Analysis of the Fair Use Factors[48] in the United States.

It would be useful if we can look into the idea of fair use of the United States in details. That will be shown respectively.

The Purpose and Character of the Use

First would be considered is that the use is normal and reasonable limits. However, the limits are not confined to issues of the amount of copying and the effect of such copying on the potential market for or value of the copyrighted work. Second, it would be considered on the purpose and character of the use. That is, whether such use is of a commercial nature or is for nonprofit purposes. However, the line between commercial and nonprofit organizations is increasingly difficult to draw. Many 'non-profit' organizations are highly subsidized and capable of paying, and the widespread public exploitation of copyrighted works by public and other non-commercial

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[46] **Section 110. Limitations on Exclusive Rights: Exemption of Certain Performances and Displays**

Notwithstanding the provisions of section 106, the following are not infringements of copyright:

(1)…

(4) performance of a nondramatic literary or musical work otherwise than in a transmission to the public, without any purpose of direct or indirect commercial advantage and without payment of any fee or other compensation for the performance to any of its performers, promoters, or organizers, if-

(A) there is no direct or indirect admission charge; or

(B) the proceeds, after deducting the reasonable costs of producing the performance, are used exclusively for exclusively for educational, religious, or charitable purposes and not for private financial gain, except where the copyright owner has served notice of objection to the performance under the following conditions:

(i) the notice shall be in writing and signed by the copyright owner or such owner's duly authorized agent; and

(ii) the notice shall be served on the person responsible for the performance at least seven days before the date of the performance, and shall state the reasons for the objection; and

(iii) the notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation;

[47] **Section 111. Limitations on Exclusive Rights: Secondary Transmissions**

(a) Certain Secondary Transmissions Exempted.—

(1) the secondary transmission is not made by a cable system, and consists entirely of the relaying, by the management of a hotel, apartment house, or similar establishment, of signals transmitted by a broadcast station licensed by the Federal Communications Commission, within the local service area of such station, to the private lodgings of guests or residents of such establishment, and no direct charge is made to see or hear the secondary transmission; or…

[48] *See* Patry, *supra* note 45, at 361.

organizations is likely it grow. In addition to these trends, it is worth noting that performances and displays are continuing to supplant markets for printed copies and that in the future a broad 'not for profit' exemption could not only hurt authors but could dry up their incentive to write.[49] In the specific type of uses cannot be strictly defined because each case must be decided on its own facts.[50] In some case, the court focused on the extraction of the most valuable portion of plaintiff's work and defendant's lack of research and attribution.[51] Some case, the court said that the fair use theory does not allow anyone to be entitled to save time, trouble and expense by availing himself of another's copyrighted work for the sake of making an unearned profit.[52] In computer program, the court said that[53] the doctrine of fair use would apply to all stages in the operations of information and storage retrieval systems, including input, and output in the form of visual images or hard copies. Reproduction of small excerpts or key words for purposes of input, and output of bibliographic lists or short summaries, might be examples of fair use in this area. On the other hand, because the potential capabilities of a computer system are vastly different from those of a mimeograph of photocopying machine, the factors to be considered in determining fair use would have to be weighed differently in each situation. For educational use, like all others, must be divided into commercial and nonprofit uses.[54] For off-air taping, the court said that[55] home noncommercial "time-shifting" of free broadcast television programs was fair use. But the court did not decide whether the following types of off-air taping would be fair use: home noncommercial taping of programs one was viewing; tape duplication; use of tapes for public performance; librarying of tapes; trading of tapes for noncommercial or commercial purposes; sale or rental of tapes; taping outside of the home by individuals and businesses, schools, or other organizations; taping of pay or cable programs or of nonbroadcast material such as videotex or computer generated works. A number of these uses would likely not be fair use for a variety of reasons, including the court held that even home noncommercial taping could be denied to be fair use if some meaningful likelihood of future harm exists, and every commercial use is an un-fair use if that may be presumed to result in future potential harm.

The Nature of the Copyrighted Work

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[49] *Id*. at 369.

[50] *Id*. at 371.

[51] *Id.*

[52] *Id*. at 372.

[53] *Id*. at 388.

[54] *Id.* at 404.

[55] *Id*. at 412.

Some kinds of work, even a short portion may have a significant impact on the commercial market for the work.[56] This element may be considered in case by case.

The Amount and Substantiality of the Portion Used in Relation to the Copyrighted Work as a Whole

The questions of infringement and fair use do not always turn on quantitative assessments. In some case, the court said that[57] whether the appropriated publication constitutes a substantial portion of that which it copied cannot be determined alone by lines or inches which measure the respective articles. And another case, the court said that[58] when it comes to a question of quantity, it must be very vague. One writer might take all the vital part of another's book, though it might be but a small proportion of the book in quantity. It is not only quantity but value that is always looked to. It is useless to refer to any particular cases as to quantity. These can be concluded that the amount and substantiality of the portion of work must be as well considered on the value of the copyrighted work.

The Effect of the Use Upon the Potential Market for or Value of the Copyrighted Work

The effect of the use of work is not necessary to be occurred in the time of copy. It might occur in the future.[59] The effect of the potential market does also not immediately occur to the copyright's owner.[60] And the court focused on the value of the copyrighted work in the way of considering on the type of harm to the copyrighted work, not holding on the aspect of compensation, that is, even the act of copier may not show any damage, it might not be deemed to be fair use. In some case, the court said that[61] the copyright laws are intended to prevent copiers from taking the owner's intellectual property not aimed at recompensing damages that flow indirectly from copying.

Fair Use in Australia[62]

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[56] *Id* at 418.

[57] *Id*. at 451.

[58] *Id*. at 452.

[59] *Id*. at 456.

[60] *Id*. at 457.

[61] *Id*. at 458.

[62] *See Id*, *supra* note 17.

Australia has a common law system. The copyright exceptions and fair use is a fair dealing. The Australia Copyright Act 1968 provides the provisions for fair dealing[63] for the purpose of :

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[63] **Australia Copyright Act 1968**

Division 3-acts not constituting infringements of copyright in works

40 Fair dealing for purpose of research or study

(1) A fair dealing with a literary, dramatic, musical or artistic work, or with an adaptation of a literary, dramatic or musical work, for the purpose of research or studay does not constitute an infringement of the copyright in the work.

(1A) A fair dealing with a literary work (other than lecture notes) does not constitute an infringement of the copyright in the work if it is for the purpose of, or associated with, an approved course of study or research by an enrolled external student of an educational institution.

(1B) In subsection (1A) the expression *lecture notes* means any literary work produced for the purpose of the course of study or research by a person lecturing or teaching in or in connection with the course of study or research.

(2) For the purposes of this Act, the metters to which regard shall be had, in determining whether a dealing with a literary, dramatic, musical or artistic work or with an adaptation of a literary, dramatic or musical work, being a dealing by way of reproducing the whole or a part of the work or adaptation, constitutes a fair dealing with the work or adaptation for the purpose of research or study include:

(a) the purpose and character of the dealing;

(b) the nature of the work or adaptation;

(c) the possibility of obtaining the work or adaption within a reasonable time at an ordinary commercial price;

(d) the effect of the dealing upon the potential market for, or value of, the work or adaptation; and

(e) in a case where part only of the work or adaptation is reproduced-the amount and substantiality of the part copied taken in relation to the whole work or adaptation.

(3) Notwithstanding subsection (2), a dealing with a literary, dramatic or musical work, or with an adaptation or such a work, being a dealing by way of the reproducing, for the purposes of research or study:

(a) if the work or adaptation comprises an article in a periodical publication-of the whole or a part of that work or adaptation; or

(b) in any other case-of not more than a reasonable portation of the work or adaptation; shall be taken to be a fair dealing with that work or adaptation for the porpose of research or study.

(4) Subsection (3) does not apply to a dealing by way of reproducing the whole of a part of an article in a periodical publication if another article in that publication, being an article dealing with a different subject matter, is also reproduced.

41 Fair dealing for purpose of criticism or review

A fair dealing with a literary, dramatic, musical or artistic work, or with an adaptation of a literary dramatic or musical work, does not constitute an infringement of the copyright in the work it is for the purpose of criticism or review, whether of that work or of another work, and a sufficient acknowledgment of the work is made.

42 Fair dealing for purpose of reporting news

(1) A fair dealing with a literary, dramatic, musical or artistic work, or with an adaptation of a literary, dramatic or musical work, does not constitute an infringement of the copyright in the work if:

(a) it is for the purpose of , or is associated with, the reporting of news in a news in a newspaper, magazine or similar periodical and a sufficient acknowledgement ot the work is made; or

(b) it is for the purpose of, or is associated with, the reporting of news by means of a communication or in a cinematograph film.

(2) The playing of a musical work in the course of reporting news by means of a communication or in a cinematograph film is not a fair dealing with the work for the purposes of this section if the playing of the work does not form part of the news being reported.

43 Reproduction for purpose of judicial proceedings or professional advice

(1) The copying in a literary, dramatic, musical or artistic work is not infringed by anything done for the purposes of a judicial proceeding or of a report of a judicial proceeding.

1 Research and study;
2 Criticism or review;
3 Reporting the news; and
4 The conduct of judicial proceedings or the giving of professional legal advice.

In Australia, the public policy objective of each provision served by each of the exceptions is different. For example, the exceptions for fair dealing for research or study meets the public policy objective of making materials available for students and scholars. The fair dealing exception for criticism or review is derived from the view that once a work is released to the world, there is a public benefit from its quotation for criticism or review. The exception for reporting the news meets the public policy objective of disseminating information about current events as widely as possible. The provisions in relation to legal proceedings are inserted into the Act to ensure that the smooth operation of the conduct of justice in the country is not impaired by the operation of exclusive rights.

Furthermore, the Australia Copyright Act also includes a number of exceptions, which while they permit the use of copyright material without prior permission also require payment to be made to the copyright owner. The most significant of these are the various statutory licenses for education.

Fair Use in Thailand

Thailand has the provisions in the Copyright law of B.E. 2537 regarding the fair use. There are some provisions concerning the topic of this paper is that:[64]

"**Section 32**. An act against a copyright work by virtue of this Act of another person which does not conflict with a normal exploitation of the copyright work by the owner of copyright and does not unreasonably prejudice the legitimate right of the owner of copyright is not deemed an infringement of copyright.

Subject to paragraph one, any act against the copyright work in paragraph one is not deemed an infringement of copyright; provided that the act is each of the following:

(1) research or study of the work which is not for profit;

(2) use for personal benefit or for self benefit together with the benefit of other family members or close relatives;

(3) comment, criticism or introduction of the work with an acknowledgement of the ownership of copyright is such work;

(4) news reporting through mass media with an acknowledgement of the ownership of copyright in such work;

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(2) A fair dealing with a literary, dramatic, musical or artistic work does not constitute an infringement of the copyright in the work if it is for the purpose of the giving of professional advice by:

(a) a legal practitioner, or

(b) a person registered as a patent attorney under the *Patents Act 1990*; or

(c) a person registered as a trade marks attorney under the *Trade Marks Act, 1995.*

[64] The Copyright Act of Thailand of B.E. 2537 (1994) (unofficially translated by the Department of Intellectual Property, Ministry of Commerce, Thailand), Published by the Department of Intellectual Property, September 2000 at 14-15.

(5) reproduction, adaptation, exhibition or display for the benefit of judicial proceedings or administrative proceedings by authorized officials or reporting such proceedings;
(6) reproduction, adaptation, exhibition or display by an instructor for the benefit of instruction provided that the act is not for profit;
(7) reproduction, adaptation in part of a work or abridgement or making a summary by an instructor or an educational institution so as to distribute or sell to students in a class or in an educational institution provided that the act is not for profit;
(8) use of the work as part of questions and answers in an examination.
Section 33. A reasonable recitation, quotation, copying, emulation or reference in part from a copyright work by virtue of this Act with an acknowledgement of the ownership of copyright in such work is not deemed an infringement of copyright; provided that Section 32 paragraph one is complied with.
Section 34. A reproduction of a copyright work by virture of this Act by a librarian in the following cases is not deemed an infringement of copyright; provided that the purpose of such reproduction is not for profit and Section 32 paragraph one is complied with:
(1) reproduction for use in the library or another library;
(2) reasonable reproduction in part of a work for another person for the benefit of research or study…"

Fair Use in Case Laws

There are many cases occurring in many countries regarding fair use or fair dealing which shows magnificent ideas. So it is necessary to see the instance cases.

Fair Dealing in the United Kingdom

In the United Kingdom, the developments of fair use is in the cases begun from 1740,not called "Fair Use" but called "Used Fairly". For example, in *Gyles v. Wilcox*,1740, the court the court, Lord Chancellor Hardwicke, said that an abridgment had appropriated 35 out of the original 275 sheets of plaintiff's work. The abridgment can be excused from liability. because the abridgment is an invention as a new work. [65] While in *Tonson v. Walker*[66],1752, the court said that the defendant had merely added new own 28 original notes into the 1,500 notes of plaintiff's work is an evasion to the copyrighted work of plaintiff. In *Dodsley v. Kinnersley*,[67]1761, the court rested on the fact that plaintiffs had previously published extracts of the work, which indicated to the court that the market for

[65] *See* Patry, *supra* note 45, at 6.

[66] *Id*. at 7.

[67] *Id.* at 8.

or value of the work would not be injured. In *Roworth v. Wilkes*,[68]1807, the court said that "the intention to pirate is not necessary in an action of this sort." In *Wilkins v. Aikin*,[69]1810, the questions of quotation, competition, and amount of creativity are necessary to qualify as a fair use.

In the cases mentioned above show the historical idea of fair dealing in the United Kingdom. Namely, in the first stage fair dealing was developed by the courts. Those cases the courts focused on as follows;

1 the quantitative works of use.
2 the nature of an creation
3 the value of small parts of an original work.
4 the market value injured.
5 the intention of users.

The United States of America

In the United States, 1839, in *Gray v. Russell*,[70] the case involving the scope of protection to be accorded compilations of public domain materials. In *Gray*, plaintiff added public domain notes to a public domain Latin grammar. Defendant, in his edition of the same grammar, was alleged to have appropriated substantial portions of the notes found in plaintiff's work. After finding that plaintiff had a protectible interest in the plan, arrangement, and combination of the notes, and that defendant had infringed that interest. In *Folsom v. Marsh*,[71]1841, the court rested on the substance of work, intellectual labor of the defendant, the essential part of the chief value of the original work, even though the defendant took only 4.5 percent of plaintiff's work, the court held that this portion was the most interesting and valuable that was infringement.[72] In *Story v. Holcombe*[73], 1847, the court said that "the infringement of a copyright does not depend so much upon the length of the extracts as upon their value" In *Murray v. Bogue*,[74]1852, the court said that the extraction of the vital part of the original work will not be deemed fair use. In *Jarrold v. Houlston*,[75] the good faith is an important element in a defendant availing himself of a

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[68] *Id*. at 12.

[69] *Id.*

[70] *Id*. at 18.

[71] *Id*. at 19.

[72] In Folsom, there are 3 main factors focused by the court:

1 The nature and objects of the selections made.
2 The quantity and value of the materials used.
3 The degree in which the use may prejudice the sale , or diminish the profits, or supersede the objects of the original work.

[73] *Id*. at 25.

[74] *Id*. at 29.

[75] *Id.*

claim of fair use.[76] In *Simms v. Stanton*[77], 1896, the court focused on the point of "substantially diminish value of the copyrighted work", and an original work of copyright's owner should have been " protectible".[78] In *West Pub. Co. v. Edward Thompson Co*.,[79]1909, the court focused on the question of substantial similarity in the expression between the two works, rather than on labor. In *Leon v. Pacific Telephone & Telegraph Co*.[80]1937, the court laid great stress on plaintiff's " expensive, complicated, well-organized endeavor, requiring skill, ingenuity, and original research." In *Leon*, it can be concluded that copyright does not protect research efforts, business, or investment but copyright is only designed to promote the progress of science.[81]

For music, in *Bloom & Hamlin v. Nixon*[82], 1903, the court found no infringement. In *Bloom*, the court held that the defendant did not perform or represent the song within the meaning of the Copyright Act, merely, imitated the chorus without musical accompaniment, merely, peculiar actions, gestures, and tones of the plaintiff are not infringed,[83] and in *Green v. Minzenheimer*[84],1909, the court found the same, the imitation of the voice, postures and mannerism did not infringe plaintiff's copyright. But, in *Green v. Luby*[85], if a defendant sings the entire copyrighted song with musical accompaniment, the defendant may not be excused. Furthermore, in musical case, in *Broadway Music Corp. v. F-R Pub. Corp*.[86],1940, where plaintiff, copyright owner of the song "Poor

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[76] In Jarrold, plaintiff was the publisher of the *The Guid to Science*, which by its question-and-answer format was designed to provide instruction in science "for the benefit of young persons and others who have not received a scientific education. A number of the questions has been submitted by the public in response to requests by plaintiff, while a number of the answers were taken from common treaties. Defendant published a book called *The Reason Why*, which followed the same format as the plaintiff's but which included original lectures by defendant.

[77] *Id*. at 38.

[78] In Simms, there are credible testimony that some of plaintiff's expression was of this nature. Furthermore, a defendant like Stanton is entitled to go to the sources plaintiff had gone to. Any similarity in expression resulting from such use is also not protectible.

[79] *Id*. at 44.

[80] *Id*. at 46.

[81] *Id*. at 47.

[82] *Id*. at 48.

[83] In Bloom, in dictum, the court stated that "surely a parody would not infringe the copyright of the work parodied, merely because a few lines of the original might be textually reproduced. No doubt, the good faith of such mimicry is an essential element; and, if it appeared that the imitation was a mere attempt to evade the owner's copyright, the singer would properly be prohibited from doing in a roundabout way what could not be done directly."

[84] *Id*. at 49.

[85] *Id.*

[86] *Id*. at 58.

Pauline," which was published contemporaneously with the movie *Perils of Pauline*, charged the *New Yorker* magazine with infringement for its reproduction of a portion of the chorus of the song in its "Talk of the Town" column. The chorus was quoted in connection with a commentary on the death of Pearl White, who had starred in the movie and who was associated with the song in the mind of the public. The defendant contended that there was no infringement and that the "incidental, illustrative, and fragmentary use that was a fair use". The court agreed. In particular, in case of broadcasting of music or reprinted some parts of the chorus of the song without music, it would be fair use in the way of implied consent.[87]

Those cases, in the historical aspects in the United States, can be concluded that the courts focused on as follows;

1 the substantial portions of the works
2 the portions of value of works
3 the good faith of a defendant
4 substantially diminished value of the copyrighted work
5 the labour of the copyright owners
6 the meaning defined by Act
7 whether or not incidental, illustrative, and fragmentary use.
8 in musical works, merely imitated the chorus without musical accompaniment, or merely peculiar actions, gestures, and tones of the plaintiff are not infringed,[88] but if a defendant sings the entire copyrighted song with musical accompaniment, the defendant may not be excused.[89]
9 in musical work, if broadcasting of music or reprinted some parts of the chorus of the song without music, it would be fair use in the way of implied consent.[90]

Moreover, most of cases, the court usually focused on the circumstances of whether defendant's use will seriously interfere with plaintiff's exploitation of his work.[91] If there is no likelihood of competition between plaintiff and defendant, it would not be infringed. This idea has been taken before the notion of "fair use"

When talking about the fair use cases in the united states, it seems incomplete if the case of Sony Corporation v. Universal City Studios[92] has not been quoted to consider. In 1976, Universal City Studios and Walt Disney Productions, motion copyright owners. Sued Sony Corporation, manufacture of "Betamax" video tape recording machines, Sony

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[87] *Id*. at 59. *Karll v. Curtis Pub.Co* (1941).

In Karll, the court agreed with the defendant, holding that "when the plaintiff dedicated the song to the Green Bay Packers, by implication at least he consented to a reasonable use thereof associated with the Packers."

[88] *See* Patry, *supra* note 45, at 48.

[89] *Id.* at 49.

[90] *See* Patry, *supra* note 45, at 59.

[91] W.R. Cornish, Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights, Fourth Edition, London Sweet & Maxwell 1999 at 352.

[92] *Sony Corporation of America v. Universal City Studios*, 480 F. Supp. 429 (C.D. Cal. 1979), reversed, 659 F.2d 963, 211 U.S.P.Q. 761 (9th Cir. 1981), reversed, 464 U.S. 417, 220 U.S.P.Q. 665 (1981).

Corporation of America, Sony's United States distributor, four retailers who sold Sony's machines, Sony's advertising agency, and William Griffiths, an individual machine user. For convenience, plaintiffs-copyright owners will be referred to as "the Studios" and the defendants will be referred to as "Sony."

The Studios' theory was that Sony's machine sales were contributory copyright infringement because purchasers used their machines primarily to make illegal tape copies of motion pictures that television stations broadcast over the public airwaves with the Studios' permission.

Sony's videotape recorders ("VTR") consisted of three components: (1) a tuner, which receives broadcast signals, (2) a recorder, which records the signals on tape, and (3) an adapter, which converts the signals into a composite signal. The tuner enables the VTR to record a broadcast off one station while the television set connected to the VTR is tuned to another channel or is not in use. The VTR has (1) a timer, which allows the user to activate and deactivate the recorder at predetermined times (for example, to record for later viewing a program broadcast at an inconvenient time) and (2) fast-forward controls, which enable the user to pass over taped portions, such as the commercial advertisements recorded along with a motion picture.

After a lengthy trial, the district court denied the Studios' copyright infringement charge. The district court said that "First, home VTR recording of copyrighted works broadcast free to the public at large did not constitute infringement. Second, Sony would not be liable as a contributory infringer even if hometaping were an infringement because it merely sold a machine that was capable of a variety of uses, some of them infringing. Finally, the Studios' prayer for injunctive relief either preventing sale of Betamax machines or requiring that they be rendered incapable of recording copyrighted works off the air would be inappropriate even if Sony were otherwise liable as a contributory infringer because the injunction would cause harm to Sony and the public that outweighed that to the Studios."

The Ninth Circuit reversed, holding that, as a matter of law, home VTR use was not fair use because it was not a "productive use" and that Sony's VTR sales were contributory infringement because the primary purpose of VTR's is to copy television programming virtually all of which is copyrighted. The court remanded for a determination of the appropriate relief, suggesting that a continuing royalty might be an acceptable remedy.

The Supreme Court reversed the Ninth Circuit by a 5 to 4 vote, finding no liability for copyright infringement. The Supreme Court resolved two major issues: (1) contributory infringement: under what circumstances would Sony, as a seller of a machine that is not covered by any copyright but that can be used to make unauthorized copyrighted works, be liable as a contributory infringer? and (2) fair use: did use of videotaping machines to make recordings of broadcasted copyrighted works constitute "fair use"?. The court concluded that Sony as maker and seller of a machine is a contributory infringer only if the machine is not capable of substantial noninfringing use, and the machines had at least two noninfringing uses: authorized time-shifting and unauthorized time-shifting, the latter being fair use. In (1) contributory infringement, nothing in the Copyright Act renders anyone liable for infringement committed by another, a contrast with the Patent Act, which has explicit provisions on inducement of infringement and contributory infringement by sale of nonstaple components. Copyright

law has a body of cases on vicarious liability, but these cases do not support imposing liability on the seller of a machine that may be sued to commit copyright infringement. The vicarious liability doctrine is based on the defendant's continuing ability to control the behavior of performers who directly infringe. Sony, seller of such a machine, has no such control. Having reduce the question of Sony's contributory infringement liability to that of whether there are substantial or "commercially significant" noninfringing sues for the videotape recorders, the Court found one potential use satisfied this standard: "private, noncommercial time-shifting in the home."

The court discussed two types of time-shifting. As to authorized time-shifting, it relied on the district court's findings that many producers are willing to allow private time-shifting to continue because it may enlarge the total viewing audience. It stressed that "third party conduct would be wholly irrelevant in an action for direct infringement" but that in an action for contributory infringement "the copyright holder may not prevail unless the relief that he seeks affects only his programs, or holder may not prevail unless the relief that he seeks affects only his programs, or unless he speaks for virtually all copyright holders with an interest in the outcome."

(2) As Fair Use, unauthorized time-shifting, the Court's discussion of "unauthorized time-shifting" is of great interest, being its inaugural voyage into copyright law's stormy fair use seas. Nothing that Section 107 "identifies various factors that enable a court to apply an equitable rule of reason analysis to particular claims of infringement," the Court of necessity gave little attention to two Section 107 factors- the second ("nature of the copyrighted work") and the third ("the amount of…used"). These factors strongly pointed toward a finding of no fair use because the copyrighted works were dramatic works, motion pictures, normally given stronger protection than factual and functional works, and because the alleged copying was of the entire work.

