Digital Content Licensing

Paul D. Callister
University of Illinois, Champaign, Illinois, U.S.A.

INTRODUCTION

Content licensing primarily concerns the licensing of property, which itself consists of certain legal rights. Besides copyright law, content licensing takes places within the context of rights and obligations stemming from an array of local, national, foreign, and international laws. Such law may concern author or creator's ''moral rights,'' ''neighbor rights,'' lender's rights, defamation, privacy, publicity, pornography and obscenity, international trade, exports and technology transfer, privacy, trademark, commercial codes, and employment and contract law, etc.

To understand content licensing, copyright and other law must be juxtaposed with the law governing the formation, interpretation, warranties, and remedy for breach of contract. The issues are complicated by choice of applicable commercial law. While it is always prudent to consult an attorney with respect to negotiating, drafting, and litigating any contract, this is especially true with respect to the technical field of copyright law. Consequently, the topics and issues discussed in this article are for informational purposes only and should not be relied upon in lieu of consultation with competent legal counsel.

WHAT IS A LICENSE?

A license is a contract, not necessarily in writing, in which one party (the licensor) transfers rights to use certain property to a user (the licensee) for some limited period of time or until some event. A permanent transfer of rights is an assignment or sale, even when the licensor retains other related rights (e.g., the transfer of rights to publish in print but not in any electronic medium). With respect to intellectual property, a licensor may, but need not be, the creator, or even the owner, of the work being transferred.

By entering into license agreements, the parties seek to establish a mutually beneficial relationship in which they exchange certain promises or consideration (payment), set forth their respective rights and obligations, and provide for redress in the event of breach (i.e., a failure of one or more of the parties to meet their obligations). Besides license to use property for a given term, the licensee may seek certain warranties (guarantees) from the licensor, that he or she has title or the rights to the content being licensed, and that additional payments or liability to third parties will not result from licensee's use of the property. As used in this article, content licensing refers to license agreements affecting informational content and the software necessary to access that content.

One principal difference between licensing content and purchasing information in a print publication is that the ''first sale'' doctrine generally does not apply.[1] The first sale doctrine cuts off the right of owners to seek additional remuneration each time a work is subsequently sold or lent to another.[2]

WHAT RIGHTS MAY BE ADDRESSED IN A LICENSE AGREEMENT?

Although it may be said that all property consist of rights, in the case of intellectual property,[3] such property owes its existence to rights enumerated in the law, and often by statute. With respect to digital content, copyright law constitutes the principal source of such rights.[4] The rights creating property interests subject to licensing the rights may potentially originate in law promulgating copyright, neighboring rights, moral rights, and electronic rights, etc. Several of these respective sources of intellectual property rights frequently addressed in content licensing agreements are considered below.

Copyright Law

In the United States, such rights are found in Title 17 of the United States Code (USC) § 106 and include rights to:

i. reproduction;
ii. adaptation (or ''derivative works'');
iii. distribution (including ''sale or other transfer of ownership, or by rental, lease, or lending'');
iv. public performance (limited to ''literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works'');
v. public display (limited to ''literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the

DOI: 10.1081/E-ELIS 120008955

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individual images of a motion picture or other audiovisual work''); and

vi. digital audio transmission (limited to sound recordings).

In addition, 17 USC § 201 (c), sets forth rights of publishers of ''collective works'' in relation to the rights of contributing authors. Specifically, publishers of collective works have the right to publish contributed articles in ''revisions'' of the original collected work (e.g., a second edition of the same encyclopedia) and in any ''later collective work in the same series'' (e.g., a subsequent reprint of an article in the *same* journal). In the European Union, an EU Directive has been proposed to provide protections for publishers of databases.[5]

Enumerated rights such as expressed in U.S. federal copyright law form the basis for property rights assigned pursuant to licensing agreements. Similar rights may also be found in the common law of the various U.S. states and the law of foreign nations. Each of these rights may serve as the basis for an assignable property right and may further be limited in seemingly infinite variations by terms set forth in the licensing agreement (by time, jurisdiction, medium, types of uses, etc.).

