

Bills Committee on the Copyright (Amendment) Bill 2011

Implied Licence

Purpose

At the meeting on 5 July 2011, Members of the Bills Committee requested the Administration to elaborate on the concept of implied licence. This request was raised in the context of discussion which touched on whether an implied licence could conceivably be granted to netizens for reproducing or sharing copyright materials that were made available on the Internet by a media company/blogger. This paper provides the information required.

Concept of Implied Licence

2. An implied licence is a licence created by law which can be implied from conduct of the licensor or from trade practice or custom in the absence of an express agreement between the parties. The concept of implied licence originates from contract law to track the implicit intent of the parties for purpose of supplementing their agreement. In the realm of intellectual property, the concept was initially adopted in various patent contexts in order to infuse reasonableness into the enforcement of patent rights. The concept of implied licence has been subsequently adopted by copyright law for similar purposes.

3. The existence or otherwise of an implied copyright licence is fact-specific depending on the circumstances of individual cases. According to case law, a copyright licence may be implied having regard to (a) the relationship between the creator and the user of a copyright work¹; (b) trade practice or custom²; or (c) the conduct of the copyright owner. Under (c), a copyright licence will be implied if viewing the facts objectively, the overall words and conduct of the copyright owner, as made known to the user, indicated that the copyright owner had consented to what the user was doing.³

¹ For instance, if a work is commissioned by a person for certain purposes, even if the copyright is retained by the author or creator, a licence for the contemplated use of the work would be implied in favour of the commissioner in the absence of express terms in the contract. *Beck v. Montana Construction Pty* [1964–5] NSW 229, approved by the UK Court of Appeal in *Blair v. Osborne & Tompkins* [1971] 21 QB 78. Section 15 of the Copyright Ordinance has codified this principle.

² For instance, if a person writes a letter to the editor of a newspaper, there is an implied licence for the newspaper to publish the letter in the absence of any express indication to the contrary. See *Copinger and Skone James on Copyright* Vol. One. Sixteenth Edition, paragraph 26-55 at p.1601.

³ For instance, if an express licence has expired but the licensee continued to pay the royalties in accordance with the terms of the licence, the acceptance of such royalties by the copyright owner without any qualm is a strong indication that the copyright owner consented to treat the expired licence as being still in force. In this circumstance, it is highly likely that there is an implied licence for the said licensee to continue his exploitation of the copyright work in accordance with the terms of the already expired express licence. See *Redwood Music Ltd. v Chappell & Co. Ltd.* [1982] R.P.C. 109.

The Internet and Implied Licence

4. A commonly discussed scenario which may give rise to an implied copyright licence is related to the Internet. A web page is obviously protected by copyright law against unauthorised copying. On the other hand, when a web page is viewed in a web browser, the page is being downloaded through the Internet and placed on a user's screen. It is essential that a copy of the web page be stored or cached in the Internet depository so that it can be made available to the user when he/she clicks the link to the web page. In this connection, it would be inappropriate to hold the following persons liable for copyright infringement: (a) an online service provider who merely caches and provides a link to the web page; or (b) the user who merely views the homepage. Arguably, a content provider in placing his materials on an unrestricted web page intends that his web page be accessed and viewed by others. Thus, it will be logical to contend that such content provider has implicitly granted others permission to link and view his web page.⁴

5. While a copyright owner (e.g. a media company/blogger) may have placed on the Internet his copyright materials for viewing by the public free of charge, it is imprudent to infer that the copyright owner is agreeable to the reproduction of these materials for sharing or discussion in social networking sites or online discussion forums. Users may therefore risk infringing others' copyright by presuming that implied licence is always available to them in all circumstances.⁵

6. Under section 39 of the Copyright Ordinance, it is possible for netizens to reproduce part of a copyright work for the purpose of criticism and review or news reporting without infringing copyright so long as such reproduction is fair in the circumstance. There is no hard and fast rule as to the permissible numeric limit or proportion of the original work reproduced for comments. The court will consider whether (both in its quantity and quality) the reproduction of the underlying work is necessary or reasonably required for the purpose of "review or criticism".⁶ Provided that the reproduction from newspaper articles and blogs are compatible with fair practice, and their extent does not exceed what is required or justified by the purpose, they are permissible under section 39 of the Ordinance.

⁴ In a recent decision, the US district court held that the Plaintiff had granted Google an implied licence to copy and distribute Field's copyright works made available on the Internet by caching and linking them to users. *Field v Google Inc.* 412F, Supp, 2sd 1106 (D. Nev, 2006).

⁵ Users should check whether any express condition of use or licensing is attached to an online material, and if so, it is always prudent for users to comply with such condition. For example, some content providers, e.g. bloggers, nowadays have adopted Creative Commons (CC) licences which allow others to reproduce, distribute or use their online copyright works on certain express terms and conditions. As an example, "if a licensor decides to allow derivative works, she may ... require that anyone who uses the work ... to make that new work available under the same license terms." (source: <http://creativecommons.org/licenses>). Any use of the copyright works licensed under a CC licence in violation of the express terms and conditions of such licence may still attract legal liability.

⁶ *Zamacoise v. Douville and Marchand*, [1943] 3 Fox Pat, C.44 Justice Angers at p. 71.

7. It should also be noted that fair dealing with a copyright work for the purpose of criticism and review or news reporting needs to be accompanied by a sufficient acknowledgment.⁷

8. Many media companies/bloggers nowadays provide options on their websites for netizens to disseminate an article or report to others, e.g. by sharing the link to the article and report on social networking sites such as facebook and twitter. As it has been specified in new section 28A(5) under Clause 13 of the Bill that a person “does not communicate a work to the public if the person does not determine the content of the communication”, forwarding/sharing a link *per se* does not constitute communication of a copyright work to the public. In order to avoid triggering possible copyright issues, netizens may, in appropriate cases, consider forwarding/sharing a link to an article or a blog (with or without comments attached) on an online forum instead of reproducing the work without express permission from the relevant owner.

Conclusion

9. While an implied licence may be a valid defence to copyright infringement claims in appropriate cases, its existence and ambit are indefinite hinging on different facts and circumstances of individual cases. Thus, it would not be advisable for netizens to reproduce copyright materials from the Internet by assuming that potential copyright issues could be addressed by way of an implied licence in all circumstances.

10. Members are invited to note the information presented in this paper.

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⁷ Except for reporting of current events by means of a sound recording, film, broadcast or cable programme.