The first factors is "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," Copying for a commercial or profit-making purpose is "presumptively" unfair, a "contrary presumption" applies to "noncommercial, nonprofit activity."

The Court linked the fourth factor-"the effect of the use upon the potential market for or value of the copyrighted work"- to the first one in the context of noncommercial uses. Because a use for a noncommercial purpose in presumptively fair (factor (1)), the burden is on the copyright owner to show that "some meaningful likelihood of future harm" to a potential market for the work will result from the use.[93]

The Studios failed to show "meaningful likelihood of future harm." The district court found unsupported the Studios' suggestions that time-shifting without librarying would (1) not be measured by rating services, which determine advertising revenue from

[93] The Supreme Court said, in some parts, that " Although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood may be presumed. But if intended used is for commercial again, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated."

an original telecast, (2) diminish the number of persons watching live telecast movies, (3) reduce demand for reruns, or (4) reduce theater of film rental exhibition of films.[94]

The above case can be concluded that in the concept of contributory infringement the court look into the nature of uses focused on the defendant's continuing ability to control the behavior of users or and focused on a substantial or commercially significant use. On fair use, the court focused on the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes. Copying for a commercial or profit-making purpose is "presumptively" unfair, so a contrary presumption applies to noncommercial, nonprofit activity is fair use.

Thailand

In Thailand it seems the cases regarding fair use not very much. That is because the defendants had not raised this issue to make excuses. A few cases have been found. In criminal cases, *Public Prosecutor v. Kanokchai Phetdawong*,[95] briefly, *Public Prosecutor* sued that the defendant infringed the copyrighted works of injured persons, the three publishing companies, by means of copying in some parts of the injured persons's books by copying machine for students in a university. It was deemed to reproduce in essential part of the book without the consents of the injured persons.

Kanokchai pleaded not guilty. *Kanokchai* said his occupation was to be hired to copy any document and to make the book' cover as to orders in ordinary way. His premises was attached to the university. The said books in the complaint used in class for students. He made the copies of books as to the orders of the students for hires. The students had brought the books to be copied. He charged for hire 60 Stang for a paper A4 each, 1 Baht for a paper F14 each, a paper F14 can be separated into two pages, so, can be calculated to be 50 Stang each.

In a judgment, the court looked into the case occurred in the United States[96] and considered the rules of fair use of the United States,[97] finally, concentrated on Section 32 second paragraph (1)[98] which is in the meaning of the 'three step test' of the TRIPS. That is, the court said that "the excuse for an infringement of copyright the defendant must prove to be sufficient for the court in three conditions;

1 the acts of the defendant should not conflict with the normal exploitation of the work of the copyright owners and not affect to the rights of the copyright owners.

2 the acts of the defendant are in the purpose of a research or study, and

3 the acts of the defendant have not to make a profit."

In all issues specified by the court in the judgment the court said " the court thinks that the interests of the injured persons as the creators or the persons who have been granted from the creators the copyrighted works are the economic interests for exclusivity in their copyrighted works. In the system of free markets, the economic interests are the most important motivation for the creators to create any work. This motivation is for the

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[94] *See* Chisum, Jacobs, *supra* note 10, at 4-177-183.

[95] *Public Prosecutor v. Knokchai Phetdawong*, Case No. Black 326/2542, Red 784/2542. Decided by The Central Intellectual Property & International Trade Court.

[96] *Princeton University Press v. Michigan Document Services*, 99 F. 3d. 1381 (6th Cir. 1996).

[97] *See Id*, *supra* note 44.

[98] *See* The Copyright Act of Thailand of B.E. 2537 (1994), *supra* note 62, *Id.*

superb purpose of a society. That is knowledge, arts, sciences, and being well- off for human beings as a whole. So the economic interests of the copyright owners have to be balanced by the society interests or public interests in the way of study for anyone in the societies, and the research for the purpose of creating new characteristics of knowledge without the purpose of making a profit. The ways of examination to be known whether such studies or researches conflict to the interests of the copyright owners or effect to the right owners inappropriately have to consider circumstances in case by case. That is, it has to look into the factors of quality and the factors of quantity. In the factors of quality, the facts in the case have shown that the defendant pleaded that the work reproduced are used in classes of the university which has around 16,000 students. The university's library has the said copyrighted works 20 copies. A student can borrow the copyrighted copy not over 7 days. The library approximately has 6 copying machines for services to the students…if any student reproduces some parts of the book of which a teacher specifies to study in class, it obviously seems to be fair and within the exception for an infringement of copyright. When focusing on an economic mechanism and work sharing, instead of each of student will reproduce one copy by himself or herself, they may ask or hire anyone to do so on behalf of them. Anyone who is asked or hired may service by mean of charges for his or her labors, for his or her machine and for papers. In such case, even a copying shop charges fees for the purpose of its business or for the profits, but such business and profits are a direct consequence from the uses of labors, machines, and materials, for the facts of the case is a man, a copying machine and the paper which altogether total 60 Stang of each paper. Such circumstances, the copying shop does not make a profit from infringing the copyright owners but it did in the way of hire contracts between the students and the copying shop. The act of copying shop is equal to an agent or an instrument of the students for copying. The exception for infringement of copyright can take effect to the copying shop also.

In the factors of quantity…all copyrighted works reproduced in the case, 20 copies reproduced from the "Organizational Behavior" 5 chapters calculated to 25% of the book, 19 copies reproduced from the "Environmental Science" 5 chapters calculated to 20.83% of the book…"the court, continually, said "…fixing to the students to copy only one chapter may cause misunderstand or not understand an idea or philosophy hided in the book clearly, if the students have to buy all books in classes or to be members all journals without the exception by law that would be an obstruction for an advance of education and sciences in the society…the injured persons have no clear evidences to show that how much the copyrighted works which sell to the students are cheaper than the copies to see to normal markets… and no evidence show that the copyright owners have their agents authorized to authorize or to bargain for anyone who wants to get a license. The copyright owner has to make a royalty system and gives the consumers any such convenience, if not, the copyrighted works reproduced by the defendant that is for the purpose of study of the students is not be deemed to conflict with the normal exploitation of the copyright owners or to effect the legitimate rights of the owners…the case dismissed."

The case directly appealed to the Supreme Court. In the judgment of the Supreme Court, the court[99] said that " the defendant reproduced the copyrighted works of the right owners many copies and kept them at his store which is near to the university where has

[99] The Judgment No.5843/2543, The Supreme Court of Thailand.

classes using textbooks of the injured persons. These circumstances are likely to have chances to sell those copies to the students conveniently, and both in the process of arrest and in the process of interrogation that were make in a same day the defendant pleaded guilty that he reproduced the works of others for the purpose of sale, propose to sell, having for sale. Those evidences are consistent with the circumstances of the case and reasonable to believe that the defendant reproduced the copyrighted works for the purpose of sale, propose to sell, having for sale for his own business and for seeking benefits from selling such copies that he had produced, not copying for hires by the students for the purpose of studies or researches. The act of the defendant is not within the exemption by the Copyright Act…the act of the defendant violates the rights of the copyright owners. The judgment of the Central IP& IT Court overruled."

The said case can be concluded as follows;

1 the Central IP & IT Court looks advance in the concept of fair use without the defendant's evidences. The guilty pleaded in the process of the police may not be necessary for this concept. The court concerns the public interests in the most. It seems that the court tries to make a great rule on this issue. This is a new dimension for the court of justice in Thailand. The outstanding point in the judgment of the Central IP & IT Court is that the fee collecting system would be arranged by the right owner for convenience of the consumers before claims of copyright. On the other hand, it could be said that 'if nowhere is for buying, nowhere is for paying.'

2 Most respectfully, the Supreme Court does not take in the same way with the Central IP & IT Court. The Supreme Court looks into only in the facts of the case, in particular the defendant's guilty pleaded in the process of the police, and blames the defendant's evidences that is not reasonable.

For the concepts of fair use said above, those can be concluded that fair use or fair dealing the laws focus on uses without permission of the copyright owner within the conditions said by law, and the circumstances interpreted by the courts. However, where the users have their own legitimate copyrighted works the fair use or fair dealing accuse will not be required. The critical question is that if those uses are in the way of private uses by the owner of the legitimate copyrighted works, and some situations, it seems to be conflicted with some of interests of the copyright's owner, can the owner of the legitimate copyrighted works do that? However, again, before going to the solution, it would look at another one concept of the limitation of exclusive right of the copyright owner. That is the exhaustion of right.

Exhaustion of Rights

It seems that the concept of exhaustion of right cannot absolutely be concerned on the issues in this paper. Yes, it seems like that. But it would be better if we can scrutinize in some part of ideas in this matter.

Even though, in general, the principle of exhaustion of intellectual property rights is established to support the concept of the free movement of goods.[100] That talks about the first sale doctrine and parallel imports, or the exclusive right does not extend to the resale of products put on the market by its proprietor or with his consent. However, the common concept of exclusive rights of intellectual property is designed to grant the owners to exploit monopolies,[101] while the basic concept of exhaustion of right is a free movement of good between states[102]which is one of the imitations of the exclusive right of the copyright owners. The question would be raised to be considered is that whether the exclusive rights of the owners expand without limitation? Because the exhaustion doctrine is used to the copyright also.[103]

In the scope of exclusive rights, the critical issue is that whether the exclusive rights of the copyright owners will expand to be unlimited or not. If we view on the performing rights in recording in the United States Copyright Act of 1976 Section 114(a)[104], we might see that the right to play ("perform") the record in public is expressly denied the owner of the copyright in the recording.[105]

On the musical copyrighted work, when the right-owners sell the copyrighted works into the market, is the exclusive right still complete? or, is the right exhausted in some aspects.? This question is very interesting.

In general concept, the exhaustion of rights mean that the rights of the owner will be exhausted by the first sale doctrine, or parallel imports.[106] The relation between exclusive rights and rights to use or to consume would be considered in the concept of exhaustion of rights in another meaning.

Compared with the first sale doctrine in the United States, the distribution right gives the copyright owner the right to control the first public distribution of the work. The distribution right involves the right to transfer physical copies or phonorecords of the

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[100] John N. Adams Editor, Intellectual Property Quarterly 2000 Volume 4, Case Note, Sweet & Maxwell, London 2000 at 357.

[101] Will Alexander, Exhaustion of Intellectual Property Rights: Worldwide or Community-(EEA-) wide?, Intellectual Property and Information Law Edited by Jan J. Kabel, Kluwer Academic Publishers, The Netherlands 1998 at 3-16.

[102] W.R. Cornish, Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights, Fourth Edition, Sweet & Maxwell, 1981 at 245.

[103] Peter Groves, Tony Martino, Claire Miskin, John Richards, Intellectual Property and the Internal Market of the European Community, Graham & Trotman, 1993 at 10.

[104] Section 114(a): "The exclusive rights of the owner of copyright in a sound recording…do not include any right of performance…"

[105] Leon E. Seltzer, Exemptions and Fair Use in Copyright the Exclusive Rights Tensions in the 1976 Copyright Act, Harvard University Press, Cambridge, Massachusetts and London, England 1979 at 60.

[106] *See* Cornish, *supra* note 91, at 41, 735.

work. The distribution right is frequently infringed simultaneously with the reproduction right, but can also be infringed alone. Infringement of the distribution right alone commonly occurs in the music industry when unlawfully made audio or video tapes are acquired by a retailer and sole to the public, Although the retail seller may not have copied the work in any way and may not have known that the works were made unlawfully, he nevertheless infringes the distribution right by their sale. The seller's innocent intent is not a valid defense to an action for copyright infringement, which allows the copyright owner to proceed against any member in the chain of distribution. Section 109(a)[107] of Copyright Act of the United States creates a basic exception to the distribution right known as the "first sale doctrine" which limits the copyright owner's control over copies of the work to their first sale or transfer. Under this provision, once the work is lawfully sole or even transferred gratuitously, the copyright owner's interest in the material object, the copy or phonorecord, is exhausted; the owner of that copy can then dispose of it as he sees fit. The first sale doctrine entitles the owner of a copy to dispose of it physically. Thus, one who buys a copy of a book or any other copyrighted works is entitled to resell it out, give it away, rebind it, or destroy it.[108] Like the Patent Law of the United States, the purchaser of a patented article has the rights of any owner of personal property, including the right to use it, repair it, discard it, or resale it, subject only to overriding conditions of the sale.[109] The First Sale Doctrine in copyright law like patent law and trademark law. That is, the copyright law has the first sale doctrine, the theory of which is that a copyright owner's authorized sale of an item "exhausts" the exclusive intellectual property distribution right. The purchaser may use or resell the item free of any charge of infringement.

Obviously, the details raised above show that the exclusive right of copyright owner are exhaust in many ways.

However, there is a controversy concept that the first sale doctrine does not apply to the separate exclusive rights of derivative work preparation, public performance, and public display.[110] Why not?

Moreover, even the copyright matter within national use, the exhaustion of copyright is explicitly used in some of European Countries like Germany for example. In the Germany Copyright Act Section 16,17(2) has stated in detail and the court[111] said that "The statutory provision in Sec. 17(2) of the copyright Act is the expression of the

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[107] **Section 109(a)** provides:

"Notwithstanding the provisions of section 106(3)[citation omitted], the owner of a particular copy or phonorecord lawfully made under this title[citation omitted], or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord."

[108] Marshall A. Leaffer, Understanding Copyright Law, Second Edition, Matthew Bender 1995 at 237-238.

[109] 59 U.S.P.Q. 2d. 1907.

[110] *See* Chisum, Jacobs, *supra* note 10, at 4 -119.

[111] The dicision of the Federal Supreme Court (Bundesgerichtshof) May 4, 2000- Case No. IZR 256/97

general legal principle that copyright, like other intellectual property rights, must take second place to the interest in the marketability of the goods put into circulation with the consent of the entitled party. It means that whenever the copyright owners or their agents put their works into the markets that would be deemed to consent to another party. The another party entitled to distribute further-here the vendor of the copyrighted worked even perfume protected by copyright-cannot be prevented by copyright law from offering the goods and presenting them in advertising within the limits of what is usual, even if this involves a reproduction pursuant to Sec.16(1) of the copyright Act."[112]

This concept means that the usual uses by another party who buys legitimate copyrighted work is not infringement according to the first sale doctrine.

However, some of other European Countries, in the field of trade mark law, the concept of exhaustion of right in most of countries is still different. In some cases in the European Court of Justice (ECJ) ruled against international exhaustion by prohibiting the parallel importation of goods by a third party from a country outside the European Community into a member country. While, in contrast, the Swiss Supreme Court ruled in favour of international exhaustion in the *Chanel* case.[113]

How about a copy of musical copyrighted work which is sole to a customer, and then the customer plays it in normal ways or usual uses, the exclusive right of the copyright owner is exhausted.?

If we look at the TRIPS Agreement Article 6, even though the TRIPS Agreement does not establish any standards on the exhaustion of rights[114], but in the fundamental idea of the exhaustion of right, especially in the Brussels Draft[115], it seems that the basic idea of exhaustion is not only focused on the topic of sale, importation, or other distribution of goods but also the topic of uses. Therefore, when the right holders put their goods on the market, some of exclusive rights would also be exhausted by any aspect of uses.

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[112] IIC, International Review of Industrial Property and Copyright Law, Max Planck Institute. 6/2001 Volume 32. at 717.

[113] Andries van der Merwe, The Exhaustion of Rights in Patent Law with Specific Emphasis on the Issue of Parallel Importation, Intellectual Property Quarterly 2000, Editor John N.Adams, Sweet & Maxwell London, 2000 at 286.

[114] Carlos M Correa, Abdulqawi A Yusuf, Intellectual Property and International Trade The TRIPS Agreement, Kluwer Law International , London 1998 at 160.

[115] Daniel Gervais, The TRIPS Agreement Drafting History and Analysis, Sweet & Maxwell, London 1998 at 60.

Actually, the exhaustion principle is the same for all intellectual property rights which is based on their different functions,[116] That is, there would be both "essential function" and "specific subject-matter" of each intellectual property right.[117]

Private Use

What is private use?

It is very difficult to define the scope of 'private use' because the meaning in itself seems to be already clear. But, actually, the act of private use is more complicate. Frequently, users may feel that the rightholders invade their private life, but, at the same time, the producers and publishers find that the private use of copyrighted materials has started to encroach upon the commercial field.[118] The private use sometimes is so-called 'homestyle'. The homestyle may mean any use to affect a small number of establishments.[119]

The significant meaning of private use is the meaning of 'private.' The *Oxford English Dictionary*[120] definition suggests that the word "private" means;[121]

1 belonging to an individual; one's own; personal;
2 confidential; not to be disclosed to others;
3 kept or removed from public knowledge or observation;
4 not open to the public, for an individual's exclusive use;
5 secluded ; affording privacy;
6 not holding public office or an official position;
7 conducted outside the state system, at the individual's expense.

In the said definition there are other two key words that would be altogether considered to interpret in the meaning of 'private' is that 'public' and 'individual'.

In the dictionary[122] 'individual' means;

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[116] Even in the *Silhouette* case the view of the court was that the principle of the international exhaustion was fully consistent with the function of the mark as an indicator of origin. Frank Woolridge, Case Note The Silhouette Case: The Trade Marks Directive and International Exhaustion, Intellectual Property Quarterly 1998, Volume 2, Editor John N. Adams, Sweet & Maxwell, London 1998 at 440.

[117] Irini A. Stamatoudi, From Drugs to Spirits and from Boxes to Publicity (Decided and Undecided issues in relation to trade marks and copyright exhaustion), Intellectual Property Quarterly 1999, Volume 3, Editor John N. Adams, Sweet & Maxwell 1999 Londer at 94.

[118] Antoon Quaedvlieg, Copyright's Orbit Round Private, Commercial and Economic Law-The Copyright System and the Place of the User, IIC International Review of Industrial Property and Copyright Law, Volume 29, the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich, 1998 at 421.

[119] Laura A. McCluggage, Section 110(5) and The Fairness in Music Licensing Act: will the WTO decide the United States must pay to play?, IDEA The Journal of Law and Technology, Vol.40, No.1, Franklin Pierce Law Center, 2000 at 39.

[120] In case of the meaning provide by law is not clear, the Oxford Dictionary may be required. *See* Arnold, *below* note 120, at 44.

[121] The Concise Oxford Dictionary, Ninth Edition, Oxford University Press, 1995 at 1088.

[122] *Id*. at 692.

1 single
2 particular, special; not general
3 having a distinct character
4 characteristic of a particular person
5 designed for use by one person: a single member of a class, a single human being as distinct from a family or group, a distinctive person.

The 'public' means[123];
1 concerning the people as a whole
2 open to or shared by all people
3 done or existing openly
4 provided by or concerning local or central government
5 involved in the affairs of the community
6 acting for a university, the community in general, or members of the community, a section of the community having a particular interest or in some special connection.

From those definition the 'private use' would mean "any use conducted by natural person[124] in particular single area for the purpose of a single member of a class or for particular person and not to be disclosed to others or removed from public knowledge or observation."

Private Uses in EEC

The private use or personal use, in general, is the exception of exclusive right of the copyright's owner. In the member states of EEC, there are many types of the private uses. In France, the making of copies and reproductions of works which are strictly reserved for the private use of the copyist and not intended for collective use in permitted. No authorization is needed for reproductions strictly reserved for private use by the person who has made them and not intended for collective use.[125] Germany, the making of single copies of work for personal use is permitted, whether the copy is made by the would-be user or by a third party; if the work is reproduced in a sound or visual recording, however, the copying is only permitted it the third party makes the copy gratuitously.[126] Netherlands, it is not an infringement of copyright to reproduce a work in a limited number of copies for the sole purpose of the personal practice, study or use of the person who makes the copies or who orders that they be made exclusively for himself.[127] Potugal, the Portuguese law allows works to be reproduced without the authorization of the right owner when this is exclusively for private use and provided that it does not harm the normal exploitation of the work nor cause unjustified prejudice to the authors'

[123] *Id*. at 1106.
[124] Richard Arnold, Performers' Rights Second Edition, Sweet & Maxwell, 1997 at 50.
[125] Gillian Davies, Michele E. Hung, Music and Video Private Copying, An International Survey of the Problem and the law, Sweet&Maxwell, 1993 at 121.
[126] *Id*. at 129.
[127] *Id*. at 140.

legitimate interests and provided, finally, that the reproduction is not used for any purposes of public communication or commercialization.[128] Spain, the law provides that no authorisation is required also for copies made for the private use of sightless persons, provided that the reproduction makes use of the another specific process and that the copies are not used for gainful purposes.[129] However, in some cases for private uses, the laws in those countries may provide the provisions for paying royalty fees for the copyright's owners.[130]

Private Uses on Musical Works

Nowadays, music plays a substantial role in all of our lives. Everywhere we turn there is music of one kind or another, be it on the radio, television, as part of our own private collection or as background music at a variety of locations. We listen to different kinds of music, mainly for pleasure, to suet our mood at that time. Music is also sued in a multitude of settings to encourage customers to purchase certain items.[131]

Music copyright was first recognized in law following an English court case in 1777. It was ruled that music was "a writing within the Statute of the 8th of Queen Anne", the first statutory copyright of 1710 that protected newly published books from unauthorized reprinting for 14 years.[132]

On music, in the digital age, one of the important questions is whether authors and other rightholders should enjoy an exclusive right regarding digital copying for private use or whether the digital private copying should be free, provided some remuneration on blank media and perhaps, electronic hardware is paid. Denmark is one of the very few countries that has introduced an exclusive right in this field. At present, most countries still accept private digital copying.[133] Moreover, if focusing on the digital age of distribution of music, some music even suggest music for the individual customer should be free, with income generated from commercial use. A radical solution, indeed, but it would certainly remove some of the headaches of digital piracy control, and leave mass music infringement policing as a thing of the past.[134]

Normally, private use on music is not infringed if it is within the meaning of 'homestyle'. What is the 'homestyle'? Please see below as follows:

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[128] *Id*. at 144.

[129] *Id*. at 147.

[130] *See. Id.*at 129, 140, 144, 147.

[131] Russell Frame, The Protection and Exploitation of Intellectual Property Rights on Internet: The Way Forward for the Music Industry, Intellectual Property Quarterly, Intellectual Property Institute and Contributors, 1999 at 13.

[132] *See* Kretschmer, *supra* note 4, at 2.

[133] Peter Schonning, Licensing Authors' Rights on the Internet, IIC International Review of Industrial Property and Copyright Law, Volume 31(2000), Max Planck Institute WILEY-VCH, 2000 at127.

[134] Tim Smith, Digital distribution of music, Copyright World, April 2000, issue 99, LLP Professional Publishing, April 2000 issue 99 at 19.

Small Business Exemption, "homestyles" in the United States.

Let us talk about the outstanding topic and case concerning private uses, business uses and/or homeuse. In the United States of America, the Copyright Act of 1976 has the provision on this interesting topic.[135] And there are many interesting domicile cases and the dispute in international forum which will be shown below.

In the United States, even small businesses where receive transmission from radios of televisions, and at the same times, play them in own their premises. They are not infringement. The court said that the received transmission may not be "further transmitted" to the public. In *Broadcast Music, Inc. v. Claire's Boutiques, Inc.*,[136] the court rejected the copyright owners' argument that placing the receiver in a backroom separate from the selling area where the speakers were located resulted in a further transmission, holding that "further" requires more than running speaker wire through a wall. Any interpretation of "further transmit" must take into account the definition of "transmit" a performance or display: "to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent." In examining this definition, "further" may be viewed as redundant, since *any* transmission will involve a communication beyond the place from which the performance originated. In the context of Section 115,[137] "further" makes sense as indicating that once the transmission has been received by the small business establishment, a subsequent-"further"-transmission will disqualify the establishment from the exemption. Still, under this approach the mere use of loudspeakers would result in a further transmission, and thus we are back at the beginning. Perhaps the most that can be said is that a relay-type system involving multiple speakers beyond that "commonly used in private homes" is prohibited. This rule overruled by the court in *Buck v. Jewell-LaSalle Realty Company*.[138]

In *Claire's Boutiques*, the court explained that transmission in another room from selling area is deemed as a private use.

In *Cass County Music Commany v. Muedini*,[139] the court reviewed *Claire's Boutiques* and distilled a four-part test to qualify for the exemption:

1 a single receiving apparatus is used;

2 the single receiving apparatus is of a ding commonly used in private homes;

3 the transmission is provided free of charge;

4 the transmission is not "further transmitted" to the public.