Neighboring Rights

Besides copyright law, additional rights affecting licensing agreements stem from other law including state law and the laws of foreign nations. For instance, in many civil law jurisdictions such as France (and in California, alone among U.S. jurisdictions) neighboring rights (*droit de suite*), or rights designed to compensate artists for subsequent resale and reproduction of their works (traditionally, the law presumed that the reproduction rights to the works of fine artists had been transferred to the buyer of that painting, sculpture, etc., whereas the rights to literary works had not).[6] In California, *droit de suite* is applied through the California Resale Royalties Act.[7] The Berne Convention, which was adopted by the United States in 1989, recognizes *droit de suite*. Unlike many other rights protected by the treaty, *droit de suite* requires that an author's country recognize the right. In addition the convention's provision recognizing the right may not be ''self executing'' under U.S. law (i.e., applicable without enabling legislation).[8]

As a result of neighboring rights, licensees often seek express warranties in licensing agreements whereby the licensor warrants that he or she not only has the right to lease or title to the licensed property, but that licensed use (or acquisition) of such property by the licensee (or purchaser) will not result in liability as the result of neighboring rights that any third (noncontracting) party may have. In addition, licensees often require an indemnification clause in the agreement whereby the licensor agrees to fully compensate the licensee as a result of liability to third parties.

Moral Rights

In many countries, under the Berne Convention, and to some extent in the United States, but only with respect to visual artists, there is a distinctive category of rights known as ''moral rights'' or *le droit moral*. This bundle of rights varies by legal jurisdiction, but can generally be enumerated:

i. attribution or paternity (including the rights to be identified as the author, free from false attribution, and publish anonymously or pseudonymous);
ii. integrity (to prevent derogatory substantive changes to the work);
iii. disclosure (or nondisclosure), reconsideration, and withdrawal (from circulation); and
iv. association (or disassociation of the work from products or institutions distasteful to the author or artist).[9]

In many jurisdictions, moral rights are noneconomic rights. Whether or not such rights in property can be alienated, waived, or survive their authors and creators depends upon the law of the jurisdiction being applied. The Berne Convention recognizes rights of attribution and integrity, but it leaves it up to signatory members how to protect such rights. Furthermore, the convention does not require such rights to be inalienable, ''unwaivable,'' or to survive the death of the author or creator.[10] Under the convention, foreign authors and artists enjoy the same rights as native citizens in nations adhering to the convention.

Under the U.S. Visual Artists Rights Acts of 1990, now 17 USC § 106A, moral rights are addressed with respect to ''visual art,'' but only with respect to rights of attribution and integrity. In additional to U.S. federal law, several states have adopted moral rights, but to the extent such rights concern the attribution and integrity rights of visual artists, state law is preempted by the federal statute.[10]

France and Germany each represent yet two different conceptions of moral rights (in addition to the U.S. viewpoint). In France, moral rights are separate from economic rights, and consequently, cannot be alienated and have no set term. In Germany, the duality of rights (economic and moral) is not recognized. Rather the approach is to prohibit the complete assignment or transfer of rights and the term of the rights are set by statute.[11]

The impact of moral rights on licensing agreements, to some extent, depends upon whether such rights may be

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waived, assigned, or limited under applicable law. Regardless of the validity of such limitations, however, licensees seek warranties that the licensor has not infringed upon any third party's rights and that the intended use per the agreement will not infringe upon such rights. In addition, the licensor may seek similar assurances that the licensee will not infringe upon any third party's moral rights (e.g., by removing attribution information, etc.). Per an indemnification clause, each party may also seek compensation for any liability resulting from infringements by the other.