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[135] **Section 110 Limitations on Exclusive Rights: Exemption of Certain Performances and Displays**

(1)….

(5) communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless—

(A) a direct charge is made to see or hear the transmission; or

(B) the transmission thus received is further transmitted to the public;

[136] 949 F.2d 1482 (7th Cir. 1991).

[137] *See* the United States of America Copyright Act of 1976 Section 115 **Scope of Exclusive Rights in Nondramatic Musical Works: Compulsory License for Making and Distributing Phonorecords**.

[138] 283 U.S. 191(1931).

[139] 55 F.3d 263 (7th Cir. 1995).

Additionally, the physical size of the establishment, while not determinative, is "relevant as indicative of the reach of the stereo system." Helpfully, the *Claire's Boutiques* court stated that "the entire sound system" should be examined. Parsing the phrase "receiving apparatus," *Claire's Boutiques* held that if "Congress had wanted the review to be limited to the receiver, it would have used the word 'receiver' and not receiving apparatus.' Apparatus signifies 'the totality of means by which a designated function is performed…or a group of machines used together…to accomplish a task.'"

In *Cass County*, as in most Section 110(5) cases, there was a single receiving apparatus and no fee was charged, so the issuer was whether the apparatus was of a kind commonly used in a private home. The restaurant had a public dining room of 1500 square feet and utilized nine speakers recessed into a dropped acoustic tile ceiling. Although the restaurant utilized a Radio Shack receiver, it had been souped up so that it could power 40 speakers. It had a separate control panel. The district court had held that it is "not unprecedented" to have nine speakers in a home system. The issue is not whether it is unprecedented, but whether, in the language of the statute, it is common. In reversing the district court, the court correctly held that when viewed in its totality the system was not commonly found in private homes, even though sophisticated home entertainment systems "often have multiple speakers to permit sound to be heard in various areas of a home"[140]

Unavoidably, when talking about private uses or uses without paying royalty even public performance it must look into an international dispute concerning music royalties and collecting societies occurring between U.S and EU. The case was settled by WTO[141]

In June 2000, the dispute Panel of the World Trade Organization (WTO) published its final report, ruling against a recent amendment of U.S. copyright law that allows music to be played in public without the payment of royalties. The case was brought by the European Union, based on a complaint by the Irish Copyright Collection Society, IMRO, which feared for a reduction of income of European songwriters caused by this U.S. legislation. The EU based its complaint on an alleged violation of the TRIPS Agreement together with Article 11(1)(ii) and 11bis(1)(iii) of the Berne Convention (Berne), whereas the U.S. founded its defense on claiming the minor exceptions provisions in Article 13 of TRIPS.

The following examines the broader context of the WTO decision and the ongoing underlying conflict between songwriters and users of copyrighted music in the United States. It also presents a summary of the results of the Commission's examination report, with respect to compatibility with international copyright law agreements, which have been confirmed to a large extent by the WTO Panel Report. The results of the WTO Panel Report shall be summed up briefly.[142]

I. Fairness in Music Licensing Act

[140] William F. Patry, Copyright Law and Practice 1997 Cumulative Supplement, The Bureau of National Affairs, Inc., Washington, D.C. 1997 at 180-181.

[141] See Goldmann, supra note 6, at 412-429.

[142] *Id.*

In October 1998, the Fairness in Music Licensing Act was adopted together with, and as the second part of, the Copyright Term Extension Act in the USA in the form of a Copyright Act Amendment Act, entering into effect 90 days later. Although the extension of the protected period for copyright works to the European standard of 70 years after the death of the author is to be welcomed, the second part of the Act is regarded as a "bitter pill" administered to the authors, drastically restricting the licensing and payment obligation for the public communication of radio and TV broadcasts in stores, restaurants and bars. For the international music licensing business, the new legislation on the highest-turnover music market in the world will mean substantial financial losses even for non-American collecting societies. Accordingly, these societies have requested an EC Commission examination with respect to the new Act. The following examines critically the provisions of the U.S. legislation, its background and the expected consequences.

II. Previous Legal Situation: Public Communications Under Aiken Exemption

Copyright protection against the public communication of music in bars, restaurants, cafes and retail stores has during the last few years in The USA suffered a substantial decline in favor of the conflicting commercial interests of the users of music, as can be demonstrated in the light of the most important decisions.

Under the former 1909 Copyright Act, the law applying in the USA until 1976, as a matter of principle, only a commercial performance or communication of a copyrighted work, a "performance of profit," constitutes a relevant exploitation subject to the copyright holder's exclusive right. If there was no direct commercial interest, the communication was not protected. However, in the leading case of *Herbert v. Shanley*[143] in 1917, the Supreme Court held that the communication of music in a restaurant satisfied the "for profit" criterion since the music was part of the restaurant's atmosphere, just like the decoration, and consequently indirectly contributed to the increase in the restaurant's turnover through the overall impression offered to the clientele, even if there was no direct admission charge. This decision laid the foundation for an obligation to pay royalties for public communications in business operations, thus creating a participation right in public performances in the USA for the first time. The recognition that public performances are relevant exploitations for copyright purposes also formed the basis for the activity of the performing rights societies. The collecting societies for musical performance rights in the USA established themselves at this time, since it was they who thenceforward handled the exploitations subject to license and royalties for the entitled parties.

Technical Progress soon meant that the statutory term "performance" appeared too narrow, since the rise of radio and television broadcasts and the use of loudspeakers meant that the place of performance and the place of reception no longer needed to be identical. When such communications and further transmissions of radio broadcasts were used to make the broadcasts available to the public, case law developed the "multiple performance doctrine", which also qualified the communications following the first broadcast as a performance, without having to add a separate broadcasting right to the

[143] 242 U.S. 591, 594, 595 (1917).

legislative text. In the leading decision of *Buck v. Jewell-LaSalle Realty Company*,[144] the Supreme Court held that the reception of a music broadcast with a radio appliance and the transmission thereof to the rooms in a hotel using a number of loudspeakers was to be regarded as a public performance and that therefore one transmission could establish a number of copyright-relevant acts of exploitation. This decision formed the basis for the second exploitation right and dominated subsequent case law on performing rights in the US for the next 37 years.

The 1976 Act abolished the general exclusion of nonprofit music performances and substituted a series of more specific limitation. Section 110 includes limitation on performances and displays in face-to-face teaching at nonprofit educational institutions, performances during services at places of religious assembly, and performances at retail record stores. Section 110 includes other limitations that relate to transmissions of work, but no Section 110 limitation includes a privilege to make or distribute copies.[145]

The decision in *Twentieth Century v. Aiken*[146] in 1975 saw the beginning of the reversal of author-friendly case law in the field of public communication in business operations. *Aiken*, the owner of a small fast-food restaurant, operated a radio with four loudspeakers on the ceiling in his business premises, which he used to receive radio programs licensed by the collecting societies to entertain his clientele. He did not hold a separate authorization to communicate the works of music transmitted to the public. The holders of rights in the compositions communicated in Aiken's restaurant, Twentieth Century Music Corporation, thereupon field an action for infringement. However, the Supreme Court, reversing the precedent in *Jewell-LaSalle*, held that there had been no infringement of copyright, since Aiken's actions could not be qualified as a performance within the meaning of the Act.[147] In the 1976 Copyright Act, promulgated the following year, abandoning the old for-profit rule and creating instead a restrictions model with standardized exceptions, the legislature acknowledged as a matter of principle that the communication of a broadcast to the public amounted to a public performance, but a the same time implemented the Supreme Court's opinion in *Aiken* by means of an exemption requiring neither permission nor the payment of royalties in Section 110(5) of the new Act. In *Aiken*, the court said that "no license is required by the Copyright Act…to sign a copyright lyric in the shower" because the Act confers on exclusive right to private performance.[148]

This so-called "homestyle" or "Aiken exemption" exempted communications of television or radio broadcasts, but not the playing of video and sound recordings, from the obligation requirement to obtain consent if the communication took place using a single receiver such as usually used in households, provided that the public was not charged a direct admission fee for the enjoyment of the communication and that the communication was not further transmitted to a larger number of spectators or listeners.

According to the intentions of the legislators, the regulation was originally meant for small businesses "where mum is behind the counter and dad is the cashier."[149]

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[144] 283 U.S. 191 (1931).
[145] *See* Chisum, Jacobs, *supra* note 10, at 4-131.
[146] 422 U.S. 151 (1975).
[147] In the opinion of the court, the decision fell to the advantage of Aiken in particular because he received licensed radio programs, while in Buck v. Jewell-LaSalle, the programs communicated were unlicensed.
[148] *See Id, supra* note 10.
[149] House Report No. 1476, 94th Congress, 2nd Sess., at 87 (1976).

Although the courts initially complied with this interpretation and conscientiously examined the type of communication apparatus, intensity of use and the capacity and size of the business, the 1990s saw a substantial decline in this compliance. Strictly applying the bare words of the Act, the homestyle exemption also applied to high-turnover store chains with over a thousand branches in the USA and large retail surfaces, provided that the only radio or television set in each individual store corresponds with the dimensions commonly used in private households. The application of the homestyle exemption to chains of stores deserves criticism because a single user agreement with the company management can easily be concluded by the collecting societies to license all the branches, and thus there is no justification for exempting the use of copyrighted music from the obligation to pay royalties.

III New Provisions of Section 110(5) Copyright Act[150]

1. Background to Legislative Proceedings

A decisive influence on the adoption of the new Act was exercised by the trade federations of the food and drink industry and the retail trade, the National Restaurants Association, The National Licensed Beverages Association (NLBA) and the National Retail Federation, organizations with considerable political influence in the USA that had been urging a clarification of the legal situation under the Aiken exemption since the beginning of the 1990s and using intensive lobbying to demand an unambiguous exemption of their members from the scope of application of the obligation to pay royalties.

In 1995 and 1996, corresponding bills were submitted to the House of Representatives that linked the proposed extension of the Aiken exemption to the prolongation of Copyright protection to 70 years *post mortem auctoris* as demanded by the collecting societies and the associations of authors. This rapidly became a suitable lever for the music-exploiting industry: no support for the prolongation of the protected period without adoption of the desired exemption.

In October 1995, the performing rights societies concluded a temporary compromise with the NLBA in the form of a global contract exempting a considerable number of bars and restaurants from the licensing obligation. Dissatisfied with this concession, the other trade associations, however, continued to insist on a legislative solution. In 1996 and 1997, two additional amended bills, the first moderate, the second more extreme and exempting all communications irrespective of the type and size of the business and communication apparatus, reduced the political room for maneuver for the U.S. Copyright Office and the collection societies, which were vehemently opposing these bills. Marybeth Peters, in her function as Register of Copyrights, already at this point referred to the possible infringement of international copyright agreements if the draft were o come into force. A further amended “compromise” version taking into account the size of the business operation was ultimately adopted.

2. Contents of the New Regulations

[150] *See* **Section 110**, *supra* note 106.

The Act now in force provides for a significant extension of the former Aiken exemption. Section 110(5)(b) of the Copyright Act lays down that all types of bars and restaurants ("food service or drinking establishments") of an area of less than 3,750 square feet need not pay any fees for the public communication of the music with respect to radio or television transmissions of works of music or a further transmission by a cable or satellite. For business operations other than restaurants or bars, the exception applies to all establishments. These include hairdressers and shoe stores, workshops and banks, just to name a few, with an area of less than 2,000 square feet.

In both cases, the number of playing appliances and loudspeakers is limited. With audio equipment, no more than six loudspeakers may be used, with a maximum of four in sing room. In the case of audio-visual equipment, a maximum of four appliances may be used with a maximum of one per room and with screens not exceeding a specific size, and likewise connected to a maximum of six loudspeakers.

Three other conditions must be satisfied cumulatively for the exemption from license and royalties to apply: no admission fees may be charged for the enjoyment of the broadcast transmissions, there may be no further transmission to a larger public outside the business operation and the broadcast transmissions must be licensed radio or television programs. Finally, the Act makes it clear that the exemptions described are not for instance aimed generally at reducing the rates for musical performances.

The playing of recording media such as CDs and cassettes continues to be subject to permission and payment of a fee and is not covered by the new exemption.

3. Effects to be Expected of Legislative Amendment

The new text of Section 110(5) of the Copyright Act exempts a large number of smaller businesses in the USA-bars, restaurants, stores, beauty salons, workshops, etc.-from the obligation to pay royalties for the communication of music, including many businesses that even before were hardly affected by the collecting societies as a result of the previous Aiken exemption. In any event, the three performing rights societies, ASCAP, BMI and SESAC, did not pursue a tight network of comprehensive inspections and licensing comparable to that of the German GEMA, and for this reason the collecting societies, income from performing rights was also comparatively meager a compared with their European counterparts.

The manner and extent of the reproduction appliances now permitted indicate that the exemption is no longer a mere homestyle exemption for a single radio but allows radio and TV transmissions to be made available to the clientele to a considerable extent. In the USA it is estimated that around 70% of restaurants and stores would be exempt from paying royalties and that an annual loss of income of around US$ 10 million can be expected. However, the U.S. legislation also affects foreign music copyright holders whose works-depending on locality and type of music-are played more or less frequently in the United States and who must likewise reckon with cuts in their foreign revenue through the effects of the reciprocal treaties and collection by the collecting societies.

IV. Examination Procedure of European Commission

1. Initiation of Procedure

On April 21, 1997, the Irish collecting society IMRO filed an objection to the EC Commission pursuant to Article 4 of Council Regulation No. 3286/94 dated December 22, 1994, directed against the original homestyle exemption and the amendments to the US Copyright Act still in legislative proceedings at the time. The said EC Regulation regulates Community procedures in the field of joint trade policy for the exercise of the Community's rights according to international rules, in particular the rules of the WTO, and grants EC Member States the possibility of initiating joint procedures against infringement of international trade rules.

The Application to the Commission by IMRO, whose repertoire is used relatively intensively by Irish radio stations and in Irish pubs, was supported by GESAC, the European association of collecting societies. It argued that the U.S. amendment of Section 110(5) of the Copyright Act represented an obstacle to trade for cross-border licensing transactions for musical rights, and at the same time infringed various provisions of international agreements. IMRO claimed that the consequences of the Fairness in Music Licensing Act would have detrimental effects on trade pursuant to Article 2(4) of Regulation No.3286/94, since not only would the European collecting societies suffer substantial losses in income but there would also be a negative influence on the export of music to the USA as a result of the reduced income opportunities.

The Commission commenced the requested Community examination procedure in summer 1977. This procedure included a comprehensive investigation of the legal situation in the USA and the alleged effects on international licensing practice in the light of the regulations of the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and the Berne. It also relied on estimates by the U.S.collecting societies. The Commission focused on three questions: (1) Does the exemption in Article 110(5) Copyright Act represent an infringement of TRIPS?; (2) Does this result in an obstacle to trade that can be contested by the EU?; (3) Is the initiation of dispute settlement proceeding in the interests of the Community?

The procedure examined both the previous and the new legal situation. To begin with, the Commission examined the Aiken exemption in its current form for compatibility with TRIPS and, via the reference in Article 9(1) TRIPS, with the compulsory standard of protection in Berne.

2. **Infringement of Article 9(1) TRIPS in Conjunction with Article 11 and 11bis of Berne.**

The TRIPS Agreement was concluded in 1994 with the participation of the USA and the EU Member States, and in Article 9(1) obliges the signatories to comply with the minimum protection rights of Article 1 to 21 of Berne, with the result that a signatory state automatically infringes the TRIPS obligations it if fails to provide the minimum protection required by the Berne. According to Article 11bis (1)(3) of the Berne, the public communication via loudspeaker of works transmitted by radio or television is part of the minimum protection under the Convention. Although this does not cover the further transmission of transmitted works by cable, this is in event covered by Article 11(1)(2) of the convention, which concerns any communication of protected works of music to the public. This right does not apply without restrictions, but can be subjected to

conditions and exemptions by the Berne member states. Thus Article 11bis (2) provides that the Convention States may determine the conditions for the rights granted in Article 11bis (1), provided that the authors' right to a reasonable remuneration is not impaired. In this way, the Convention permits a reduction of the exploitation right to a claim to royalties, but not an exemption free of royalties to the benefit of commercial businesses, which therefore undoubtedly fail to achieve the level of protection required by the Berne.

In its examination, the Commission took into account the fact that in addition to the wording of the Berne the *de minimis* rule laid in Article 9(2) of the Convention could also cover other insignificant exemptions from copyright protection if these only concerned narrowly restricted cases, did not conflict with the rightholders' interests and did not go beyond a normal use of the work. The broad practical scope of application of for commercial purposes and the uncompensated cancellation of the right in the immediate scope of protection of Article 11bis (1)-(3) of the Berne show clearly that this is no longer a case of a small exemption that can be justified in exceptional cases.

Thus, without doubt, there has been an impairment of the scope of protection of Article 9(1) of TRIPS.

3.**Exception Pursuant to Article 13 TRIPS?**

According to Article 13 of TRIPS, the signatory states should limit restriction and exceptions to the exclusive rights to certain special cases that neither impair the normal exploitation of the work nor unreasonably infringe the justified interests of the rightholder. In its wording, Article 13 obviously follows Article 9(2) of the Berne, which, however, only refers to reproductions of a work and allows national legislatures to exempt certain special cases from the copyright holder's right of prohibition. Article 13 TRIPS is thus one of the regulations that not only refers to the protection provisions of the Berne Union, but also has an independent substantive law content. For this reason, it may have priority over other limitation rules in the Berne. Despite the general applicability to the rights of the Berne Convention implemented in TRIPS in the opinion of the commission, Article 13 of TRIPS should not apply to the Aiken exemption, if only because Section 110(5) of the Copyright Act does not provide for royalties and hence does not represent a limitation provision within the meaning of Article 13. The wording of Article 13 of TRIPS does not directly indicate such a restrictive construction only to limitations while granting a right to royalties. On the contrary, the wording of the provision indicates that Article 13 of TRIPS must be regarded as a limitation rule going beyond Article 9(2) of the Berne. It is unanimously agreed that Article 9(2) of the Berne must be construed such that compulsory licenses and certain exceptional royalty-free uses are permitted within the framework of the reproduction right. Even Article 13 of TRIPS cannot allow more extensive limitations, since compulsory licenses and exceptions not covered by Article 9(2) would necessarily infringe the Berne. In the interests of uniform construction, it can therefore be argued that Article 13 of TRIPS must be interpreted uniformly in the light of Article 9(2) of the Berne, even where it concerns rights other than reproduction rights.

The Commission also argued similarly: if Article 13 of TRIPS is applied, it must be construed in parallel with Article 9(2) of the Berne and hence within the limits the latter permits. Thus, Article 13 of TRIPS is to be construed such that the national

limitations must be restricted to certain special cases and may not impair the normal exploitation of the work. Article 13 of TRIPS is aimed at creating national regulations whose limits are open to determination by the national courts but which do not unreasonably infringe the copyright holder's legitimate interests. It is therefore appropriate to apply a restrictive interpretation. The new provisions in the USA with wheir broad scope of application are not merely restricted to certain special cases. Moreover, the normal commercial exploitation of broadcast works of music in permanently impaired in an area that around the world is left to the copyright holder for exploitation, at least with the grant of a right to royalties. This construction, which takes into account the values adopted in Article 9(2) of the Berne, prevents any justification pursuant to Article 13 of TRIPS.

At the time of the conclusion of the Commission Examination, the bill had not yet entered into effect. If the old Aiken exemption of Section 110(5) of the Copyright Act was incompatible with the Berne, this applies all the more so to the now applicable legal position.

4. **Existence of Obstacle to Trade**

More difficult than the finding of a substantive law infringement of the Berne and TRIPS is the qualification of the inner-state provision in Section 110(5) Copyright Act as an obstacle to international trade. In collaboration with the collecting societies in the USA and Europe, the Commission made detailed estimates of the commercial effects of the restrictive rule on European rightholders. The reduction of income for U.S. copyright holders justifies the conclusion that there will be a reduction of the transfer of money to Europe.

In the cross-border enforcement of the rights in the repertoire of foreign collecting societies and the settlement of the remunerations collected from the international sister organizations regulated by the reciprocity treaties, there has, in the opinion of the European societies, for years been a lower flow of income in the relationship between the USA and Europe than would be appropriate for the actual use of the European music of 20%-25% of the U.S. music market, only roughly 5% of revenue raised in America is received by European collecting societies. The imbalance is due to a number of factors, including the exemption in Section 110(5) of the Copyright Act. Using specific tariffs of the U.S. collecting societies and an estimate of the businesses affected by the new Aiken exemption, the Commission applied various calculation methods and came to the conclusion that approximately a loss can be expected of between 13% and 24% of the current usual transfer of royalties, amounting to between US$3.8 and 6.8 million. The new regulation of the Copyright Act reduces European hopes that the cross-border license revenue for music rights could be adjusted more to actual conditions by means of international collaboration.

5. **Reasonableness of Appeal to WTO**

Although the findings make by the Commission already showed an unjustifiable infringement of the TRIPS obligations, the Commission's considerations went beyond the direct financial effects of the exemption and discussed the further consequences that might result from uncontested acceptance of the amendment by the

Europeans. The extent of these consequences indicate that it is necessary to refuse to tolerate the infringement and to issue a recommendation for the filing of dispute settlement proceedings.

First of all, there is cause for concern that even businesses where the size or type of communication appliances means that they do not fall within the statutory exemption are hardly likely to have themselves licensed voluntarily by ASCAP, BMI or SESAC for the communication of music in the light of the apparent trend towards exemption from royalties. Public awareness will increasingly assume that music transmitted is entertainment to be exploited free of charge, with the copyright holder already earning sufficient license fees from the radio or television stations. The negative effect on the licensing practice of collecting societies, which in future intend to apply greater efforts to collecting copyright fees from those businesses that do not fall under the exemption as a means of compensating for their losses, will be reinforced by the fact that in future businesses that regard themselves as exempt in the light of the vague test contained in the legislation will in many cases only be compelled to pay licenses after long and expensive litigation. This litigation will be pursued by the collecting societies and will in turn be at the financial cost of copyright holders.

A further aspect is the unequal treatment of broadcasts received and the playing of video or sound recordings, which does not fall under the exemption and continues to be subject to a fee. Although U.S. collecting societies, even before the current legislative amendment, had practically abandoned the licensing of smaller businesses, even if they were not subject to the Aiken exemption or if they continued to use sound recordings requiring a license for the provision of music on their premises, it is probable that more attention will be paid to these license payments in the light of the pending loss of income. Given the unjustified privilege for the reproduction of broadcast music, collecting societies will also have to deal with increased difficulties in the enforcement of their claims in this sector.

Finally, the collecting societies' negotiating position in the conclusion of overall agreements with user associations will be weakened, since user associations will see no occasion to conclude an agreement if the majority of their members in any event benefit from an exemption. In this way, the negative effects of the exemption will go commercially beyond the direct loss of the copyright fees exempted by the statute and involve a number of other aspects.

In the Commission's opinion, it is to be feared that the U.S. example will be imitated in other countries, in particular in Australia and Canada. Such bills are already under discussion in Australia, while Section 69(2) of the Canadian Copyright Act likewise exempts the public communication of television and radio broadcasts from a licensing obligation. Filing proceedings against the USA might indicate to these countries that European countries will not accept a reduction in the standard of protection in breach of the Convention.

As a final consequence, the Commission also sees the risk of cultural changes. In view of the reduced earning opportunities in the USA, it is possible that in the long term less European music will be exported to the USA, while American copyright holders and music publishers will make greater efforts to exploit their rights in Europe owing to the deterioration in protection in their own country.

V. Filing of Dispute Settlement Proceeding Pursuant to TRIPS/GATT

The results of the Commission's Examination prompted the Commission to file WTO dispute litigation proceedings against the USA for breach of the Berne and the TRIPS Agreement. With respect to international disputes, Article 64 of TRIPS refers to the dispute settlement proceedings agreed within the framework of the founding of WTO and binding on WTO members, the so-called DSU, which in turn refers in part to the GATT dispute settlement regulations. The WTO dispute settlement proceedings begin with a 60-day consultation period between the disputing parties. If the consultations are unsuccessful, the EU can demand the appointment of an arbitration panel, which must decide on the dispute within a tight time schedule. The EU filed the dispute settlement proceedings on January 26,1999. A decision by the Panel also contains specific recommendation for remedying the infringement of TRIPS. The parties are obliged to comply with the decision immediately.

VI. Decision of WTO Panel

In short, the WTO Panel based its decision on a careful analysis of Article 13 of the TRIPS Agreement. Article 13 was brought by the U.S. as the heart of the case, as it claims and articulates in its view the scope of the minor exceptions doctrine.

The Panel first rejected the arguments brought by the U.S. that a value judgment on the legitimacy of the exception requires to take into account the interests of small businesses because "they offer economic opportunities for women, minorities, immigrants and welfare recipients for entering the economic and social mainstream". Instead, the Panel adopted a strict three-criteria test under Article 13 of TRIPS, examining whether the limitations and exceptions to exclusive rights are (1) confined to special cases, (2) do not conflict with a normal exploitation of the work, and (3) do not unreasonably prejudice the legitimate interest of the right holder. These three conditions apply on a cumulative basis, each being a separate and independent requirement that must be satisfied. These three conditions sometimes called "the three step test".

The Panel already rejected the first criteria: the business exemption in Section 110(5)(B) would not only cover "certain special cases," given the large number of establishments that potentially may benefit from it, based on the estimations made. The Panel also referred to the preparatory works for the 1948 Brussels Conference regarding Article 11bis(1)(iii), revealing that establishments intended to be covered by the exclusive right of the author also included factories, shops and offices. The Panel therefore emphasized that a law that exempts a major part of the users that were specifically intended to be covered by the provisions of Article 11bis(1)(iii) could not be considered a special case in the sense of Article 13 of TRIPS.

Although there was no need to examine the other two conditions of Article 13 of TRIPS, the Panel continued its analysis. It found that the second condition was also fulfilled: although even before 1998 a large number of establishments was not licensed by U.S. collecting societies, rightholders would expect to be in a position to authorize the use of broadcasts for many of the establishments covered by the exemption and therefore receive appropriate compensation. The exemption therefore conflicts with a "normal

exploitation" of the work as it eliminates the author's reasonable expectations to be compensated.

Regarding the third condition and regarding the calculations and estimations of losses to be suffered by authors, the Panel also failed to agree with the U.S. position that the economic impact of the exemption would be minor. The Panel supported the position of the Commission that potential loss of revenue also has to be taken into account. Regarding the estimations, the Panel recalled that the burden of proof that the conditions of Article 13 of TRIPS are met would be on the U.S.

The dispute in the case of U.S. and E.U. above, it seems that the amendment of the Copyright Act in the United States puts back copyright protection in the USA at least in part to a time when music was generally regarded as public property, to the benefit of commercial operations. In the United States, the meaning and purpose of the Fairness in Music Licensing Act are obvious: the financial burden on smaller businesses it to be reduced at the expense of copyright holders. What about the small business in developing countries in light of the shops of restaurants which cannot be obviously separated from homestyles or private uses.? Even, in compared with, if the substantive changes to the Aiken exemption are only minimal, their financial effects on the total income of the collecting societies are considerable. A conflict of interests between the small businessman and the individual composer or text writer, who often relies entirely on the distributions from performing rights societies, has been decided to the detriment of the latter, although the license fees weigh lightly on businesses and, like other business expenditure, can be passed on to the final customer. At the same time, the license fees without exception, in some situation, may detriment to small business, and some may evade to the private human rights.

In the Copyright law of U.S., it seems that, sometimes, the exclusive right of the copyright owners is not philosophically original rights of the owners, the exclusive right of the owner is not real right. Actually, the exclusive right is up to laws specified. It means 'no laws no rights.' Moreover, the exclusive right in the Copyright Act of U.S., obviously, is up to the political power struggled in Congress.[151] In the United States, many business operators appear to regard music transmitted by radio as public property, as was for instance expressed in the satisfied reaction to the amendment by a restaurant owner in Virginia: "it's a matter of fairness. We can't control the music that comes over the radio or television any more than we can control the weather."[152] As the continuing license obligation for the use of video and sound recordings shows so that the concept that the individual business on longer had to acquire a license could easily be overcome. However, in the United States, the user agreements with the radio and television companies with restaurants are completely different in content because radio stations in the USA are mostly exempted by collecting societies from payment for the reproduction by commercial businesses.[153]

The commission's decision to file proceedings against the legislative amendment in conflict with the Berne Convention at the request of European collecting societies

[151] *See* Goldmann, *supra* note 6, at 416-417.
[152] *Id*. at 428.
[153] *Id.*

could therefore only be welcomed, and the Panel's decision in favor of the authors proves that this step was justified.

The WTO Panel decision is considered an important victory for U.S. songwriters as well as for European composers and collecting societies. The Dispute Panel has recommended the U.S. to bring its law into conformity with its obligations under international law. So far, there has been no reaction from U.S. legislators as to whether the attacked legislation shall be amended, and the process to see the law modified by Congress may be slow.

The WTO Panel Decision mentioned above can be concluded as follows;

1 the WTO Panel did not take into account both the meaning of "public" and the interests of the social welfare. But they only focused on "the three step test".

2 in the concept of the conflict with normal exploitation of the work, the WTO Panel also did not concentrate on the practical importance or economically compete with the right owner.

3 the further interesting issue that was agued by the United States is that the exemption did not 'conflict with a normal exploitation of the work' because if the songwriters have already received royalties from producers,[154] can they get more? In this matter, the WTO 's Panel did not consider. In the WTO Panel's decision, the scope of exclusive rights, the Panel said impliedly that the right owners can extend their exclusive rights to be broadly without limitation of remuneration.

Briefly, on the contrary, in *Aiken*, the court, within the Copyright Act of 1976 so far, said as follows;

1 only a commercial performance or communication of a copyrighted work for profit constitutes a relevant exploitation subject to the copyright holder's exclusive right. If there is no direct commercial interest, the exclusive right is not protected.

2 the small fast-food restaurants, shops, or cafes where there are no direct charges to their customers are not infringed. Only operating a radio or a television within their business premises they would not be deemed to communicate the works of music transmitted to the public. Such use is a homestyle.

3 the court interprets the meaning of the "public" by mean of focusing on the economic competition. In the other word, the court tries to balance the economic powers between the small businesses and the big businesses in the same field of business.

Public performance

What is public performance?

The meaning of public performance is always not clear. Somewhere, the definition of 'performance' is something of a hybrid.[155] It is with the meaning of others which are not also clear. When looking into the meaning of the 'public' through the meaning in the

[154] *See* McCluggage, *supra* note 119, at 1-47.
[155] *See* Arnold, *supra* note 124, at 42.

dictionary[156], 'public performance' would mean any act concerning the people as a whole or any act shared by any people or act done or existing openly. However, in views of the courts in the United Kingdom, the courts indicate that the decisive factor is the nature of the audience, rather than its size or whether it paid for the pleasure of the nature of the venue. A public performance or exhibition is one for which the audience is note a "domestic or quasi-domestic one". It seems that a "domestic or quasi-domestic" audience is one that lives under one roof. Thus a performance of a play by members of the Women's Institute of one village to an audience of members of the Institute of anther village was held to have been "in public" even though non-members had not been admitted and no charge had been made.[157]

The meaning of "public performance" in some case is not necessary to concentrate on an amount of people. Sometimes, only one person who play musical work may be deemed as a "public performance" if anyone can access to play that work anytime and anywhere. For example, in *APRA*[158] The summary of facts of the case, the defendant(Telstra) is a mobile phone company which serves its customers a music on hold. The music will be played by the customers whenever they want, anywhere they need. The music on hold can be played or used only one person who holds the cell phone. In the First Instance, the court stated that in providing a music on hold service to customers, Telstra did not infringe the diffusion right as the music on hold never proceeded to the subscribers' premises, but only to persons who had called the customer subscriber. Nor did providing music on hold to mobile phones infringe the right to broadcast to the public. It was not a broadcast to the public because of its essentially private nature. The acts of Telstra is just to facilitate the private communications between two people and a communication from one party to another in this context could not be regarded as a broadcast by Telstra to the public. But the Australia Full Federal Court said that the act of Telstra has been infringed the transmission right in the musical works, except where the music on hold came from an authorized sound broadcast rather than a recording. Under the Copyright Act the "broadcast to the public by transmitting is not limited to wireless transmissions involving the kind of widespread dissemination which is normally implicit in the concept of broadcasting. Any wireless transmission will now fall within the broadcast right even though it is make to only one person at a time rather than to the public in a collective sense. However after the decision released, the Copyright Convergence Group (CCG) in Australia recommended to the Copyright Law Review Committee. The CCG considered that it would be desirable expressly to exclude from the scope of the transmission right certain communications which are of an essentially non-commercial, private or domestic nature such as interactive services, telephone conversations, telebanking and videoconferencing services. The CCG did not want to define the term of 'public' preferred the term that the court interpreted. The CCG was concerned to ensure that copyright owners should be able to license point-to-point transmissions of copyright

[156] *See Id, supra* note 121.
[157] *See* Arnold, *supra* note 124, at 104.
[158] *Australasian Performing Right Association Ltd v. Telstra Corp Ltd*, Australia Federal Court, [1995] 31 I.P.R. 289.

material, such as on demand services, even though they did not involve a transmission to the public as commonly understood.[159]

However, it is not mean that any act as a public performance will be deemed as an infringement. Even though it is the public performance but such circumstances is exempted by law impliedly that is not infringement. For example, a person who gives a public performance by means of any radio receiving set or gramophone in any place need not pay anything for the right to do so such public performance is a lawful act and no infringement of copyright.[160]

Public Performance in the United Kingdom

In the United Kingdom, personal use in public even without direct or indirect charges is to be deemed as an incident of some commercial activity. It would be infringed.[161] In *Turner*[162] the court said that music played to employees during working hours was a performance in public as the worker were effectively an audience. Performances of music over loudspeakers at a factory as part of "music while you work" programmes for employees, or over loudspeakers or through juke boxes to provide entertainment for the clientele at a bar, café, discotheque or restaurant, or any section of the public (other than a purely domestic circle) constitute performances in public, as do performances at public concerts, dances or recitals.[163] Where a performer performs the music as written by the composer following a closely as possible the composer's directions, and not, in his interpretation, substantially varying the work of the composer or adding to it new elements of melody of harmony, it is probable that no new work or adaptation in created by the performance: the performer has no rights in his performance.[164]

Public Performance in the United States

In the United States, the Copyright Act of 1976 confers the exclusive right "to perform the copyrighted work publicly"[165], it would be noted that Section 106(4) the exclusive right applies only to "literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works." This omits (1) pictorial, graphic, or sculptural works, which by their nature cannot be performed, but as to which the comparable right of public display applies, and (2) sound recordings. Congress omitted performance rights from the latter for policy reasons.[166]

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[159] Anne Fitzgerald, Playing Music on Hold, Computer and Telecommunications Law Review, Sweet & Maxwell, 1996 at 4 (Westlaw).

[160] *Vigneux v. Canadian Performing Right Society*, Supreme Court of Canada, 18 January 1945.

[161] *See* Cornish, *supra* note 91, at 362.

[162] *Turner v. PRS*, [1943] Ch. 167, CA.

[163] J.A.L. Sterling and M.C.L. Carpenter, Copyright Law in the United Kingdom and The Rights of Performances, Authors and Composers in Europe, Legal Books PTY LTD Sydney-London 1986 at 114.

[164] *Id*. at 117.

[165] 17 U.S.C. Section 106(4).

[166] See Chisum, Jacobs, supra note 10, at 4 – 128.

Act of 1976 broadly defines "perform" and "public." To "perform" a work "means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible." To perform a work "publicly" means:

> "(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
> (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times."[167]

Public Performance in the Thailand

In Thailand, the Copyright Act of B.E. 2537 Section 4 defines: "Communication to Public" means making the work available to public by means of performing, lecturing, preaching, music playing, causing the perception by sound or image, constructing, distributing or by any other means.[168]

As regarded the Act, the meaning of public performance in Thailand is broadly.

However, on musical work, the Copyright Act of Thailand has the provision for the public performance without infringement if that public performance is within the provision provided. That is:[169]

" **Section 36**. The public performance, as appropriate, of a dramatic work or a musical work which is not organized or conducted for seeding profit from such activity and without direct or indirect charge and the performers not receiving remuneration for such performance is not deemed an infringement of copyright; provided that it is conducted by an association, foundation or another organization having objectives for public charity, education, religion or social welfare and that Section 32 paragraph one is complied with."

Scope of Public Performance

The meaning of public performance mentioned all countries above shown in the same ways. That is, it covers many acts of performance on copyrighted works. Briefly, it focuses on the nature of the audience.[170] That is, if there are many audiences, it would be a public performance even there is no any charge to the customers, however, not necessary to consider on the amount of people,[171] even a few of audiences but performing

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[167] *Id*. 17 U.S.C Section 101.
[168] *See* The Copyright Act of Thailand of B.E. 2537 (1994), *supra* not 54 , at 5.
[169] *Id*. at 17.
[170] *See Id*, *supra* note 124.
[171] *See Id*, *supra* note 158.

in unspecific area it would be deemed a public performance. Moreover, any acts of performance to many people in a specific place is also to be deemed a public performance.[172] For the meaning of performance, that covers any act played by any person such as to recite, render, play, dance, sing, cause sound or image, and others, these would be performances.[173]

The Consent of Copyright owners

In some situations, the consent of the copyright owner itself may be an issue, for the consent need not be expressed but can be implied. For example, the copyright owner may have acquiesced in the infringement and the court might consider this to be a form of implied consent or, alternatively, it could refuse to enforce the copyright on the basis of estoppel.[174] Moreover, there is an idea for fair use in some aspects that it is the formulation something of the "implied consent"[175]

For the implied consent theory. There is a classic example case.[176] That is, the case of implied consent theory can be found in *American Institute of Architects v. Fenichel. In Fenichel*, plaintiff published a compilation of standard forms to be used by owners, contractors, subcontractors, and architects in the construction industry. Defendant made six copies of the largest and most important form and delivered them to the owners and contractors he was dealing with. The judgment was favor for defendant.[177]

Collecting Society Systems

The collective administration of copyrights has become an important item. The phenomenon is advancing but not new. The French music copyright agency (SACEM) dates from the middle of the last century and the Dutch national agency (Buma) was founded some 85 years ago. Collective administration arose because of the factual impossibility of the individual copyright holder to control the mass use of music himself. And as technological developments progress, the need for authors to combine forces is

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[172] *See Id*, *supra* note 162.
[173] *See Id*, *supra* note 10.

[174] See Bainbridge, supra note 27, at 25.

[175] Leon E. Seltzer, Exemptions and Fair Use in Copyright the Exclusive Rights Tensions in the 1976 Copyright Act, Harvard University Press, Cambridge, Massachusetts and London, England 1979 at 31.

[176] *American Institute of Architects v. Fenichel*, 41 F. Supp. 146, 147 (S.D.N.Y. 1941)

[177] *See* Patry, *supra* note 45, at 61.

In Fenichel, the court held that "when the plaintiff put on the general market a book of forms, he implied the right to their private use. The conclusion follows from the nature of a book of forms. No one reads them a literature; their sole value is in their usability. To constrict the defendant to mere reading of the forms in the bound volume would unjustly enrich the plaintiff whose very publication of a form implies its usability."

growing in more areas. Combined force, however, means combined power.[178] At present, copyright collecting societies occupy a dominant market position in at least two respects[179]:

(1) towards the users of protected works who may have just one legitimate supplier of licenses, and

(2) towards the users of protected works who may have no alternative provider of a rights administration infrastructure.

(3) towards the copyright owners for protection of the works which cannot be managed in the best way of exploitation.

On musical works, the fundamental philosophy behind collective administrative of rights in music via collecting societies consists in making it accessible to those who want to use and enjoy it in accordance with law in an orderly manner. For collecting societies this means: to become entitled to represent a world repertoire of music-with or without texts-, to license it without discrimination to qualified users, to control that it is lawfully used , to collect money for its use and to distribute the money-reasonable and necessary costs deducted-to the right owners in accordance with principles agreed upon inbetween themselves. Thereby, insofar as uses of individual works can be ascertained, these uses shall form the basis for computing which amounts shall become distributed to the individual right owners of the perspective works[180]because it has to be acknowledged that in cases of mass use if protected works, individual management of the right owner has individually become illusory.[181]

An increasingly stronger individual rights and a powerful monopolistic collecting society leads to a further issue: the perceived need for regulation, supervision, and control of the activities of rights management organization. Many problems may occur from those collecting societies need for governmental intervention. The first justification for governmental intervention is the addressing of any anti-competitive effect which results from the activities of collecting societies. A Second rationale for government regulation is the need for independent supervision to ensure equitable licensing practices of collective management organizations, with special emphasis on the tariff rate. A third rationale for such regulation focuses on the author-society relationship, and this is possibly a more controversial justification for governmental regulation.[182]

Pros for Collecting Society

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[178] Niek van Lingen, Collective Copyright Administration Competition and Supervision, Intellectual Property and Information Law, edited by Jan J.C. Kabel, Kluwer Academic Publishers, 1998 at 142, at 212.
[179] *See* Kretschmer, *supra* note 4, at 1(Westlaw)

[180] Gunnar W. G. Karnell, Collecting Societies in Music, Editors: David Peeperkorn, Cee Van Rij, Collecting Societies in the Music Business, MAKLU Publishers, 1989 at 17.
[181] Uma Suthersanen, Collectivism of Copyright: The Future of Rights Management in the European Union, The Yearbook of Copyright and Media Law, Oxford University Press, 2000 at 16-17.
[182] *Id*. at 22.

Normally, many people need a collecting society, while, others do not. However, the collecting society, like all of things, has both good and not so good aspects.

In the useful aspect, there might be as follow;

1 the collecting society has its power of exercises for protection on their repertoire for their members.[183] As so called "the world repertoire"[184]

2 the collecting society is not only royalty processing centers but also has a statutory duty to foster and protect creators.[185]

3 the collecting society can manage the rights conferred by the author and other rightowners who could never individually control the mass use of their works.[186]

4 Users, collectors of those works can easily access to a one-stop-shop to clear all rights in different kinds of works simultaneously.

Cons for Collecting Society

There are many aspects of uses of powers exercised by the collecting society which may cause damages to societies, as follows;

1 the powers of the society could be misused, particularly if the combination of forces is based on legally created monopoly position.[187]

2 the nature of copyright is prohibitive, linking the use of protected works to the consent of the copyright holder. But in the hands of a collective right agency the exclusive rights are reduced purely to right to a fee. The author loses control.[188] This all means that the exclusive right to authorize has been degraded to a mere right to remuneration.[189]

3 the complexity of governance structures may reflect uncertainty about the property rules underlying collective administration.[190]

4 Composers can no longer enter the market as individuals.[191]

Historical Background and Functions in Europe[192]

Owners of copyright realized at an early stage that it was not always possible to exercise their rights on an individual basis, particularly in the case of works, which were intended for widescale public performance, such as plays and musical works. Moreover if there is a good system of licensing, the owners of intellectual property rights ought to be able to extract full value of their rights.[193] And it may be inconvenient for the owner of copyright

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[183] *See* Lingen, *supra* note 178, at 212.
[184] *See* Kretschmer, *supra* note 4, at 1.
[185] *See Id* at 9.
[186] Herman Cohen Jehoram, The Future of Copyright Collection Societies, European Intellectual Property Review, Sweet & Maxwell, 2001 at 2 (Westlaw).
[187] *See Id*, *supra* note 178.
[188] *See* Lingen, *supra* note 178, at 211.
[189] *See* Jehoram, *supra* note 186, at 3.
[190] *See* Kretschmer, *supra* note 4, at 1.
[191] *Id.* at 9.

[192] J.A.L. Sterling, World Copyright Law, Sweet & Maxwell, London 1998 at 403-407.

[193] David J. Teece, Managing Intellectual Capital, Oxford University Press, New York 2000 at 25.

to agree licenses and collect fees, or alternately the copyright owner may want the backing of a powerful body to help defend his right in a court of law, if it comes to that. On the other hand it much more convenient if a user of copyright material can negotiate a single licence with respect to a range of works rather than having to agree separately with all the individual owners.[194]

Even in the digital age, at this moment, the Internet may prove to become the most important development for authors in general and, not least, for composers and songwriters. Formerly, a composer or songwriter was dependent on a record company that would produce and distribute phonograms with his or her music, and, if no record company did so, virtually nobody would have the possibility of becoming acquainted with that particular music. Many such traditional barriers to music distribution disappear, or change their character, on the Internet. One will be able to contact directly millions and millions of people around the world. All Internet users can easily access any web site containing your musical works, in whole or in part. Professional marketing of the music will probably in most cases still require the assistance of new web advertising agencies, or traditional record companies or music publishers, the availability as such is important for may authors. So, the Internet offers many opportunities for authors. However, authors would get much more benefits if they continue to administer the rights through collecting societies because:[195]

First, the digital world - even more than the analogue world – will be inhabited by giant media corporations that want to own as many copyrights as possible. The background is obvious: money. Within a few years, the on-line music market will be worth billions and billions of dollars. Those who control the copyrights can make significant profits. The media corporations will without doubt be able to put tremendous pressure on an individual author in order to make buy-out agreements. Without the support of a collective, such authors will probably lose all their rights. Only collecting societies- and especially collecting societies with exclusive membership agreements-can secure a continuous flow of remuneration following a continuous use of the works of the author.

Second, the administration of individual rights is not so easy in the music area. Unlike the situation in literature, there are normally many rightholders connected to one recording of a musical work. Besides the composer, songwriter, lyricist and, perhaps, adapter, musicians are granted some related rights in many countries, and maybe a studio or record company would also be entitled to some recording rights. It is complicated to administer so many rights.

Third, administration of individual rights will not bring about any money for the public performance of the music at concerts, on radio and television, in restaurants, shops, etc. Only collecting societies are capable of collecting remuneration for those kinds of use outside the Internet.

Of course, there is a danger that the societies may abuse their positions. It may cause damages to the owners of copyright. To prevent such abuse, in the United Kingdom, the Performing Right Tribunal was set up by the Copyright Act 1956 to regulate the licensing

[194] David I Bainbridge, Intellectual Property, Third edition, Pitman Publishing, 1996 at 82.
[195] *See* Schonning, *supra* note 133, at 968-969.

of performing rights, and this has now become the Copyright Tribunal.[196] The Copyright Tribunal has jurisdiction in relation to most schemes of rights. If there is a dispute between societies and licensee, the Tribunal may confirm or vary the claiming as the Tribunal thinks reasonable in the circumstances. There are also provisions for reference to the Tribunal if a person has been refused a license by the operator of the scheme, or the operator has failed to procure a license for him, for example if the person is seeking a license for a work that is in a category of case excluded from the scheme. The Copyright Tribunal has to make its determinations on the basis of what is reasonable in the circumstances, the Tribunal shall have regard to the availability of granting of licenses to other persons in similar circumstances, the Tribunal shall exercise its powers so that there is no unreasonable discrimination between licensees.[197]

Societies had already been formed in the eighteenth and early nineteenth centuries to represent the general interests of authors in making negotiations and in representations to governments and other bodies. It came to be recognized that, in addition, societies were needed to administer rights and to collect the payments due for use of protected material.

Four developments in the history of societies administering rights (collecting societies) may be noted. The first development was the formation in the nineteenth and early twentieth centuries of national collecting societies. These national societies came into existence in most countries with developed industries for the exploitation of authors' works.

The second development was the making of reciprocal agreements between the national societies, so that they could represent each other's repertoires. This process was assisted by the formation in 1926 of the *confederation Internationale des Societies des Auteurs et Compositeurs* (CISAC), with headquarters in Paris, CISAC continues in existence and now represents societies of authors, composers and publishers throughout the world. Besides affording the means for contract between its constituent members, CISAC has made important contributions to studies on copyright and author's rights through its Legal Committee and its publications.

The third development was the formation of collecting societies to represent rightowners other than authors. During the 1930s, sound recording producers began to claim public performance and broadcasting rights in the recording which they issued. As in the case of authors, it was found necessary to established organizations that would administer the rights, once they were recognized. Further impetus to this development was given by the adoption of the Rome Convention in 1961. As countries joined the Convention, societies were found in Scandinavia, Germany and other countries with the specific object of administering, for the benefit of record producers and performers, the remuneration arising from the broadcasting and public performance of phonograms.

The fourth development was the formation of collecting societies to deal with new uses of protected material. Thus in the 1970s, the new technological means of photocopying were developed. Some countries have passed laws granting authors and related rights owners a share in the money collected by way of levies on recording machines and equipment: these schemes cover not only photocopying but also, in a

[196] *See Id*, *supra* note 194.
[197] *Id*. at 83.

number of countries, sound and audiovisual recording. As far as photocopying (reprography) was concerned, international contact was achieved through the establishment of the International Federation of Reprographic Reproduction Organisations (IFRRO). Organisations such as the *Societe de la Propriete Artisteque et des Dessins et Modeles* (SPADEM), were found in a number of countries, representing and administerings the rights of graphic artists and photographers as regards, in particular, commercial reproduction of their works in books, magazines, postcards, etc. Collecting societies have been formed to administer the rental and lending rights of authors and owners of related rights. Societies administering particular areas of the reproduction rights in relation to particular uses have also been formed.