E-Rights

With the development of the Internet and other information technologies, some have questioned whether ''e-rights'' constituted a new class of rights. While the U.S. Supreme Court decision in *New York Times v. Tasini* found that e-rights (in that case rights to republish the work of free-lance journalists in a searchable database) do not automatically vest with print publishers, a closer reading reveals the real issue decided by the court was whether, in that instance, the electronic database constituted a revision of the earlier collective, print work (which would favor the publisher, as an exception to infringement for ''collective works'' under 17 USC § 201(c)) or a new work (which would favor the freelance journalists). Under 17 USC § 201(c), publishers of ''collective works'' acquire the right to reproduce and distribute a ''particular collective work, any revision of that collective work, and any later collective work in the same series.'' The Supreme Court found that the database, which included many collective works (and not just a digital version of the original collective work) and provided access to each freelance article individually and separately was indeed a new work.[12] Thus, the issue is not whether e-rights are distinctive, but whether a database is considered a ''revision'' or other exception for publishers of previous collective works under 17 USC § 201(c).

E-rights, to the extent that they represent rights in media created by new technologies, serve as a reminder of the importance of carefully identifying (with the assistance of competent legal counsel) what rights are subject to a licensing or assignment agreement. Careful attention needs to be given to new and unforeseen media that may result from new technologies. It follows that the greater the breadth of rights being licensed or assigned, the greater the compensation that may be expected. To assure the rights are being discretely bargained for, and thus do not include nonenumerated rights, each right or use should be identified with corresponding consideration, and a statement as to who holds the unnamed rights (including rights in any new media) should be included.[13]

APPLICATION OF COMMERCIAL LAW

In addition to law governing the creation of intellectual property rights (such as copyright), licensing transactions are governed by commercial law (i.e., law governing contracts). Other law may apply such as consumer protection statutes, labor relations codes, professional codes of conduct, bankruptcy and debtor–creditor law, trade law. Because it is generally in the interest of commercial transactions to promote predictability and uniformity, uniform and model commercial codes are important as sources for law governing licensing transactions.

What Law Applies

In the United States, state law largely governs contract and commercial law through a series of uniform acts known as the Uniform Commercial Code (UCC) promulgated by the National Conference of Commissioners of Uniform State Laws. For the transactions involving ''computer information,'' a special uniform or model act was prepared in 1999, with amendments in 2001, known as the Uniform Computer Information Transactions Act (UCITA). As of late 2002, only Maryland and Virginia had adopted the act.[14] The act is controversial, and Iowa, North Carolina, West Virginia, and New York have passed or introduced legislation refusing to apply UCITA to contracts with its citizens.[15] In addition, a committee of the ABA has recommended that UCITA be rewritten.[16] In spite of UCITA's turbulent beginnings, given the need for a uniform law and the impact of the UCC, not only in the United States, but on commercial codes throughout the world, UCITA (or its progeny) may yet become an important source for the construction and interpretation of digital licensing agreements throughout the world. If nothing else, UCITA represents an important effort to address the multitude of issues pertaining to content licensing and computer information transactions.

To the extent that a U.S. state has not adopted UCITA, then often UCC Article 2 applies. In varying degrees, state courts in California, Connecticut, Florida, Kansas, Illinois, Massachusetts, Michigan, Nebraska, New Hampshire, New York, Pennsylvania, Tennessee, and Wisconsin have applied UCC Article 2 to computer software licenses.[17] In addition, federal courts in Indiana (applying New Hampshire UCC law), New Jersey, and Oklahoma have interpreted their respective state's law to apply UCC Article 2.[18] Because many software licenses involve the licensing of both goods (the software product) and services (technical, customer support, and client-specific programming), many courts weigh whether the services or the goods predominate.[19] The question of whether software has been designed as a service (to which UCC Article 2 has been found not apply)[20] or whether it

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is a product customized for a particular user or includes installation and other services (to which the UCC has been applied)[21] is one that requires careful weighing of all the pertinent facts. In addition to UCC Article 2, Article 2A, governing leases has been adopted in 49 states and the District of Columbia. The sole state yet to adopt Article 2A currently has a bill before its legislature to review it.[22] Because of the similarity of leases to licenses in terms of transfers of rights or use and possession, but not ownership, one legal expert predicts that UCC Article 2A will become the dominant law governing content licensing agreements (if UCITA is widely adopted).[23]

In August of 2002, proposals to amend Articles 2 and 2A of the UCC to exclude ''information'' from the definition of ''goods'' were submitted to the National Conference of Commissioners of Uniform State Laws.[24] This would mean that neither Article 2 nor 2A would apply to most information transactions. However, given the historical resistance of UCC Article 2 to amendment, the fate of these proposals is uncertain. It is even less certain that all of the U.S. states would enact the proposed amendments.