The present situation is, then, that collecting societies administering rights of authors and of owners of related rights have been established throughout the world. There are many types of collective administration in the world[198]. The development of new

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[198] Stephen M. Stewart, International Copyright and Neighbouring Rights, Second edition, Butterworths, London, 1989 at 968-985. In European countries, Austria has 6 societies, two societies for musical, and one of each of dramatic and literary, published works, plastic and photographic, and sound recording. Belgium has 3 societies, one of sound recording, one of musical literary, dramatic, plastic, photographic, and audio-visual, and one of photographic. Bulgaria has one society. Its function is on musical, literary, and dramatic. Czechoslovakia has 4 societies. Two of them are on musical area, and the others are literary and dramatic. Denmark has 4 societies, one of published works, one of sound recordings, and two of musical works. Finland has three societies, each of them is sound recording, published works, and musical works respectively. France has 8 societies, each of them is published works, artistic, dramatic, musical works respectively, and the others are one of musical, literary, dramatic, one of literary, documentary, one of sound recording, and one of artistic and photographic. Germany has 7 societies, two of them are musical, one of literary, dramatic, plastic, one of dramatic, one of sound recording, one of visual arts and published works, and one of dramatic, literary and scientific. Greece has 3 societies, one of musical, literary and dramatic, one of dramatic, and one of dramatic and literary. Hungary has 1 society. It focuses on musical and literary. Iceland has 3 societies. Each of them is sound recording, published works, and musical respectively. Ireland has 3 societies. Two of them are musical, and another is sound recording. Israel has 2 societies. One is musical, literary, and dramatic. Another is sound recording. Italy has 2 societies. One is sound recording. Another is musical, literary, dramatic, photographic and works of figurative art. Netherlands has 8 societies. Each of them is artistic, dramatic and literary, sound recordings, photographic, published works, and audio-visual respectively, and two of them are musical. Norway has 3 societies. Each of them is sound recording, published works, and musical respectively. Poland has 1 society. Its focuses on the area of musical, literary and dramatic. Portugal has one society. It focuses on all categories. Spain has 3 societies. One focus on sound recording, one of published works, and another is on musical, dramatic, literary, choreographic, and cinematographic. Sweden has 4 societies. Each of them focuses on published works, sound recordings, plastic,(When we see so-called 'plastic'. It means mostly focusing on graphic reproduction) and musical respectively. Switzerland has 4 societies. One is on sound recordings, one is on dramatic, literary, artistic, photographic, one is on dramatic, dramatico-musical, choreographic, audio-visual, and another is on musical. United Kingdom has 7 societies. ALCS is on dramatic, literary. CLA is on literary. DACS is on artistic, plastic and photographic. MCPS is on musical. PRS is on musical. PPL is on sound recordings. VPL in on music and videograms. Russia has one society. It is on musical, dramatic, literary photographic, and works of fine art. United States has 7 societies. AMRA is on musical. ASCAP is on musical. BMI is on Musical. Copyright Clearance Center Inc is on published works. FOX is on musical. SESAC in on musical. VEGA is on artistic and plastic. Canada has 6 societies. CAPAC focuses on musical. PROCAN focuses on musical. SARDeC focuses on literary, dramatic, audio-visual. SODRAC focuses on musical. Union de Ecrivains Quebecois focuses on musical. VIS-ART focuses on artistic and plastic. Argentina has 3 societies. AADI-CAPIF focuses on sound recordings. Sociedad General de Autores de la Argentina focuses on musical, literary and dramatic. SADAIC focuses on musical. Brazil has 7 societies. AMAR focuses on musical and sound recording. SADEMBRA focuses on musical. SBACEM focuses on

technological means of disseminating works will probably lead to the increased activities of these societies, and the formation of new entities to deal with new aspects of these developments.

Developing in Thailand

In Thailand, Thailand currently has two copyright collecting societies, The Music Copyright (Thailand) Ltd. under royal patronage, and Phonoright (Thailand) Co.Ltd. The Music Copyright is the agent responsible for collecting royalties for public performance of musical works, while Phonoright is the agent for collecting royalties from public performance of sound recordings. However, these two groups face considerable obstacles in securing royalties from users. Such difficulties may in part be attributable to a prevailing unawareness by users of the general principles of copyright law. The presence of two collecting societies exacerbates the confusion. Furthermore, as many users do not understand the distinction between musical works and sound recordings, they may always question the motives of two collecting societies collecting fees.[199]

Models of Collecting Societies.

A different model is arrived at of one emphasizes the importance of subjecting rights management organizations to a global supervisory system, whereby the organizations are subject to continuous surveillance by a designated Ministry. This provides a safeguard against any abusive activity by the collecting society, either in respect of the tariff rate or in respect of its duties to its members. Most of the EU Member States adopt this model, though there is no clear uniformity in legislative provisions or in dispute resolution mechanisms.[200]

(a) Patent Office Supervision with Arbitration Bodies.

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musical. SBAT focuses on musical, literary, and dramatic. SOCINPRO focuses on sound recording. SICAM focuses on musical. UBC focuses on musical. Chile has 2 societies. SATCH focuses on dramatic. SCD focuses on musical. Columbia has 2 societies. ACINPRO focuses on sound recording. SAYCO focuses on musical. Ecuador has 2 societies. APEIFE focuses on sound recording. SAYCE focuses on musical. Mexico has 5 societies. ANDI focuses on sound recording. SACM focuses on musical. SOGEM focuses on musical, literary and dramatic. Directores focuses on film, audio-visual. SOMEN focuses on sound recording. Paraguay has one society. It is on the musical, literary and dramatic. Peru has one society. It focuses on musical. Uruguay has one society. It is on musical. Literary, dramatic and sound recording. Venezuela has one society. It is on musical. India has 2 societies. IPRS focuses on musical. Phonographic Performance (Private) Ltd. focuses on sound recording. Hong Kong has 2 societies. CASH focuses on musical. Phonographic Performance (SE Asia) Ltd. focuses on sound recordings. Japan has 5 societies. Geidankyo focuses on sound recording. Japan Copyright Clearance Centre focuses on published works. Japan Phonograph Record Association focuses on sound recordings. JASRAC focuses on musical. WGJ focuses on audio-visual. South Korea has one society. It is on musical. Philippines and Singapore have each of one society. Each of them focuses on musical. Australia & New Zealand have 4 societies. Two of them focus on musical, and others focus on published works and sound recordings.

[199] Christopher E. Knight, Draft "Collection of Copyright Royalty and Performer's Right Royalty Act in Thailand", Entertainment Law Review, Volume 11 2000 , Sweet & Maxwell, 2000 at N-75.
[200] *See* Suthersanen , *supra* note 181, at 26-32.

The German regulatory system falls within this category. Rights management organizations are legally based on the German Copyright Administration Act[201] which sets out a comprehensive code detailing all the conditions, duties, and activities of societies. Primarily, an organization requires official permission before commencing its activities. This will be granted, after fulfillment of certain conditions as set out under the Act, by the German Patent and Trade Marks Office. Amongst the many duties to be fulfilled, the Act states that rights management organizations must: administer on equitable terms the rights and claims of EU right holders; distribute the collected revenues in a non-arbitrary manner; render accounts and audits on an annual basis; provide information to any person on whether they administer exploitation rights in a given work, or have given licenses on behalf of a member; grant authorization to any person on equitable terms; and establish a tariff plan for approval. In discharging their duties, the management organizations are also subject to a 'cultural primacy' rule in relation to the distribution of revenues. Thus, a collecting society's distribution plan must ensure that culturally important works and performances are to be promoted, and that the distribution plan should incorporate a welfare and assistance scheme. Moreover, all tariff plans should have due regard to the religious, cultural, and social interests of the persons liable to pay the remuneration, including the interests of youth welfare. However, the position if the collecting society is strengthened by way of presumptions the shifting of the burden of proof on other parties. For example, a presumption applies that the management organization is entitled to claim remuneration not only for its numbers but organization is entitled to claim remuneration not only for its members but for all holders of copyrights and neighbouring rights for which it has received proper authorization by the government: the burden of proof that the organization does not represent certain right holders is placed on the users. The Act goes further to establish duties for specific types of users of copyright material. Thus, in relation to public communications and broadcasting organizations, a statutory obligation is placed on such organizations to furnish information to the relevant collecting societies on the usage of copyright works.

Having placed the statutory mantle of an economic and cultural trustee on collective management organizations, regulatory control is almost inevitable and necessarily strict. Rights management organizations are placed under supervisory control of the German Patent and Trade Marks Office whose duties include: conferment of initial authorization; continuous supervision; revocation of the warrant to act; and participation. In relation to the latter, the Office is entitled to participation in members' or executive board meetings. A further layer of regulatory control is placed via the special dispute resolution mechanism set up under the Copyright Administration Law. Disputes concerning the use of copyright protected works, or the terms of an inclusive contract or cable retransmission contract, may be referred to the Arbitration Board which is composed of a Chairman/Deputy and two assessors, who must all possess judicial competency. The procedure and final decisions of the Board are integrated into the German civil procedural system. Furthermore, all disputes in respect of subject matter within the Board's remit cannot be asserted in any civil court proceeding unless and until they have been dealt with by the Arbitration Board.

(b) Ministerial/Civil Court Supervision with Limited Arbitration

[201] The German Law on the Administration of Copyright and Neighbourinng Rights of 9 September, 1965.

Belgium, France, Greece, and the Nordic countries have adopted this variant model.

In France, the Intellectual Property Code governs rights management organizations in so far as their principal purpose is to collect and distribute royalties due from the exploitation of their members' works. The French Code adopts a more general perspective and sets out limited rules applicable to all collecting societies, as opposed to any particular category of works or authors. Management organizations are specifically allowed to tier their royalty rates according to the purposes for which the works will be used, and in this manner the cultural role of the collecting society is recognized. For instance, the law allows it to provide for reduced royalties where there is some economic or cultural or beneficial progress to be gained, and the use of undistributed monies derived from bland tape levies and other sources for various types of cultural aid is sanctioned after a five-year period. Management organizations are under the aegis of the Ministry of Culture the duties of which include the supervision of collecting societies, and the overseeing of the administration of cable-retransmission rights and other remuneration schemes. However, the ministerial supervisory role is limited and is played in parallel with the continuing jurisdiction of the civil courts over all ministerial actions. The French law provides for the establishment of a specialist administrative dispute-resolution body in several instances only: the cable retransmission right, the reprographic copying right, and various other rights to remuneration such as the blank tape levy and the right of remuneration for performers and phonogram producers.

The Nordic countries implement a unique form of collective management known as the 'extended collective licensing scheme', which refers to the system whereby agreements between the collecting society and the user have binding effect on both society members and non-represented right-holders. Thus, the extended collective agreement license will give the user the right to use certain works despite the fact that authors of those works are not represented by the organization: non-represented right holders will be treated on an equal basis with represented right holders. However, the level of supervisory control differs within the Nordic region. In Sweden, extended collective licensing is recognized by statute, though actual governmental regulation is restricted to three areas of use: reproduction of works within educational institutions; the broadcasting of matter by governmentally appointed radio or television organizations; broadcasting and cable retransmission rights. The law, in Sweden, does not provide for a tribunal or arbitration committee, there is provision for dispute resolution in respect of disagreements arising from extended collective license clauses in the aforementioned three specific areas. While the Danish copyright law has similar provisions to those the Swedish law. But the Danish law is far more regulatory in nature in relation to the activities of rights management organizations. The higher level of regulatory control under Danish copyright law appears to be a direct consequence of the fact that in five specific instances, the law provides exemptions for the use of works on the basis of statutory licensing. These statutory licenses are paid for by a right of remuneration. Furthermore, while the law does not specifically require that all collecting societies operate on the basis of ministerial approval or supervision, there are exceptions to this rule in respect of these five specific activities. The copyright statute further specifies that in the event of any disputes in relation to an extended collective license, a mediation

process must be initiated which will be under the aegis of the Minister for Culture.[202] A slightly different model is adopted under the Norwegian Copyright Law, the Norwegian law further institutes a special Arbitration Commission whose functions are limited to settling the remuneration payable in respect of certain uses which are subject to compulsory licenses.

(c) Ministerial/Civil Court Supervision

Some Member States have opted to allow the general civil courts to have jurisdiction over all disputes between parties. Thus, the final model depicts a system with governmental supervision where challenges to the tariff rates or license conditions offered by rights management organizations must be made in the ordinary civil courts. Italy, the Netherlands, Portugal, and Spain fall into this category.[203] The Italian system has been completely subsumed into the governmental structure, and the main collecting society in charge of copyright administration acts not only on behalf of its author-members, but also on behalf of other governmental bodies in related areas and in discharge of other non- management statutory duties, such as the specific tasks of collection the blank tape levy, administering the public cinematographic register where all Italian feature films and short films are registered, administering the public software register which functions to publicize the existence of software and its authorship details, and depositing works at the Copyright Office in Washington.

Under the Italian Copyright law, the collecting society is expressly granted lawful monopoly by fact of its status as the recognized statutory public body charged with the duty and right collectively to exercise an author's rights including his reproduction, performing, broadcasting, and communication rights. Although the collecting society is the state-authorized collecting society, it does not have power to represent all authors but only those who have mandate the organization, with the sole exception of the cable retransmission right; thus, the option for individual rights management is generally not prejudiced. The collecting society in Italy has the power to institute legal proceedings against copyright violations both in criminal and in civil courts on behalf of right owners without being granted a specific power of attorney. A further statutory and, indeed, constitutional function is the promotion of culture and the diffusion of copyright and other intellectual works. In general, Italian law does not provide for any specialized copyright tribunal or for any dispute-resolution mechanisms. Instead, disputes between members or users against the collecting society must be submitted to the ordinary civil courts. Nevertheless, the Italian Copyright Office does have jurisdiction over the determination of royalty rates where parties cannot reach an amicable settlement in certain instances. The collecting society in Italy itself is placed under the supervision of the President of the council of Ministers, and its activities are subject of scrutiny by the Italian Antitrust Authority.[204]

The system of collecting society of the states in European Union mentioned above can be concluded that some Member States adopted a tribunal or board to resolve all disputes relating to royalty rates for all types of collecting societies' activities; others

[202] The Danish law on Copyright 1995.
[203] *See* Suthersanen, *supra* note 181, at 31.
[204] *Id*. at 32.

have adopted provisions which allow for mediation or civil court resolution for certain types of activities, though notably in relation to rights subject to compulsory licensing. The remaining groups have no alternative mechanisms for settling disputes except the civil courts.

Constitution of Societies

The development of collecting societies at the national level has followed various patterns. In some countries, one organizations has been formed to represent all or most of the rights of its constituent members. In other countries, one society may administer the public performance and broadcasting rights of its members, and another society may represent the "mechanical reproduction"(sound recording) rights.

The usual pattern is for the society to be registered as a legal entity (company, etc.) under the respective national laws, Normally there is an executive board, consisting, in the case of authors, of representatives of the authors and of their assignees (publishers, etc.).

Rights Administered

As mentioned above, the rights administered by collecting societies cover a wide range, including (for authors) public performance (in public places and places occupied by the public, such as cafes, theatres, restaurants, public transport vehicles, hotel premises, etc.) wireless broadcasting (including satellite transmissions), originated cable programmes and cable retransmission, reproduction for educational and scientific purposes, and for private use, making of sound recording, inclusion of protected material in soundtracks of films, and lending and rental. Various aspects of the reproduction right (such as those of artists and photographers) may, as mentioned above, be separately administered, and organizations also exist to administer the artist's resale right (*droit de suite*) in countries where this right is recognized. For owners of related rights there are, for instance, organization administering the broadcasting and public performance rights of phonogram producers: sometimes these rights are administered jointly with the right of performers, in other cases the performers' rights as regards secondary use of phonograms are represented by a separated organization.

However, in general concept, the copyright owners can always withdraw their rights back from the collecting society. In the *GEMA* decision,[205] the European Commission ruled that members should be free to assign only particular categories to rights and to withdraw their administration if the so wish. Under the GEMA decisions, rightholders are free to assign their repertoire to the society offering the best conditions. In *SABAM*,[206] the European Court of Justice stated that a copyright society purely manages private, individual property interests. Collective administration has to leave maximum freedom to rightholders to manage their rights. To retain rights for five years after a member withdrew was ruled to be "unfair".

[205] [1971] O.J.L134, June 20, 1971; [1972] O.J.L166/22, July 24, 1972.
[206] *Belgische Radio en Television v. SABAM*, [1974] E.C.R. 313. Case No.127/73.

Mechanics of Administration

When an author joins a collecting society, he will normally give the society either an assignment of the rights to be administered or a mandate or license to administer these rights. The society, so armed and also representing repertoires of societies in other countries, is then in a position to issue licenses to those who intend to use the protected material. Such licenses may be in "blanket" form, covering the whole of the society's repertoire, or there may be ad hoc licenses for particular uses. Tariffs are established for the various licenses and in general there is a complex system of arrangements to allow flexibility for the various needs of the users. Such users may range from organizations of national importance, such as the national broadcasting organization, to modest establishments which require a license for the entertainment of their clientele, in cafes, restaurants, etc.

An important feature of administration of rights is the presence in many countries, as abovementioned, of tribunals set up by law to determine the tariffs which are to apply in particular cases.

There are complex scheme which apply in the distribution of the monies collected, and these will often involve arrangements between societies of different countries in order to cover the reciprocal use of repertoires. Societies may also have to deal with the problem of undistributed revenue, that is revenue which has been collected which cannot be attributed to a particular right owner.

Sometimes the royalties are distributed in accordance with the returns of user, made by the licensee: in order cases sampling techniques are used. Sometimes, some of per cent of collected license fees will be paid for the social cultural fund.[207]

With the development of new technological means of presenting works to the public, and disseminating copies, the techniques for collection and distribution of royalties have become more and more sophisticated and are likely to involve digital identification and use tracking methods as new techniques emerge.

Within the European Union, most collective organizations are allowed to retain a monopoly status or have conferred them a monopoly position in relation to their specific fields of activity. The reason is economically persuasive. For users, it is simply more expedient to be directed to one collective body which manages one specific type of right or rights in relation to one specific type of work. If more than one society exists in relation to this specific right or type of work, a user will be in the position of having to incur extra transaction costs, in terms of time and expenditure, by obtaining licenses from two or more societies, since it would be practically impossible in many cases to limit one's use to the repertoire held by one society. Where copyright holders are concerned, the aggregation of rights within a particular collecting society brings a measure of power over their markets which is capable of being exercised in beneficial ways.

The rationale results in a strong society that is able to wield stronger bargaining power as against equally strong user organizations. The collective power of these

[207] Martin Kretschmer, Copyright societies do not administer individual property rights: the incoherence of institutional traditions in Germany and the UK, Copyright in the Cultural Industries, Edited by Ruth Towse, Edward Elgar Publishing, United Kingdom 2002 at 145.

organizations within the European Union and global market should not be underestimated. First, the monopolistic position of a collective organization in a specific area of copyright is strengthened by reciprocal organization in a specific area of copyright is strengthened by reciprocal relationships with other collecting societies in other Member States. Ostensibly, this allows such organizations to monitor and license each other's repertoires; practically, this also results in a co-ordinated effort to influence market and governmental policies. Secondly, a further result of this reciprocity is large memberships and international ties which allow societies to collect substantial license fees. Thus, in the area of music copyright, the approximate licensing revenues in 1997 were as follows for the following organizations: GEMA(Germany)-US$824.8 million; MCPS-PRS Alliance(United Kingdom)-US$661 million and SACEM(France)-US$564.6 million.[208]

Compulsory Representation, Compulsory Assignments and Compulsory Licenses

The main feature of copyright is the right to forbid the use of a work. The copyright owner has the exclusive right not to authorize the use of his works, but only if the manages his rights individually, either by himself or by a commercial agent. Only then he can decide freely whether and on which financial or other conditions he will authorize the use of his work. If he requires outrageous royalties or refuses his authorization altogether he does not have to give any reason.[209] However, the above concept is limited by the idea of the compulsory license. Sometimes, the compulsory license is so-called 'Non-voluntary licensing'.[210]

The compulsory license lies in the middle ground between the copyright owner's absolute control over the exploitation of his work on the one hand and a statutory or judicial exemption granting anyone the freedom to use a work on the other. The compulsory license mechanism takes to use a work on the other. The compulsory license mechanism takes away from authors their right of authorization, but leaves them with a right of remuneration.[211] Obviously, there are varying conceptual definitions for compulsory licenses. The "free use" proposal for copyrighted works was categorically refused due to the absence of compensation for copyright owners. In contrast, compulsory license systems contain significant differences. The obvious difference between compulsory license systems and the "free use" concept is the latter's lack of compensation for copyright owners. In addition, "free use" is not applied through governmental authority. However, neither system requires the user to request authorization from the copyright owner. Due to the inherent nature of compulsory license systems, it is obvious that

[208] *See* Suthersanen, *supra* note 181, at 18-19.
[209] *See* Jehoram, *supra* note 186, at 3.
[210] Tarja Koskinen-Olsson, Collective Management for Reprographic Copying:Experience in the Scandinavian Countries, a sheet distributed in the Seminar on "Fair Use and Collective Management for Reprographic Copying", organized by the Department of Intellectual Property. 31 July 2002 at the Arnoma Hotel Bangkok, Thailand.

[211] Makeen Fousd Makeen, Copyright in a Clobal Information Society, Kluw Law International, 2000 at 116.

copyright owners do not have the choice to either accept or refuse a license. Instead, it is their obligation to grant the license. Furthermore, a compulsory license still necessitates that the publisher, and through him, the author, be informed of the application, a feature absent in the informing the author that his copyrighted work is going to be copied and requesting permission for the authorization to translate and copy.[212] In the other word, Compulsory licensing forces an intellectual property owner to allow others to use that property at a fee set by the government. The owner is not allowed to refuse to license or to negotiate voluntary license fees is a free market, but is compelled to license at a rate thought to be 'reasonable' be the government.[213]

Compulsory License in the United Kingdom

In the United Kingdom, compulsory licenses may be granted by order of the Secretary of the State in respect of the rental to the public copies of sound recordings, film or computer programs. Moreover, in the private sector, the Copyright Tribunal has the power to settle the royalty payable if the parties cannot agree on a royalty.[214]

Moreover, the collecting societies typically will represent any rightholder above a minimum threshold. For a composer to become a member of the PRS, for example, she or he must have three works either commercially recorded, broadcast within the past two years, or performed in public on at least twelve occasions within the past two years (and be commercially published). In Germany, the law regulating collective administration even prescribes a so-called 'compulsory representation'. In providing a service to all rightholders, the larger players in effect subsidize the system, since it is more costly to set up accounts, collect and distribute small amount of royalties.[215]

In the Copyright, Designs and Patents Act 1988 the Copyright Tribunal has jurisdiction on an application by a person who wishes to make a copy of a recording of a performance to give consent in place of a performer in either two cases[216]:

(a) where the identity or whereabouts of the performer could not be ascertained by reasonable inquiry; or

(b) where the performer has unreasonably withheld his consent.

Compulsory License in the United States

In the United States, the most important limitation on the reproduction right for musical works is the compulsory mechanical license. A mechanical license gives the licensee (a record company or artist) permission to reproduce and distribute a copyrighted musical work in recordings. In most situations, licenses are negotiated and of a copyright owner does not want to issue a license, it is free to decline to do so. However, the compulsory

[212] *See* Basalamah, *supra* note 12, at 519.
[213] J.T. McCarthy, McCarthy's Desk Encyclopedia of Intellectual Property, 1991 at 52.
[214] *See* Bainbridge, *supra* note 27, at 84.

[215] *See* Kretschmer, *supra* note 207, at 153-154.
[216] *See* Arnold, s*upra* note 124, at 73.

mechanical license provision says that under certain circumstances, a mechanical license can be obtained regardless of whether the copyright owner gives permission or not. The compulsory license was introduced in the 1909 Copyright Act in order to prevent a monopoly from arising in the manufacture of piano rolls. Although piano rolls are no longer used for the mechanical reproduction of music, the compulsory license still serves its purpose by insuring that no company (not even the major recording and publishing companies) can have a monopoly on the recording of musical compositions. The compulsory license provision was contained in Section 115 of the 1976 Copyright Act and provides that once a musical composition has been distributed in phonorecords in the United States with the copyright owner's permission, anyone may reproduce the composition. This means that the copyright owner has absolute control over the first recording of its song. However, once that first recording has been distributed, the copyright owner cannot prevent anyone else from recording their own version of the song. Distribution of audio recordings of any type (cassette, compact disc, etc.), but does not include audiovisual works since audiovisual works are embodied in copies rather than phonorecords. In the United States, there are four key words that are well-known in the area of licensing. That is, Mechanical license: allows the licensee (record company or recording artist) to reproduce and distribute a copyrighted musical work in recordings such as compact discs and cassettes in return for a royalty (a percentage of the sale price) on recordings sold. Performance license: allows the licensee (radio or television station, concert venue, business establishment, etc.) to publicly perform a copyrighted musical work in return for a royalty. Synchronization license: allows the licensee (movie or television producer, etc.) to reproduce and distribute a copyrighted musical work in audiovisual recordings such as movies, television and videocassettes in return for a flat fee and/or a royalty. Print license: allows the licensee to reproduce and distribute a copyrighted musical work in printed form such as sheet music in return for a royalty.[217]

In the United States, there are five compulsory licenses. They are:[218]

1 The cable license, which establishes a compulsory license for secondary transmissions by cable television systems;

2 The mechanical license, which established a compulsory license for production and distribution of phonorecords of non-dramatic musical works;

3 The public broadcasting license, which establishes a compulsory license for the sue of certain copyrighted works by non-commercial broadcasting entities;

4 The satellite Retransmission license, which establishes a compulsory license for satellite retransmissions to the public for private viewing.

5 The digital audio tape device license, which establishes immunity from liability for copyright infringement for manufacturers and importers of digital recording devices, but imposes a levy on these devices, the proceeds from which are to be distributed to copyright owners.

Enforcement

[217] David J. Moser, Music Copyright for the New Millennium, ProMusic Press, 2002 at 54-55.
[218] *See* Leaffer, *supra* note 108, at 223.

An important role of the collecting society is the enforcement of the rights which it administers. Here the society has facilities, in terms of finance, expertise and personnel, which are far beyond those which a single rightowner may have. Where proceedings are taken against a user who has failed or refused to take out a license, an injunction may be obtained which obliges the user to respect in future all the rights represented in the particular repertoire, so that a benefit results to all members of the society, not only those whose rights the defaulting user has infringed in the past. In EEC and USA, the collecting societies have strongly worked on behalf of the copyright owners. Their works can be seen in all areas both dealing with cases in court and functioning on international forums. And sometimes, they act as a political lobbyist to make a law for themselves.[219]

Monopolies of Collecting Societies and Antitrust Law or Competition Law Concerns

Sometimes, the collecting societies may abuse their powers. In the meaning of the competition, the concept of abuse of power would be an objective concept relating to the behavior of an undertaking in a dominant position which is such to influence the structure of market where the degree of competition is weakened and through recourse to methods which has the effect of hindering the maintenance of the degree of competition still existing in the market or the growth of that competition.[220]

A very sensitive subject has always been the relationship between collecting societies and competition law. Collecting societies have certain needs which are difficult to satisfy according to established competition law rules[221] The concept of the competition law encourages price competition.[222] The competition laws want to foster the competition of price of goods according to the theory of price[223] and to protect the system of free market, and society.[224] Moreover, the law wants to maximize consumer welfare through maximizing allocative efficiency.[225] The competition policy is a cornerstone of economic policy in a free market. On the other hand, the competition policy may be identified to the scope of establishing a competitive order as and end in itself to safeguard economic freedom, Maintaining technological and economic progress, providing for a level playing field of fair competition, which implies prohibition of deceptive and fraudulent practices, threat, extortion and blackmail as well as unfair advantages through government subsidies, maintaining a decentralized structure of supply because small and medium-sized enterprises are considered as the backbone of a democratic society.[226] However, in the meaning of the exclusive right, the monopolies of collecting societies may not be

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[219] *See Id*, *supra* note 6.
[220] Inge Govaere, The Use and Abuse of Intellectual Property Rights in E.C. Law, Sweet & Maxwell, 1996 at 249.
[221] *See* Jehoram, *supra* note 186, at 6 (Westlaw)
[222] Kevin Kennedy, Competition Law and the World Trade Organisation: The Limited of Multilateralism, Sweet & Maxwell, 2001 at 11.
[223] Jack High, Competition, Edward Elgar Publishing , 2001 at 87.
[224] *Id*. at 374-385.
[225] Tim Frazer, Monopoly Competition & Law: the Regulation of Business Activity in Britain, Europe and America, Wheatsheaf Books, 1988 at 1.
[226] Manfred Neumann, Competition Policy History, Theory and Practice, Edward Elgar Publishing, 2001 at 1.

exhausted because a first need of the societies is to have a monopoly in this field. This is in the interest of the rightowners and also of the users who want a one-stop-shop. In Europe the European Court of Justice, the highest guardian of European competitive law, has recognized the need for strong societies. While, the American courts, however, believe in different balance, and will not for instance allow monopolies of collecting societies, which are also restrained in many other ways. [227] So, sometimes, the collecting societies must be supervised by governmental organizations or by laws for the purpose of fair practice both their members and users.[228]

The Copyright Tribunal

Sometimes, collecting societies may abuse their powers. That may cause the members to be damaged. And sometimes, it may make discriminations to customers or licensees. So societies, in most countries, have to be controlled by a tribunal. However, the systems of Copyright Tribunal in each country are slightly different. Those different aspects can be shown below as follows;

The United Kingdom

In the United Kingdom,[229] the Copyright Tribunal was established under the Copyright Act 1956, the former name was Performing Right Tribunal, later it has renamed the Copyright Tribunal. The purpose of establishing the Performing Right Tribunal is to prevent or deal with any abuse of the monopoly rights conferred upon owners of copyright.[230] Even though the United Kingdom is one of members of the Berne Convention,[231] there are many provisions for the Performing Right Tribunal. The Copyright Tribunal is made up of a chairman and two deputy chairmen appointed by the Lord Chancellor after consulting the Lord Advocate, and between two and eight ordinary members appointed by the Secretary of State. Persons appointed as chairman or deputy chairmen must be barristers, advocates or solicitors of at least seven years' standing, or who have held judicial office. The copyright, Designs and Patents Act 1988 section 146 contain provisions for the resignation or removal of members of the Tribunal and provision is made for the payment of members in section147, as well as for the appointment of staff for the Tribunal.

The constitution of the Tribunal for the purpose of proceedings is to comprise a chairman, either the chairman or a deputy chairman, and two or more ordinary member. Voting on decisions is by majority, with the chairman having a further casting vote if the

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[227] *See Id*, *supra* note 186.
[228] *See* Lingen, *supra* note 178, at 211-216.
[229] *See* Bainbridge, *supra* note 194, at 85.
[230] Michael Freegard, Jack Black, The decisions of the UK Performing Right and Copyright Tribunal, Butterworths, 1997 at 9.
[231] *Id*. at 2. The United Kingdom is a member of the Berne Convention but the United Kingdom made the following declaration in relation to Article 11 of the Convention:

'The United Kingdom delegation accepts the provisions of Article 11 of the Convention on the understanding that His Majesty's Government remains free to enact such legislation as they may consider necessary in the public interest to prevent or deal with any abuse of the monopoly rights conferred upon owners of copyright by the law of the United kingdom.'

votes are otherwise equal. The jurisdiction of the Tribunal is set out in section 149 as being to hear and determine proceedings under:

1 the reference of a proposed or existing scheme, for example by an organization representing persons claiming they require licences which are covered by the scheme;

2 an application with respect to entitlement to a licence under a licensing scheme, for example where a person has been refused a licence by the operator of a licensing scheme;

3 the reference or application with respect to licensing by a licensing body, for example as regards the terms of a proposed licence or the expiry of an existing licence in the case of certain types of works and acts;

4 appeals against the coverage of a licensing scheme or licence as regards the power of the Secretary of State to extend the coverage of schemes and licences relating to the reprographic copying by educational establishments;

5 applications to settle royalty payments in respect of compulsory licenses granted by the Secretary of State in respect of sound recordings, films and computer programs under section 66;

6 applications to settle the terms of licences available as of right as a consequende of a report of the Monopolies and Mergers Commission;

7 applications under section 135D in respect of the statutory licence to broadcast sound recordings;

8 applications to give consent under Part II of the Act which concerns rights in performances;

9 determination of the royalty or other payment to be made to the trustees for the Hospital for Sick Children, Great Ormond Street, London.

The copyright, Designs and Patents Act 1988 has further provisions as regards the making of procedural rules for the Tribunal and fees to be charged, and under section 151, the Tribunal can make orders as to costs. Finally, under section 152, appeals may be made to the High Court, or to the Court of Session in Scotland, on any point of law arising from a decision of the Tribunal. It should be noted that the Tribunal is not a proactive body and can only respond to applications and references made to it.

Austria

Austria, under the Austrian Copyright Law there is established a special Arbitration Board whose powers include the resolution of disputes between copyright collecting societies and users' organizations. Its members include one nominated by the collecting society and one by the users' organizations. This machinery is considered to be a fair method of resolving disputes about tariffs but in practice it has been very rarely used.[232]

Germany

Germany, in Germany the tariffs of copyright societies are subject to the jurisdiction of the ordinary civil court; a court action must be preceded by proceedings before the Arbitration Board of the German Patent Office which is the supervisory authority under the provisions of the Law on the Administration of Copyright and Neighbouring Rights

[232] *Id*. at 46.

of 1965. The Board comprises a Chairman and two Associates who must all be qualified to hold the office of judge. After attempts to reach an amicable settlement of a dispute have failed , the Arbitration Board's duties are limited to submitting a non-binding conciliatory proposal that can, but does not have to be, accepted by the parties. If, in the course of an already pending legal dispute, it should appear that a royalty rate is in dispute, the proceedings will be suspended until a decision has been reached by the Board. In addition to having jurisdiction over disputes about the tariffs of copyright societies, the Board can also be referred to in other types of dispute, for example, disputes over the grounds of a claim, the infringement of copyright, the obligation to pay royalties of the authority of a society to act on behalf of specific rightholders. The Law requires that the proposals of the Arbitration Board must be fair and reasonable and that it must apply objective criteria to determine whether a royalty is reasonable. These arrangements are generally considered to be satisfactory as they have given to copyright societies and users alike and instrument capable of striking a fair balance between the interests of creators and the users of their works.[233]

Switzerland

Switzerland, in the Swiss Federation, societies administering rights collectively require a licence to operate from the Federal Intellectual Property Office, which has general supervisory powers over them. Their tariffs have first to be negotiated with the appropriate users' association and then submitted to the approval of a Federal Arbitration Board. The members of this Commission are appointed by the Federal Council, and at each hearing there are five members, comprising the President, two independent assessors and two additional members, one nominated by the users' organizations and the other by the collecting societies. The Board is required to approve a tariff if it considers that its structure and provisions are 'appropriate'; if not, after hearing evidence from both sides, it has power to modify its terms. Unusually(and helpfully) the legislation lays down several detailed criteria for calculating the remuneration payable under a tariff. These are:

1 the users' receipts attributable to the utilization concerned or, if such receipts are not identifiable, the costs of such utilization.

2 the number and kind of protected works or other subject matter used; and

3 the proportion of the works etc used which are protected compared with those in the public domain.

The law also specifies that, for authors' rights, the maximum remuneration payable is 10 % of the user's receipts or cost and, for neighbouring rights 3%. The Board's decisions can be the subject of appeal to the Federal High Court.[234]

Australia

Australia, in Australia, the Copyright Tribunal, established under the Copyright Act 1968, is similar in the scope of its jurisdiction to the 1988 UK Tribunal, including determination of remuneration to be paid in respect of certain uses which are subject to

[233] *Id.*
[234] *Id*. at 47.

compulsory licenses. The Australian provisions, which are generally considered to have worked well in practice, differ from those in the United Kingdom in another interesting respect, namely, that in Australia a licensing body may itself, as a kind of pre-emptive measure, refer its own license scheme for adjudication by the Tribunal in the hope that it will be confirmed as reasonable.[235]

New Zealand

New Zealand, Under its 1962 Copyright Act, New Zealand established a Tribunal which, both in its constitution and extent of jurisdiction, closely resembled the old UK performing Right Tribunal, the main differences being:

1 that, unlike that Tribunal, its jurisdiction included licences to make sound recordings or cinematograph films for the purpose of broadcasting them and (in the case of cinematograph films) to broadcast them; and

2 that its jurisdiction extended to the terms and conditions of licences offered or granted by individual copyright owners (as does also the jurisdiction of the Australian and South African Tribunals).

The New Zealand Copyright Act 1994 maintained this Tribunal and widened its jurisdiction to correspond broadly to that of the 1988 UK Tribunal.[236]

South Africa, the constitution and jurisdiction of the South African Tribunal, established by the Copyright Act 1978, is largely based on the 1956 UK model, the main differences being:

1 that, as in the Republic of Ireland, its powers are vested in a single person (in this case the Commisioner of Patents);

2 that unlike the 1956 UK Tribunal, its jurisdiction is not limited to performing and broadcasting rights but extends to licenses and license schemes in respect of all the right granted under the Act; and

3 that (as in Australia and New Zealand) it has jurisdiction over licenses offered or granted by individual copyright owners.[237]

Canada

Canada, under the Canadian Copyright Act 1985, any organization issuing licences for performances of copyright musical work is required to file annually with the Copyright Office statements of the tariffs it proposes to apply during the next ensuing calendar year. These are then published in the Canada Gazette with notification that any person having any objection must file his objection within a stated period. Objections received and then referred to a Copyright Board established under the Act, consisting of a 'person who holds or who has held high judicial office' (the Chairman) and not more than four other members appointed by the Government. Proceedings of the Board are governed by rules made by itself and on the conclusion of its consideration it may make such alteration in the proposed tariffs as it thinks fit. The fees and charges determined by it are then

[235] *Id* at 48.
[236] *Id.*
[237] *Id.*

published in the Canada Gazette and any user who tenders payment in accordance with the Board's decision is immune from any infringement proceedings even if the licensing body concerned has not actually granted its licence. Its decisions are subject to appeal only on restricted legal grounds.

Although this system has been criticized as unjustifiably prejudicial to the authors' exclusive right, it is, on the whole, considered to have worked efficiently and in particular it has effectively removed the risk of anti-trust accusations against Canada's performing right society (SOCAN), in marked contrast to the position across its southern border. Canada's 1985 Act also provides a mechanism for the determination by the Copyright Board of royalties and related terms and conditions in other areas of copyright (for example, reproduction rights) in the event that a party or parties wish to invoke the jurisdiction of the Board for that purpose.[238]

The United States of America

The United States may be different from others. Under the US Copyright Act 1976, there was created a Copyright Royalty Tribunal comprising five governmentally appointed Commissioners who appointed their Chairman annually from among their numbers. The Tribunal's jurisdiction was, however, limited:

1 to determining royalty rates payable under certain compulsory licenses, and

2 to determining the distribution of royalty fees deposited with the Register of Copyrights in respect of certain of those compulsory licenses.

The constitution and operation of this Tribunal was the subject of considerable political controversy, and it has recently been abolished, its functions being transferred to arbitration panels appointed by Libraian of Congress on the recommendation of the Register of Copyright.

The licensing organizations which administer musical performing rights in the United States were not subject to the jurisdiction of this Tribunal. They operate under consent decrees resulting from anti-trust proceedings brought against them by the US Department of Justice. In the case of the only one of the three organizations administering musical performing rights which is owned and controlled by those whose rights it administers (ASCAP), the consent decree provides that applicants for licenses on terms which cannot be agreed between the parties may apply to the Federal District Court for the Southern District of New York for the determination of a reasonable fee. In such proceedings the burden of proof in on ASCAP to establish the reasonableness of the fee requested by it. Pending completion of negotiations or proceedings, the applicant for a license has the right to use works in the ASCAP repertoire but the court may fix an interim fee pending final determinations. The court's decisions are subject to the normal appeal processes.[239]

The now defunct Copyright Royalty Tribunal was a major and controversial creation of the 1976 Act. It was an independent agency functioning within the legislative branch of the government, and was set up to administer copyright's five compulsory licenses. Members of the agency were nominated by the President for staggered seven-year terms. The Copyright Royalty Tribunal served two functions. The first was to set the

[238] *Id*. at 49.
[239] *Id*. at 49-50.

statutory royalty rates for the compulsory licenses. The Second was to settle disputes concerning the distribution of monies collected for cable television and jukebox performances. Although the statute provided relatively clear direction for the Tribunal's rate-making activities, it gave little indication how the Tribunal should distribute royalties. As a result of this vagueness, the Tribunal's activities had become embroiled in a constant stream of litigation and criticism, and then, the Copyright Royalty Tribunal was abolished. In 1993, the Congress replaced it with Copyright Arbitration Royalty Panels to be convened, as the need arises, by the Librarian of Congress with the recommendation of the Register of Copyrights.[240] On December 7, 1994, the Copyright Office issued final regulations concerning the copyright arbitration panels. At the same time, however, the Copyright Office announced that it will continue as a practice the Copyright Royalty Tribunal's practice.[241]

Representation

An important function of collecting societies is the general representation of its members in making submissions to governments, and generally in bringing before the public the arguments in support of the recognition of the rights of its members. Societies often dispose of legal and other expertise of high caliber which enables them to institute campaigns on particular issues, and also to keep up a steady representation of members' rights in ongoing public relations exercises.

Like in the United States, there are many collecting societies. They have a variety of functions, most of them are alliance calling ADAPSO; these consist of the Computer Software and Services Industry Association, the American Film Marketing Associations (AFMA), the Association of American Publishers (AAP), the Computer and Business Equipment Manufacturers Association (CBEMA), the International Anticounterfeiting Coalition (IACC), the Motion Picture Association of America (MPAA), the National Music Publishers' Association (NMPA) and the Recording Industry Association of America (RIAA). They have always functioned to lobby the parliament members to pass the Act for the protection to the right's owners.

Necessities

Undoubtedly, collecting societies have enabled rightowners to benefit from the exercise of rights and the regulation of use of their material in circumstances in which individuals could never hope to locate and license all or even the majority of the uses being made. Furthermore, it can be said that, where properly regulated, the collecting society performs a function, which is in the public interest, since it facilitates the application of the provisions of the law so that situations where a right is established but not exercised are avoided.

Inevitably, collecting societies, in growing more efficient and in acquiring more extensive repertoires, including those of other countries, have assumed positions of sole responsibility for the exercise of rights in particular areas, and this has led to conflict with

[240] *See* Leaffer, *supra* note 108, at 223-225.
[241] *See* Patry, *supra* not 140, at 260.

the laws on competition, in particular as regards the exercise of rights where, in effect, a monopoly situation exists.

It is likely that the effective control of the use of protected material in electronic transmissions, interactive services, etc., will mean that rightowners will be obliged to register their rights with the respective collecting societies, if such uses are to be controlled. While this may be regarded as a negative aspect, if one recalls that formalities are not permitted under the Berne Convention as a criterion for the subsistence of rights, it should, it is thought, be recalled that such has long been the situation with the exercise of broadcasting and public performance rights, where collecting societies have administered repertoires in circumstances where the individual rightowner could not have acted.

it would seem that any negative aspect of collective society licensing can be met by national rules on tribunal adjudication of tariffs: and there is too the ultimate sanction, as it were, of application of the competition rules.

The importance of collecting societies is likely to grow in the new technological environment, particularly in view of the need for international licensing procedures to deal with the use of protected material in satellite transmission, multimedia productions and on the Internet and services. In addition, the role of collecting societies in licensing the production and dissemination of protected material in multimedia productions will doubtless increase.

Collective management is perceived as being in the interest of both authors and those users who fond themselves faced with increasingly lengthy and costly searches for rights clearance, which often proves incomplete. Inevitably, it follows that rights management organizations have become an essential practical and economic ingredient within the copyright regime.[242]

In 1996, in the United States, the five major media companies, accounting(as rightholders and users) for 80 per cent of royalties collected and distributed by European collecting societies, have discovered a commercial logic for withdrawing from the current regime of collective administration altogether. Polygram (now part of Universal) reported that it had identified potential saving of $ 2.5 million per annum if royalties payable from Polygram Records to Polygram Publishing were processed directly. In South East Asia, multinational music publishers have signed a Memorandum of Understanding which allows the major players to collect mechanical royalties themselves without having to support a system of copyright societies along European lines.[243]

However, the system of the collecting society in each country may be different. It is up to three concepts as followed: legal conceptions, economic conceptions, and philosophical conceptions.[244] In some points, especially on music, in an economic analysis of music

[242] *See* Suthersanen, *supra* note 181, at 18.

[243] *See* Bainbridge, *supra* note 194, at 151.

[244] *Id*. at 147-150.

copyright would consider market performance, as reflected in allocative efficiency, transactions costs and technological progress. This would implicate four principles. First, the relative price ratio between two substitutable distribution technologies should not be distorted by the presence of asymmetric copyright surcharges. Distortion is most likely to occur when one of the two technologies is made subject to a particular copyright surcharge, while the other is not. Second, transactions and monitoring costs should be reasonably economized by 'one-stop shopping' and reduced administration. Third, higher copyright fees benefit labels and publishers but are among the costs that concern providers of new technology. Fourth, a copyright system that does not directly protect creators may pose dangers with regard to their abuse. Furthermore, there are four points in licensing system. First, all licensing rights concerning digital audio transmissions of sound recordings and music compositions should be integrated under the respective administration of record labels and music publishers, who may license music to users through exclusive or compulsory licences (as legally specified). Second, payments due to each can be monitored through one independent organization charged with the responsibility of tracking music usage and assessing due amounts. Third, songwriters and publishers should be guaranteed and equitable share of digital royalties. Fourth, societies that have been established to collect performance royalties in musical compositions can be limited or proscribed from licensing digital transmissions.[245]

In France, the amount of royalty payable on tapes is to be proportional to their duration. The scale of remuneration over a period of between one to five years is to be fixed by agreement between representative bodies of right owners and manufactures and importers. Failing agreement, the scale will be fixed by a committee including representatives of the interested parties and presided over by a magistrate, who has a casting vote. Right owners will be obliged to donate 20 percent of their royalties to support cultural purposes. In respect of the royalty on audio tapes, right owners have agreed since 1976 that 50 percent will be paid to authors, composers and music publishers, 25 percent to producers and 25 percent to performers[246].

In Germany, if it is to be expected that it will be reproduced for personal use by the fixation of broadcasts on visual or sound record, or by transferring from one visual or sound record to another, the author of the work shall have the right to demand from the manufacturer of equipment suitable for making such reproductions a remuneration for the opportunity provided to make such reproductions. A person who for commercial purposes introduces or reintroduces such equipment shall be jointly responsible with the manufacturer. This right shall not exist if, from all of the circumstances, it appears probable that the equipment will not be used for the commercial purposes. This right may only be enforced through collecting societies. By way of remuneration, each copyright

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[245] Michael A. Einhorn, Music licensing in the digital age, Copyright in the Cultural Industries, Edited by Ruth Towse, Edward Elgar Publishing, United Kingdom 2002 at 166.

[246] Gillian Davies, Private Copying of Sound and Audio-Visual Recordings, A study prepared for the Secretariat-General of the Commission of the European Communities, Cultural Questions Division, ESC Publishing Limited, 1984 at 85.

owner shall be entitled to an equitable participation in the proceeds realized by the manufacturer from the sale of such equipment; the total claims of all copyright owners shall not exceed 5 percent of such proceeds.[247]

In Italy, the Italian authors' society has an official stamp of the SIAE. This stamp is applied to all legitimately produced phonograms in respect of which the author's copyright royalty has been paid; any record or tape on sale without it is assumed to be pirated, and a complaint from SIAE will be followed by police action. If SIAE brings a civil action itself, the record companies may join it.[248]

In the United Kingdom, collecting societies is necessary since neither performers' rights nor recording rights are assignable, any collecting societies which may be established to license users and collect royalties under Part II of the 1988 Act will not be able to take enforcement proceedings in their own name. They will therefore function in a manner akin to, say, Mechanical-Copyright Protection Society Ltd rather than, say, Phonographic Performance Ltd.[249] The collecting societies have worked well in the music field where, for example, the MCPS, the PRS and the PP have been operating successfully for many years.[250]

Rate of Royalty

Normally, the rate of royalties may not be fixed by laws, in particular in the United Kingdom and the United Sates, the rate of fees collected by the collecting societies is up to bargaining between the societies and licensees.[251] However, for the new system will be settled, the questions might be asked that is what is the best rate of fees for both parties? For these questions, in general, the rate of fees systems can be separated as follow;[252]

1 A uniform fee per license
2 A fee based on all receipts
3 A fee based on admission receipts
4 A fee based on profits
5 A fee based on the number of persons admitted
6 A fee based on gross revenue a year

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[247] *Id*. at 87

[248] *Id*. at 96

[249] *See* Arnold, *supra* note 25, at 76

[250] Alan Williams, Duncan Calow, Andrew Lee, Multimedia, Contracts, Rights and Licensing, Pearson Professional Limited 1996 at 143.

[251] This information given by Dr. Uma Suthersanen the distinguished lecturer of school of law, Queen Mary & Westfield College University of London, in the occasion of discussing on my paper, taking place on 17 October 2002 at 4.00-5.30PM. I wish to take an opportunity to thank her again. She gives me very much useful information.

[252] *See PRS v Musical in Dance Halls*, *below* note 283.

Royalties based on gross revenue year of a licensee may be difficult to calculate. In case of the licensee granted from the collecting society have own chain stores or so called "licensee's customers" such as in a dubbing company who re-records sound recordings onto cassette tapes and compact discs and hiring out the tapes and CDs for the purposes of providing background music in places such as public houses, restaurants and chain stores. It is much more difficult to calculate.[253] However, the royalties collected from the gross revenue is always not the gross revenue of the premises. Sometimes it means the gross revenue of the copyrighted items of the collecting society licensed, such as the royalties are to be 15 per cent of the gross revenue receivable from the hire of tapes and 17.5 per cent of the gross revenue receivable from the hire of special compact discs.[254] However the royalties based on gross revenue year only mean for use of the society repertoire.[255]

7 A fee calculated by a machine

This system is so-called 'levy system'. However, the levy system calculate by the machine is not suitable for the musical work. Most of uses the levy systems are used in the field of reprographic or photocopying. The first country to introduce this kind of a levy system was Germany in 1985. The levy is paid for photocopying machines, fax machines, reader printers and scanners. The levy is paid by the manufacturer or the importer of the equipment. In addition, a so-called "operator levy" is paid by large scale users, such as schools, universities and copy shops. The tariffs are determined by the law. Germany, Spain and Belgium are examples of countries with the levy system.[256] Reproduction for private use is a special case and falls normally outside direct licensing schemes.[257]

Notes for Royalties

1 the rates of royalties can be obviously fixed to public to be easy for customers.[258] Setting rates must not be unreasonable discrimination between licensees.[259]

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[253] *Phonographic Performance Limited v. Candy Rock Recording Limited*, [1999] E.M.L.R. 155.
[254] *Id*. at 5.
[255] *PRS v. Boizot*, [1999] E.M.L.R. 359.
[256] *See* Koskinen-Olssen, *supra* note 214, *Id*.
[257] *Id.*
[258] The Performing Right Yearbook 1983-84, Published by The Performing Right Society Ltd (PRS), at 99-102. In the UK, PRS is one of the most influence collecting societies. In 1993, it has more than 750,000 composer members (PRS's leaflet printed in March 1993). It has royalty rates so called "Tariff". The tariffs can be classified to be 12 tariffs, as follows: **Tariff BO** uses for Bingo Clubs and Halls. It calculates the royalty up to the days of performance per year. The minimum rate for annual royalty is 34.50 Pounds Sterling. The maximum rate for annual royalty is 57.50 Pounds Sterling. **Tariff C** uses for Cinemas. This tariff covers performances in commercial cinemas as follows: a. by means of film sound tracks, b. music for intermission and 'play out' purposes, c. the relaying to a cinema foyer of the music audible in the auditorium. The royalty is calculated as a percentage of the licensee's gross receipts from the box office (including the VAT element), the percentage chargeable being 0.575% except where the annual gross receipts do not exceed 22,000 Pounds Sterling, in which case the percentage is 0.425%. **Tariff E & H** uses for Restaurants, Cafes & Hotels. The royalty Tariff E used for 'Featured' Music: dances, discotheques, etc is calculated according to licensee's annual expenditure. The minimum rate is 1.5% on annual expenditure. The maximum rate is 5%. The Tariff H used where the licensee's annual expenditure on "live" musical entertainment is less than 3,500 Pounds Sterling: for "live" or mechanical performances at dances, banquets and similar functions: 2.45 Pounds Sterling per day per 100 persons, for other "live" performances: 3.51

Pounds Sterling per year per 5 persons seating capacity for each day of the week on which performances take place. For 'background music' tariff H is calculated as a numbers of seat in the premises, including as a instrument such as a record player alone or with radio and/or television alone. The minimum rate is 6.14 Pounds Sterling per annum. The maximum rate is 28.60 Pounds Sterling per annum. **Tariff G** used to Village and Urban Halls. This tariff covers performances at dances, socials, concerts, film shows, etc. at non-commercial halls. The rate of charge per entertainment are: entertainment at which music constitutes a major role, e.g. dance or concert: 85.12 pence per capacity unit of 100 seating or 50 dancing (or part thereof). Other entertainments i.e. those at which music is only incidental: 42.56 pence per capacity unit or part thereof. **Tariff l** uses for Factories, Offices & Canteens. This tariff applies only to Background Music provided for employees in factories, etc. The basic rates of charge are: In factories, works, offices and similar premises 2.04 pence per day for each half-hour of performance for each unit of 25 employees, the royalties being calculated be reference to the number of employees to whom the music is audible. In canteens associated with the above places 4.08 pence per day for each unit of 25 employees. **Tariff J** uses for Clubs. For a featured music: a "live" performance if the licensee's annual expenditure in providing musical entertainment is 2,000 Pounds Sterling or more, the royalty is 2% of such expenditure. Otherwise performances are charged for at fixed rates, based on the average number of days performances per week e.g. 46 Pounds Sterling per annum for performances on 3 days per week. For a recorded music the rates of charge are 1.15 Pound Sterling per 100 persons per day if there is no "live" music, 57.5 pence per 100 persons per day if the is also "live" music. The Background Music, annual charge for performance by means of radio only is 23.00 Pounds Sterling, television only is 23.00 Pounds Sterling, radio and television is 34.50 Pounds Sterling, record-player only is 51.75 Pounds Sterling, record-player with radio or TV is 57.50 Pounds Sterling, and record-player with radio and TV is 69.00 Pounds Sterling. **Tariffs JB & JV** use for Juke boxes at all types of premises. The audio juke boxes, the basic annual rate of charge is 61.86 Pounds Sterling per juke box. The Video juke boxes , the basic annual rate of charge is minimum from 68.05 to maximum 86.60 Pounds Sterling. The rates will be charged higher from the said minimum if the screen is larger than 26". **Tariff M** uses for Municipal & other Local Authorities. There are three types of rates of charge. First, where the licensee provides or promotes entertainments or functions with music performed by live performers, a percentage of the Gross Expenditure in each license year of which has 6 stages of calculation up to each step of expenditure that the percentage of charge varies from 1.25 % to 2.50% of the expenditure, starting from the first 2,500 Pounds Sterling, the next 2,500 Pounds Sterling, the next 5,000 Pounds Sterling and further respectively . Second, where the license lets, or otherwise places at the disposal of another promoter of such entertainments or functions, premises in their ownership or under their control: 5% of the Gross Receipts. Third, the tariff also contains a scale of charges applicable to performances by mechanical means in parks, promenades, pools and other open air places. **Tariff P** uses for Public Houses. For featured music, for occasional and spontaneous piano performances by customers are approximately 23.77 Pounds Sterling a year. If the licensee's expenditure is 20,000 Pounds Sterling or more a year, the royalty is 2% of such expenditure. All other featured performances, whether live or recorded or a combination of the two, are charged at the per session rate of around 1.30 Pounds Sterling. For background music, annual charge is quite similar to the background music of theTariff J. **Tariff RH** uses for Residential Hotels, Boarding Houses & Guest Houses. For featured music, where the entertainment is restricted to restricted to residents: 63 pence per day for each 15 bedrooms. At dance, dinner dances, banquets and similar functions: 2.45 Pounds Sterling per day per 100 persons in attendance. For background music (for residents only), television and/or radio; 9.54 per year per 15 bedrooms. Record/tape player, with or without radio and/or television; 21.43 Pounds Sterling per year per 15 bedrooms. **Tariff RS** uses for Retail Shops & Stores. Background and demonstration music, performances by mechanical means such as record/tape player, radio or TV etc.:29 pence per annum per square metre of the area in which the music is audible to the public up to 23 square matres. Thereafter, a descending scale of charge applies, performances by video and similar audio-visual equipment: where these performances take place for the purpose of securing sales of video tapes, or video or other audio-visual equipment, in premises where such items are sold, the foregoing rates apply, "live" performance performed by staff or customers only: 11.20 Pounds Sterling per annum. "Pavement" music 11.20 Pounds Sterling per loudspeaker. Special Shopping Weeks, there are also special rates prescribed for special shopping weeks, Father Christmas shows or other special Christmas attractions and for fashion shows. The rates of charge are subject to annual adjustment in January each year. **Tariff T** uses for Theatres. For overture, Entr'acte and exit music, permanent repertory theatres: 44.63 Pounds Sterling per annum. Provincial and London theatres: up to 1,000 seats: 80. 33

2 The term of licenses, normally, is three or four years.[260] However, terms and rates said in contract can always be reviewed.[261] Each review will, naturally, take account of rates that have been set during the year in other comparable licenses.[262]

3 Normally, if the users or licensees feel that the royalties are unreasonable rates, they can always bring a case to be reconsidered by the Copyright Tribunal.[263]

Royalty Rates for Compulsory License

In general, the rates of compulsory licenses would not be set directly by government. The rates would be the result of bargaining between collective societies and an organization of users. The obviously fixed tariffs would be used in general.[264]

Royalty management

The further interesting point of the collecting society systems is that the royalties collected by the societies how will be managed. Normally, most of societies are the limited companies. They are the entities provided by laws. They have own shares, shareholders and own staffs. They have to make profits for themselves, and at the same time, they have to distribute the royalties to their members. How would be the best for the right owners who are the members of the societies. Do not forget if rightowners wish to be represented by a collecting society, they typically have to assign all rights in the relevant domain.[265] After the rightowners sign a contract with the society company, all of their rights, if no "cherry pick" reservation, they have no rights on their works. They can only wait for a remuneration given by the society company. So the royalty management by the company would be interested by the right owners. After looking around the European countries and the United States, the types of royalty management can be summarized as below;

1 In Germany, the performing right the composer will receive 8/12, the publisher 4/12 of collected license fees, minus administration costs and deductions of 10 percent for socio-cultural fund, and set up pension for composers.[266] Furthermore, In other European countries such as Austrian, France and others, the royalties collected by the societies probably will be deducted for social and cultural purposes from remunerations around not exceed 10%.[267] But In the United Kingdom shows significant parallels but

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Pounds Sterling per annum, over 1,000 seats: 113.05 Pounds Sterling per annum, etc. Incidental or Curtain Music, permanent repertory theatres: 2.83 Pounds Sterling per week, etc. (These data is shorted from the yearbook abovementioned. Which was in 1984. Therefore these may not be up to date in factual details. But it can be shown on the system for the rates of royalties fixed by the collecting society.)

[259] *See Phonographic Performance Limited, supra* note 244, at 8.

[260] *Id*. at 12.

[261] *British Airways Plc. v. The Performing Right Society Limited*, Interim Decision, Decided by the Copyright Tribunal, January 12, 1998. United Kingdom.

[262] *See Phonographic Performance Limited, supra* note 244, at 8.

[263] *See* Boizot, *supra* note 255, *Id.*

[264] *See* Jehoram, *supra* note 186, at 3.

[265] *See* Kretschmer, *supra* note 4, at 9.

[266] *See Id*, at 4, 9.

[267] Ferdinand Melichar, Deductions Made by Collecting Societies for Social and Cultural Purposes in the Light of International Copyright Law, IIC International Review of Industrial Property and Copyright Law,

most of all are in the contractual practices. And some society such as PRS did not make any official socio-cultural deductions.[268]

2 For a pension fund, in Germany there is a pension for 60+-year-old authors/members who have paid premiums for at least 25 years. The publishing firm/members receive their "pensions" already five years after starting their payments and until the end of their membership. The payments have been made by all the members and the level of their "pensions" relates directly to their paid premiums.[269]

3 A distribution of royalties, the money should be distributed to the individuals who appeared in those performances. In general, the income should be distributed among individual right owners whose works have been used.[270]

The Role of Collecting Societies in the Digital Environment[271]

It will be apparent from the discussion so far that clearing digital rights for copyright purposes is potentially an enormous task. Consider a digital radio station. Does the copyright and performer's right position for each piece of music broadcast need to be cleared for each piece of music played? Surely not –securing individual rights for each three minute track would be a bureaucratic nightmare for user and owner alike.

In fact since 1851 when SACEM in France was founded, 'collecting societies' have been established around the word to act as clearing houses for a range of copyright and related rights. Members of these societies (who own the rights to be licensed) typically either transfer the rights to be licensed to the society or empower the society to act as their agent in granting licenses of their works. The society remits royalties (typically on agreed scales) to members and administers licenses of members' rights.

The various collecting societies that operate in the UK have grown out of the analogue world. Nevertheless they are likely to become increasingly important in helping to manage the copyright licensing of works in the digital environment. Indeed a number already grant licenses that relate to 'electronic rights'.

There are many collecting societies operating in the UK. The functions of some of the more important ones are set out below. Collecting societies are particularly important to the music industry. Also discussed below is a digital rights case study involving collecting societies.

Of course collecting societies are generally voluntary in nature so not all authors or publishers may choose to use them either in whole or in part. Also the societies may not have yet devised licensing models for digital works of it they have these may still be limited in scope. So collecting societies are not a panacea for either authors or users.

Volume 22, the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich, 1991 at 47-60.

[268] *See* Kretschmer, *supra* note 4, at 4-5.

[269] *See* Jehoram, *supra* note 186, at 5.

[270] *Id*. at 6.

[271] Simon Stokes, Digital Copyright Law and Practice, Butterworths, 2002 at 169-170.

Nevertheless they should always be considered in developing any strategy to protect, use or exploit digital works. In addition a number now operate internationally by working with foreign equivalent organizations on a reciprocal basis. For example the International Federation of the Phonographic Industry (IFPI) has developed a reciprocal agreement to allow webcasting across national borders. There are also moves for collecting societies to co-operate to provide a 'one-stop shop' for clearing multimedia rights. Digital technology may itself assist collecting societies in these activities.

It is now common for users to personalize their mobile phones by including musical ring tones. If the tunes relate to musical works which are in copyright then a license will be required from the owner of the copyright then a license will be required from the owner of the copyright in the musical work to:[272]

1 In effect record (copy) the musical work into a (digital) file of electronic instructions to be used to generate the musical tone;

2 Upload (ie copy) the file to a server;

3 Deliver the file to the user (this may involve transitory Internet copies being made if delivered via the Internet;

4 Download the file to the mobile phone (copy).

The MCPS will grant licenses dealing with these activities in the context of mobile phone ring tones. A license should not ordinarily be required for playing the ring tone as this would generally not be a 'public performance' of the recording or work. In addition if the file is made available for access, downloading and/or sampling (to decide whether to buy it) via the Internet then this is arguably inclusion of the work in a cable programme broadcast and so a license from the PRS may also be required. Licenses may also be required from the programmers/company responsible for creating the digital file.

The Major Collecting Societies in the UK.[273]

The Copyright Licensing Agency Limited (CLA). The CLA was formed in 1982 and deals with licensing content for reproduction by reprographic means. Its members are the Authors' Licensing and Collecting Society (ALCS) and the Publishers, respectively. The content is from books, journals and periodicals. Until recently only literary works were covered but artistic works are now included through arrangements with DACS(see later). Traditionally the CLA has only permitted the photocopying of works under the license (ie paper to paper copying) as opposed to digital scanning, but this likely to change. But works as electronic form (eg CD-ROM or online) do not fall within the CLA's licensing scheme at present, nor are they likely to. The Newspaper Licensing Agency Limited (NLA). NLA was formed in 1996 in order to license the making of newspaper articles. The newspaper publisher typically assigns to the NLA the copyright in the typographical arrangement of the published edition together with (where possible) the underlying copyright in the literary and artistic works themselves. Design and Artists Copyright Society Limited (DACS). DACS was founded in 1983 and deals with works of visual art including photographs. DACS are addressing the challenges of digitization and have developed a number of innovative digital licensing models, and they will also deal with

[272] *Id*. at 173-174.
[273] *Id*. at 170-173.

website image re-use issues, etc. The Mechanical Copyright Protection Society Limited (MCPS). MCPS is the society that protects the 'mechanical' copyright in musical works. This includes the right to make sound-bearing copies of musical works, to issue copies to the public, to import them and to authorize these activities. MCPS is now in alliance with the PRS (see later). The MCPS offers a number of licenses and services of relevance to digital works including computer games, online music, mobile phone ring tomes, CDs, and DVDs. The MCPS-PRS alliance is also co-ordinating an EU-funded project called 'Rights Watch' to develop codes of conduct and procedures to remove copyright infringing material from the Internet. Performing Right Society Limited (PRS). The PRS administers the 'performing right' in musical works ie:

1 Right to perform the work in public;

2 To broadcast the work or to include it in a cable programme service;

3 Right to authorize others to do this;

4 Film synchronization rights (ie right to record the work on a film soundtrack) are also administered by the PRS.

The PRS therefore licenses a wide range of persons including:[274]

1 BBC, ITV and other broadcasters;

2 Cinemas;

3 Shops, offices, clubs, pubs, cafes, etc (eg for music on hold, background music, etc).

Furthermore, the PRS classes the presentation of music on a website as 'cable performance' and therefore licenses this, whether the music is 'performed' via clips, streaming or otherwise. In addition where the music is to be downloaded the MCPS will also need to be contacted in connection with a mechanical rights license: this highlights that there is as yet on one –stop shop licensing body for musical works.

The members of PRS comprise of composers, songwriters and musical publishers. It administers the "performing right" in their music. PRS policy and administration are controlled by an elected General Council of non-executive Directors who include a Chairman and two Deputy Chairmen. Half the Council members are writers and half are publishers, each category broadly divided between pop and non-pop interests including classical. All Council Directors are elected by the membership for the day-to-day running of the Society, is appointed by the Council. Normally, the license fees are negotiated with associations representing the various users. The users also have the right to refer the PRS charges to the Copyright Tribunal, a legal panel set up to resolve disputes between copyright owners and their customers. PRS claims that it makes no profits for itself,[275] all money collected is paid out as royalties after deduction only its operating costs. The net royalties are distributed to PRS members in accordance with the extent to which their works have been broadcast or publicly performed. In some case, it is not possible to find out every detail of performances. PRS then uses "samples" to allocate royalties, and also draws on record sales charts and other relevant information. Any composer, songwriter and music publisher can be a member if they are qualified by PRS's regulations.[276] Anyone wants to be a member have to pay an admission fee: 50 Pounds Sterling (VAT

[274] *See* The Performing Right Yearbook, *supra* note 246, *Id*.
[275] The leaflet released by The Performing Right Society (PRS) March 1993 at 8.
[276] *Id*. at 10-11.

included) for composers and authors, and 250 Pounds Sterling (plus VAT) for publishers. Membership normally lasts for the member's lifetime. However, a member has the right to resign at intervals of three years from the original date of admission. Provisional writer membership may also be terminated at the discretion of the General Council if no royalties are credited to a member over at least a period of three years. On the death of a member, an heir may be admitted as a successor member.

Phonographic Performance Ltd (PPL). Under the Copyright, Designs and Patents Act 1988 (CDPA) there is a separate copyright for sound recordings as opposed to musical works. PPL deals with the public performance right for sound recordings. These sound recordings can be in any format (CD, audio files, etc). PPL licenses TV and radio stations, discos and clubs, juke box operators, background music operators and so on and this includes Internet simulcasts etc. An Internet simulcast in defined by the PPL as an Internet broadcast where a PPL-licensed broadcaster simultaneously transmits its terrestrial programming unchanged via the Internet. The PPL does not currently license Internet. The PPL does not currently license Internet radio services other than Internet simulcasts. In accordance with UK copyright law, PPL considers that 'public performance' means any performance outside the strictly family or domestic circle. PPL also licenses the reproduction of sound recordings-this is called 'dubbing; ie where a sound recording is re-recorded. PPL currently grants licenses to dub sound recording for the purposes of subsequent broadcasting or public performance only. If dubbing is required for any other purpose e.g. digital sampling then the record company or other owner will need to be dealt with separately. Video Performance Ltd (VPL). VPL administers the public performance, broadcast/cable programme rights and dubbing rights in music videos.

Cases Concerning the Collecting Societies

In European countries, there are many cases concerning the collecting societies. Some of them is the problem of discrimination between nationals of Member States which the court (ECJ) said that such abuse could affect trade between Member States,[277] some of them concern about the charging of two royalties and the rate of royalties which the court held that charging of two royalties might be possible with regard to the normal exploitation of copyright, in part of the rate of royalties the court said that royalties claimed were not unreasonable.[278] In a compulsory license case, the court said that the compulsory license may be granted for insufficiency of exploitation of the owner of rights.[279] In the European Community, the collecting society in any member states cannot

[277] J.A.L. Sterling, World Copyright Law, Sweet & Maxwell, London 1998 at 632-633 both in *GEMA v. E.C. Commission , Greenwich Film Productions, Paris v. SACEM and GVL v. Commission.*

[278] *See Id*. in *Basset v. SACEM.*

[279] *Commission of the European Communities v. United Kingdom of Great Britain and Northern Ireland.* February 18, 1992-Case No. C-30/90 (Court of Justice of the European Communities)

charge royalties to any licensees from another state in different rate without compared on a consistent basis and unable to justify such the difference.[280]

In the United Kingdom, in case of infringement, and the plaintiff asking of injunction, the question is that how long is the appropriate period, and the injunction would be effect. The Court of Appeal said that the appropriate form of injunction should be one with immediate effect and of unlimited duration. The reason is that a plaintiff whose copyright has been infringed in entitled as to an injunction as a matter of course. In a infringement action the copyright owner has available all relief, including injunctive relief, and there is nothing requiring an owner of copyright of a type being considered in the case. An owner may exercise and exploit his proprietary right by licensing some and not others. He may charge whatever he wishes. Collecting societies have been recognized to be in the public interest. A court, when granting an injunction, is nevertheless required to exercise discretion and in so doing there might be circumstances where restriction or refusal of an injunction would be warranted. A person who exploits his proprietary right by licensing is entitled, where there are special circumstances, to prevent another from using that property right without his license and to refuse to grant a license save on his herms and conditions as to payment and use.[281]

There is an interesting case in Hong Kong concerning of the collecting of Royalties. Both parties are limited companies incorporate in Hong Kong. The plaintiff is wholly owned by an association called the International Federation of Phonogram and Videogram Producers (IFPI) which has about 600 members worldwide. The members produce sound recordings issued on more than 6000 "labels" worldwide. The purpose of the plaintiff, as the creature of IFPI, is to collect royalties in respect of the public performance in Hong Kong of the sound recording of members of IFPI.

The defendant carries on the business of a restaurant called the "California" in Hong Kong. Recorded music is played from phonograms in the restaurant during the serving of meals and at other times when there is dancing after dinner on three nights a week.

The plaintiff issued a specially indorsed writ against the defendant in a copyright infringement action. In the statement of claim the plaintiff pleaded that it was the owner of the copyright, consisting of the exclusive right of public performance in Hong Kong, in a number of sound recordings including seven specified recording bearing the labels of specified recording companies.

The statement of claim went on to allege, *inter alia,* that the defendant had infringed the plaintiff's copyright in the seven recordings by causing or authoring them to be heard in public in the defendant's restaurant on 4 December 1987 without the plaintiff's consent. It was further pleaded that the defendant was daily continuing to cause the public performance of sound recordings notwithstanding its knowledge that it was infringing the plaintiff's copyright.

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[280] *Ministere Public v. Jean Louis Tournier*, July 13, 1989- Case No.395/87 (Court of Justice of the European Communities).

[281] *Phonographic Performance Ltd. v. Maitra*, Court of Appeal, January 3, 1998 Unreported. Entertainment Law Review vol.9 1998. London Sweet & Maxwell, 1998 at N-68.

On the basis of those allegations the plaintiff sought injunctive relief, damaged or an inquiry as to damages or an account of profits arising out of the defendant's infringement, discovery and cost…

On 27 January 1988 the defendant filed that affidavit of Mr. R H Kaufman who is the executive general manager of the defendant. He deposed at some length regarding the negotiations and correspondence regarding license fees between the parties which had preceded the action and which had culminated in the demand by the plaintiff for qualified license fees from 1 January 1988, including a greatly enhanced fee of $34,046 for 1988.

Mr. Kaufman deposed that the defendant had never intended to misappropriate the property of other without payment. His evidence was that before the defendant was advised by its legal advisers regarding the issues concerning the subsistence of the copyright and the plaintiff's ownership of that right, the defendant had been involved in protracted negotiations with the plaintiff about the reduction in the amount of the license fee until, all of a sudden, the plaintiff had demanded an increase of more than 15 times. He deposed that the defendant's wish was that the legal issue regarding the copyright should be resolved at an early date so that the defendant could obtain a license from "the appropriate body" at a reasonable fee, to be determined if necessary by the Performing Right Tribunal. As to the legal issue which the defendant sought to be resolved, Mr Kaufman deposed to his belief, based on legal advice, that the pleading in the amended statement of claim had '…in no way demonstrated that the plaintiff has a legal title to sue in its own name nor in any way could it procure the just determination of the legal issues involve…". He exhibited to his affidavit a copy of a draft defense which he deposed that the defendant sought to rely upon. The draft defense denies the plaintiff's claim to be the owner of the copyright, consisting of the exclusive rights of public rights of public performance in Hong Kong, in the relevant seven recordings, and puts the plaintiff to strict proof of that claim with full discovery, and to strict proof of the plaintiff's legal title to sue as provided for under the Copyright Act 1956.

The allegation of infringement was denied, in the draft defense, but on such denial was made in Mr. Kaufman's affidavit…

The judge gave his reasons for concluding that that Section 20(7) of the Copyright Act 1956 did not avail the plaintiff in establishing ownership of the copyright it claimed in the relevant recordings. Those reasons are not challenged on appeal and they are clearly right because Section 20(7) only raises a presumption of ownership of copyright in a sound recording. In the present case where the hearing proceeded on the basis that the only effective issue concerned ownership of the copyright, Section 9 of the orfinance positively required proof to the contrary before the presumption of ownership arising in favour of the plaintiff could be rebutted, No such proof was attempted by the defendant. The prima facie case made out by the plaintiff, strengthened by Section 9, remained unaffected by the defendant's mere denials. It followed, in my judgment, that as matters stood at the hearing the plaintiff should not have been denied summary judgment.[282]

The case, in some part of detail of the judgment, mentioned above give us many questions of collecting society. First, How much is the fee of royalties that would be appropriate? Second, What is a kind of rights that is in the scheme of the collecting

[282] *Phonographic Performance (South East Asia) Ltd. v. California Entertainments Ltd*., April 14, 1988. (Court of Appeal of Hong Kong)

society?, and what is not? Third, does which party have to prove the ownership of the copyright?

Cases decided by the Tribunal

Case concerning, for the public performance of copyright music in the collecting society repertoire, both the method of computation and the amount of the fees.[283] In 1959, the Tribunal said that if there is an agreement between the collecting society and the licensee, even later the circumstances changed, the collecting society cannot change rates of fees to collect on the licensee. On the issues of computation of the fees, the Tribunal said that it would therefore permit the proprietor of any individual dance hall to elect voluntarily to pay at the rate of 1.5% on his actual gross takings from admission charges.[284]

In the matter of a discrimination, the Tribunal said that the collecting society cannot differentiate on the rate of fees (discount fees) to licensees. Such behaviors would be 'pregnant with the possibilities of unfair restrictions and injustice.[285]

There is an interesting case concerning on the royalty fees on music in discotheques. The Tribunal decided on 1 August 1989.[286] The originator is the Performing Right Society Ltd.('the PRS'). The interested party is the British Entertainment and Dancing Association Ltd.('BEDA'). The PRS referred to the Tribunal the licence scheme comprised in its Tarriff D which applied to commercial dance halls and other premises where the main business carried on was dancing and where dances took place on not less than one day each week throughout the year or during a season of not less than 75 days in the year. This tariff had first been considered by the Tribunal. In that reference the Tribunal had made an order fixing the licence fee payable to PRS at 1.6% of the sum produced by the application of a formula which had been in operation since 1949 (Basis A) but permitting the licensee to elect to pay instead 1.5% of the actual annual gross takings from admission charges (Basis B). In this reference the PRS contended that Basis A should be deleted, that commercial discos (as defined) should be brought within tariff D and that there should be substituted for Basis B a tariff calculated as follows:

> Commercial discos
> Basis I:
> 6% of the annual gross total of admission receipts (broadly defined) together with 3% of the annual gross takings from all activities conducted at the establishment including sums paid for food and drink (excluding takings falling under the 6% rate).
> OR at the option of the license holder:
> Basis II:
> 4.5% of the annual gross takings from or in connection with all activities

[283] *PRS v. Musical in Dance Halls*, Michael Freegard, Jack Black, The decisions of the UK Performing Right and Copyright Tribunal, Butterworths, 1997 at 53-56.

[284] *Id.*
[285] *Id*. at 63-64.
[286] *Id* at 151-159.

conducted at the establishment, being the sums paid by customers as referred to under Basis I above.

Commercial dance halls

As the basis set out for commercial discos, but with the substitution of the following rates of royalty: in Basis I –4% for 6% and 2% for 3%; in Basis II –3% for 4.5%.

The PRS also proposed that the prompt payment discount in tariff D should be abolished, and its view was that the structure and basis of the tariff had become inappropriate in the light of modern developments and that the rates provided by it were unreasonably low.

In its answer to the PRS statement of case, BEDA had opposed a fee fixed as a percentage of takings and urged that the tariff price should be fixed by a formula based on actual music use while also having regard to the audience dancing and listening to the music. It had proposed that a fair and reasonable formula for each establishment licensed under this tariff would be UK$ 18 for each 1,000 persons (or part thereof) admitted during the relevant year (plus VAT) and annually adjusted for changes in the Retail Prices Index (RPI). In its final submissions at the hearing it had urged that the appropriate figure fell in the range between UK$18 and UK$50 for each such 1,000 persons.

The evidence suggested that there might be about 600 commercial discos in the UK at present, some licensed by the PRS under tariff D and others under tariff J(as clubs) and some other tariffs. BEDA had 57 members who conducted about 257 discos. It represented mainly the larger discos and the larger disco operators and two of its largest members were estimated to have paid between them 78% of the tariff D revenue for 1986. Not all discos and disco operators were represented in this reference and BEDA's contentions might not have been known to all its members or generally among disco operators.

With the knowledge and approval of the parties, members of the Tribunal had paid visits to a number of discos and, considering all the material put forward in the course of the hearing, had found that discos were very different from the commercial dance halls before the Tribunal in 1959. The ballroom dancing of that time had been succeeded by a radically different dancing style, the disco had a relatively small dancing area and dancing was not necessarily the principal activity. Live music had been replaced by continuous recorded music 'most expertly reproduced'. A luxurious ambience had in many cases been created by very substantial expenditure on premises, equipment and furnishings. The sale of food and drink (sometimes at higher prices) was an essential ingredient-on average something like two thirds of the discos' turnover was from this source. The premises has drinks licences enabling discos to maintain or increase their clientele late at night and into the early morning. In short, the characteristics had changed so completely that in its present form tariff D was clearly not appropriate for discos. The contention of PRS was that popular music was used to attract customers to spend money on the whole range of services provided for the profit to the disco, including the supply of food and drink.

The Tribunal noted that in 1959 the Tribunal seemed to have adopted a percentage of admission receipts (whether actual or derived from a formula) largely because that formula had been agreed only 8 or 9 years earlier. It had been the intention

both of the parties in agreeing upon that formula in 1949 and of the Tribunal in 1959 that the receipts calculated by the formula would approximate closely to actual gross receipts from admissions. However, the evidence suggested that the formula on which Basis A was found did not now accurately reflect the numbers of people attending contemporary discos.

The Tribunal accepted the view of the PRS that tariffs should draw the most appropriate balance, according to circumstances, between fairness and practicality. It was not unmindful of PRS' s views that the tariff should reflect the value of the licence to the licensee and also take account of the nature, extent and type of use made of the copyright music involved; the importance accorded by the public to music of the type used and the attractiveness of that music to them; the opportunities that users of such music were afforded by the availability to them of it for running successful enterprises, and the rates of royalty obtaining for comparable uses, particularly rates that had been recently negotiated.

BEDA has submitted that the size of the audience was the beat way of gauging what use was made of the music by the operators. The evidence was, that broadly speaking, all over the country discos were playing the same music for the same number of hours per session. Almost all the music played was from records and much of the success of a disco depended on the skilled choice and mixture of music played by the disc jockeys employed by the operators.

Most people attending discos were young and the Tribunal had been told that 'the décor and quality of the furnishings play a vital role in creating an atmosphere in which the young women feel more glamorous than usual and the young men more sophisticate and assured…music and dancing will always be a vital part of the mix but the key is to create a mini world ambience far removed from that of their everyday life. The element of fantasy is vital'.

The cost of fitting out a disco could range from UK$50 to over UK$80 per square foot and would be written off over five years. BEDA had placed before the Tribunal financial material derived from the 1987 management accounts of 52 of the discos run by three of its largest members. The filling-out cost of a disco with the capacity of 1,000 could be UK$750,000 and spread over five years that would be equivalent to UK$1.15 per admission per day. There was evidence to suggest that some discos were very profitable, some less so and some incurred a loss, but the Tribunal had no evidence at all about the large majority of discos.

In this outstanding case, the Tribunal considered that there were at least five possible bases on which a new tariff D license fee could be calculated, as follows:

> 1 **A uniform fee per license.** Mainly because of local differences in the levels of disposable income and unemployment and in the availability of other forms of entertainment and recreation facilities, the Tribunal considered that a uniform fee would be unfair as between discos and for that reason it was rejected.
>
> 2 **A fee based on all receipts**. The PRS had drawn the Tribunal's attention to a decision about discos in a French Court of Appeal in which the Court had said that it was the performance of musical works which was the essence of the activity of the establishments in question and a close causal relationship existed

between the diffusion of music and the receipts of the establishment, which constituted the product deriving from the exploitation of the woks diffused. It would not be reasonable to calculate the licence fee as a proportion of receipts or turnover.

3 **A fee based on admission receipts**. Many of the same arguments would apply here. The evidence suggested that about one third of total receipts came from admissions and all of a disco's receipts were inextricably connected. A fee based on receipts from admissions alone would be unfair to the PRS and provide an incentive to reduce admission charges and charge more for food and drink (though the scope for that might be limited). The Tribunal decided it would not be reasonable to fix the fee as a proportion of admission receipts.

4 **A fee based on profits**. Superficially a fee on this basis might seem to have advantage over (2) and (3) above in taking more account of ability to pay, but considerations similar to those applying to a fee based on all receipts led the Tribunal to reject a fee based on profits.

5 **A fee based on the number of persons admitted**. The view of the PRS was that where there were no ascertainable related takings the value of the license was best measured by assessing 'the scale of music use' by the licensee. BEDA had contended that the number of persons admitted was the best means of gauging the extent of the use of PRS music by disco operators. In these hypothetical circumstances a fee based on the number of admissions would also approximate to a fixed proportion of box office receipts, reflecting the Tribunal's view the PRS's concept of ascertainable related takings could not be applied to discos and another basis must be used.

In the light of the foregoing the Tribunal fixed the royalty at UK$45.50 (exclusive of VAT) per 1,000 or part of a 1,000 persons admitted, adjusted to take account of changes in the RPI (the Retail Prices Index) with effect from 1 August 1989. This rate was to apply also to commercial dance halls of which there now seemed to be very few. The Tribunal ordered PRS to pay costs of all of hearing for BEDA. Later, the PRS appealed to the High Court on a point of law (under Section 152(1) of the Copyright, Designs and Patent Act 1988, parties can appeal directly to the High Court only on a point of law) the High Court affirmed. The appeal was dismissed.

However, In the United Kingdom, the Copyright Tribunal is the body charged under the Copyright, Designs and Patents Act 1988 with resolving disputes in the wide variety of circumstances in which it has been given jurisdiction. The disputes arise between copyright owner and copyright user and invariably involve as a central issue the financial terms on which a right which is part of the copyright in a work may be exploited. Most, although not al, of the Tribunal's jurisdictions are based on the fact that the owner's right in being exercised by a collecting society.[287] In the Act, there is little general guidance to how the Tribunal is to approach its task, other than that it is to have regard to all relevant

[287] That is, in the terminology of the Act, a licensing body.

considerations and is to exercise its powers so as to secure that there is no unreasonable discrimination between licensees. The Tribunal has repeatedly stated that it is not confined to the proposals of the parties; it has a statutory duty to determine terms which are reasonable in all the circumstances, reasonable in this context meaning what is reasonable to both parties. Consequently, it is generally considered that the reasoning behind on the circumstances of the particular case and is independent of any other. However, one of the frequently recurring issues raised in proceedings before the Tribunal is the extent to which the royalty to be paid for the use of the right should be based on the revenue earned by the user. In this respect, at least, by examining a few recent decisions it may be possible to discern a common thread.[288]

There are interesting recent decisions. In *AEI Rediffusion Music Limited v. Phonographic Performance Limited*,[289] AEI Rediffusion Music Limited ('AEI') exercised its right to a statutory licence under Section 135A of the Act to broadcast the sound recordings in Phonographic Performance Limited's (PPL) repertoire via satellite to AEI's subscribers for them to play the recordings on public. AEI argued that its licence should be treated as comparable to the licence in issue in the decision of *AIRC v. PPL*,[290] in that the AEI service is similar to a commercial radio service and that therefore AEI should pay 5 percent of the music revenue, or UK$1.25 per United Kingdom site per month and as little as 13.5 pence for some overseas sites. PPL argued that the closest comparable was the licence that it granted to commercial dubbers who produce tapes and CDs of such recordings for hire to their subscribers for public performance by the subscribers, and that therefore the royalty should be 15 per cent of the revenue derived from music fees, equipment (sale/rental) and messaging or UK$12.50 per site per month, whichever was the greater. The Tribunal rejected the AEI argument that the AIRC comparable was appropriate and accepted that the commercial dubbing licendes provided a suitable comparable. The Tribunal set a royalty at whichever was the greater of 15 percent of the gross music revenue, but excluding messaging and equipment (sales/rental), or UK$5 per site per month. In *British Sky Broadcasting Limited and Sky Television Plc. v. The Performing Right Society Limited*,[291] British Sky Broadcasting Limited and Sky Television Plc ('Sky') wanted to alter the terms of its existing license to broadcast musical works as part of its television broadcasts. *Sky* argued that the royalty should be based on its share of viewing. *PRS* maintained that the royalty should be based on a percentage of *Sky*'s revenue. The Tribunal rejected the revenue basis, stating that the revenue basis could only be used if there were sufficient nexus between the use of the music and the earning of the revenue, which it held was not so in that case. The Tribunal concluded that the royalty should be based on *Sky*'s audience share with an uplift to reflect the number of hours of music broadcast by *Sky*. In *British Airways Plc. v. The Performing Right Society Limited*,[292] British Airways ('BA') sought to alter its existing license allowing it to broadcast musical works to the passengers in its aircraft. *BA* argued that the current tariff should be reduced to reflect a reduced use of the music broadcast

[288] Jonathan E. Rayner James Q.C., Andrew Norris, A Common Thread in Collective Copyright Licensing?, Entertainment Law Review vol.9 1998. London Sweet & Maxwell, 1998 at 205-207.
[289] [1998] R.P.C. 335.
[290] [1994] R.P.C. 143.
[291] Interim Decision, December 3, 1997.
[292] Interim Decision, January 12, 1998.

which had not previously been taken into account and *PRS* sought to maintain the status quo by arguing that the onus lay on *BA* to show that the current tariff was unreasonable. The Tribunal rejected the *PRS* argument that the onus lay on *BA* to establish the unreasonableness of the current tariff and after comparing the United Kingdom tariff to the tariffs imposed in other countries it decided that as *BA* provided an international product the tariff should be in line with whose of other countries. The Tribunal also altered the basis of the tariff, deciding that the royalty rate should take into account: I) a standard flat rate for the take off and landing music, and II) the number of passengers who were on flights where 'in-flight' entertainment was available.

It can be noted that each of the decisions outlined above was reached by the Tribunal in the exercise of a different jurisdiction involving a different industry and it is therefore not surprising that different detailed reasons were given to justify the royalty rate determined by the Tribunal. However, these decisions may be seen as revealing a common approach to collective copyright licensing, at least as regards the question of how far the royalty should be based on the user's revenue.

In *AEI*, the Tribunal accepted the PPL proposal that the closest comparable was with narrowcasting rather than with broadcasting, because with commercial radio broadcasting factors other than music commercial radio broadcasting factors other than music are largely responsible for earning the licensee its revenue from the broadcasts; for example, the contribution of the 'DJ' can be significant and can affect the numbers of people choosing one commercial radio station over another, thus materially affecting its advertising revenue. Consequently, the revenue earned by the radio station through broadcasting was not directly referable to the use of PPL's repertoire of sound recordings to provide music. With narrowcasting, however, the revenue earned through the provision of narrowcasting service was directly referable to the use of music provided by PPL's sound recordings, even allowing for any added value the narrowcaster might bring to that music by his skillful choice and compilation. Furthermore, with narrowcasting, as with the service AEI was providing, the music is the very essence of the service: there would be no service without the music.

In *Sky*, the music that is licensed has a different role to that in the service provided by AEI, because the music is merely part of a broadcast for a television programme rather than comprising the whole broadcast for a radio programme. Only a small part of Sky's revenue is in any sense attributable to the playing of music, because the service provided embraces services other than the exploitation of the right licensed by PRS. Further, that small part of the revenue is itself not capable of being separately identified. Having rejected the revenue basis the Tribunal considered the alternative put forward by Sky which amounted to a royalty based on the numbers of people watching Sky and therefore being exposed to the music. The Tribunal considered the essence of the Sky proposal to be acceptable, that is a royalty based on the extent of exploitation of the right. However, viewing figures alone were not an accurate reflection of the extent of exploitation, which should also reflect the amount of broadcasting, assessed by reference to matters such as the number of channels, the types of programmes and the hours of transmission. These factors were reflected in an uplift in the royalty.

In *BA*, neither party put forward a proposal on the revenue basis and the Tribunal did not choose to consider one either. Clearly, a royalty based on a percentage of *BA*'s revenue would be wholly inappropriate for the exploitation of the right to broadcast

music, since in-flight music plays such a small role in the service provided by the airline. It would be almost impossible to determine bow much of *BA*'s revenue is referable to the playing of in-flight music. A royalty was set which was based upon a comparison with airline tariffs set in other countries and by an examination of the extent of exploitation. The Tribunal considered that a lower tariff was appropriate as being then assessed the extent of the exploitation to determine the new rate. The Tribunal determined that there were two parts to the exploitation of the right by *BA*. There was the provision of in-flight entertainment requiring the use of headsets and for this the Tribunal set a price per passenger and then calculated the number of passengers using this service. There was also the take-off and landing music which all the passengers on *BA* were exposed to and thus a separate standard price per passenger was added to the other limb of the royalty.

From the cases mentioned above it seems logical to use a revenue based royalty where the customer of the licensee can be shown to be paying an identifiable part of the consideration for the benefit of the right being licensed to the licensee. In such a case the customer of the licensee is paying for the exploitation of the right and little else, and the revenue generated by the licensee through the exploitation of the right, rather than through the provision of other goods or service, can more readily be separately identified. What else the licensee provides, such as equipment etc, will not usually be part of the assessed revenue on which such royalty will be paid, as was the case in the *AEI*. However, where the music merely enhances a business rather than being the service provided, such as in the *Sky* and *BA* cases, it is inappropriate for a royalty to be based on the licensee's revenue when so many factors other than the playing of music will contribute to that revenue. In such circumstances the Tribunal will not look to a revenue based royalty but will look to the extent of the exploitation of the right and decide what is a reasonable price per unit of exploitation, having considered the possible economic benefits of the music to the licensee. The precise unit of exploitation will vary depending on the business but it will be comprised of two parts. First, the extent of the use of the music, such as the number of hours the music is played in total and, secondly, the number of people listening or being exposed to the music.

Although these three decisions can be seen to be based on independent economic arguments they emphasize that in such cased of collective licensing of rights there will usually be two alternative bases on which a royalty may be determined by the Copyright Tribunal: revenue or the extent of exploitation of the right granted. Which basis is chosen will depend upon whether or not the revenue earned by the licensee is directly referable to the licensed act and is also separately identifiable in the hands of the licensee. It if is, or is sufficiently so, then a revenue based royalty should be the favoured bases, particularly in view of the difficulties which the Tribunal invariably faces when it seeks to explain the value which it places on a unit of exploitation.

In the area of educational institutes, sometimes there are disputes between universities and collecting societies on the issue of the fee rates. In 2001, in the United Kingdom, there was an interesting case[293] in this topic. The Tribunal concluded in many issues. That is, it was impossible to base any quantitative conclusions on page of textbooks or any other document within the scheme of licenses to calculate the fee rates, the true economic

[293] *Universities UK v. Copyright Licensing Agency Limited*, Decided by the Copyright Tribunal 13 December 2001, Intellectual Property Decisions, Informa Law, March 2002 vol.25 no. 3.

cost was a useful indicator but was not necessarily the direct route to the royalty rate. It may be more relevant to consider the retail price of the book and the value to the student. The material likely to be copied under the schools' license was different. School books were much cheaper than university books. So the royalties were altered.

Conclusion

From all materials above mentioned, a conclusion may be difficult to do so, if necessary, it would summarize in the way of factors in the present age. At present, the society is global not rural. Domestic economic system is no more existing. The global economic system is overwhelmed all. The economic rights come first. The notion of rewarding the discoverer or creator for giving society a useful thing is ancient.[294] The school of thought of public right may be obsolete.[295] Nothing is absolutely free.

Private uses on musical works are in trends to be strictly construed. Public performance on musical works in restaurants, cafes or shops, even small of spaces, may have to pay fee to the copyright owners or collecting societies. The exception will clearly be provided by laws. No pay, No rights. As M. Bourget said "you consume my music, I consume your wares".[296] However, In some regards, there is a critical question, that is, the all owners' rights in the scope of the copyright laws are the exclusive right or the remuneration rights.[297]

Limitations of exclusive rights, fair use, fair dealing, exhaustion of right, homeuses and others, may finally be interpreted by courts in the narrow meanings, or any exemption will ostentatiously be provided by laws, otherwise no limitations can be raised.

Music seems to be freely available but it is not free. Music is created and owned by somebody and that somebody, be it a composer, songwriter, lyricist or music publisher, has a right to ask for payment.[298] Therefore, normally, the users inevitably have to pay royalties to the rightowners.

At present, the collecting societies, the new, or rather no longer so new, information technology of digitalization and network communication has radically changed the landscape of copyright collecting societies. They do not need any longer to be collective, not in their tariffs and other conditions, nor in their offer of global repertoires and nor in the allocation of royalties. User contracts can be completely individualized and so must

[294] Anthony D' Amato, Doris Estelle Long , International Intellectual Property Law, Kluwer Law International, 1997 at 27.
[295] *Id*. at 28-39.
[296] Ernest Bourget, a French composer of popular musical chansons and chansonettes comiques. He said in 1847, and he won before the Tribunal de Commerce de la Seine. Martin Kretschmer, The failure of Property Rules in Collective Administration: Rethinking Copyright Societies as Regulatory Instruments, European Intellectual Property Review, 2002 at 2.(Westlaw)
[297] *See* Schonning, *supra* note 133, at 971.
[298] The leaflet released by The Performing Right Society (PRS) March 1993 at 3.

repertoire and the distribution of royalties.[299] Especially, in the light of the requirements arising out of the digital environment, it is necessary to ensure that collecting societies achieve a higher level of rationalization and transparency with regard to compliance with competition rules.[300] They will have to develop into completely neutral intermediaries between two parties in the market, rightowners and users.[301]

On the basis of the exclusive exploitation right the collecting society can place a supplementary copyright on the market.[302] However, the royalty rate must be reasonable compensation for the copyright owner and also reasonable for the user to pay.[303]

It is important to realize that the collecting societies in each country have been established within a particular legal, cultural and economic context. Therefore how is the best system of the societies would consider all factors of context of each country.

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[299] *See* Jehoram, *supra* note 186, at 7.
[300] *Id.*
[301] *See Id*, at 6.
[302] *G. Basset v. Societe des Auteurs, compositeurs et Editeurs de Musiue* (SACEM),[1987] 3 C.M.L.R.173.
[303] *See Id*, *supra* note 283.