At present there is no treaty or convention expressly addressing computer information transactions in the same manner as UCITA. The European Union's EC Legal Advisory Board has expressed considerable hesitation and reluctance to fashion their own law after UCITA. Principally, concern has been expressed over whether UCITA, even if adopted, will be done so on a uniform basis because of some of its controversial provisions and approach: acceptance of click-wrap agreements (via electronic agents), choice of law, focus on software (rather than other forms of intellectual property), and the acceptance of denial of access and electronic self-help as remedies for breach.[25]

The UNCITRAL Model Law on Electronic Commerce addresses admissibility of electronic documents, electronic signatures, and ''data messages'' pertaining to the sale of goods, but not on the licensing of copyright. Another law that may apply is the Convention on Contracts for the International Sale of Goods (CCISG) (however, unlike the UCC, the convention does not apply to ''goods purchased for consumer purposes'' meaning for ''personal, family, or household use'').[26] In addition the European Directive on Unfair Terms in Consumer Contracts,[27] European Data Directive, and the European Directive on Legal Protection of Databases may also apply.

Writing Requirement and Requirements of Formation

Under UCITA § 201, the licensing of digital rights for transactions involving payment of more than $5000 generally requires written agreement. With respect to transfers in ownership, U.S. federal copyright law under 17 USC § 204(a) requires written contracts. UCITA § 201 provides for exceptions to the written requirement, which exceptions are common to commercial contract law. Generally, no writing is need when

i. the contract with less than a one-year term;
ii. performance has been tendered and accepted;
iii. such agreement has been admitted under oath; or
iv. written confirmation of a contract is received between merchants and no objection is made within a reasonable time.

In addition to the requirement that certain contracts be in writing, there are other requirements to the formation of a valid license agreement:

i. parties intent and basis for remedy;[28]
ii. agreement as to material terms;[28] or
iii. when applicable, a valid offer and acceptance.[28]

Official Comment 5 of UCITA § 202 clarifies that if there is disagreement as to the ''scope'' of the license, there is no contract.

Because of the utilization of ''shrink-wrap'' and ''click-wrap'' agreements'' (i.e., agreements that are accepted by clicking ''yes'' on prompted display of a license agreement as part of the loading or use of software or a computer service), UCITA devotes considerable attention to the use of ''electronic agents'' to manifest acceptance of an agreement. Sections 107, 112, 207 and 208, recognize shrink- or click-wrap agreements. Click-wrap agreements are recognized through electronic agents, which are defined under § 102(a)(27) as ''a computer program, or electronic or other automated means, used independently to initiate an action, or to respond to electronic messages or performances, on the person's behalf without review or action by an individual at the time of the action or response to the messages or performance.'' In other words, it is possible to manifest assent or acceptance of an agreement through automated means without written signature. An example of acceptance by electronic agent is found in Official Comment 4 of UCITA § 206: ''Officer dials the telephone information system using the company credit card. A computerized voice states: 'If you would like us to dial your number, press 1; there will be an additional charge of $1.00....'''

Shrink-wrap or click-wrap agreements are permitted under UCITA §§ 107 and 208 under the following conditions:

1. The parties had reason to know at the outset that terms would be proposed for later agreement.

2. There is an opportunity to review the terms before assent is given (this may be after payment is tendered).
3. There will be assent involving acts or inaction taken with reason to know that it will create an inference of assent.
4. If the party does not assent, it has a right to a return and refund of any price paid, which right is cost free in a mass-market case.
5. In a mass-market case, the terms are produced and assented to at or before the time of initial use of the software.[29]

Notwithstanding, the validity of shrink-wrap and click-wrap agreements or acceptance by electronic agents, UCITA § 206(a) does grant courts discretion to fashion a remedy where the acceptance resulted from ''fraud, electronic mistake, or the like.''

Some state consumer protection statutes necessitate that particular terms be initialed or that the consumer be able to keep a copy of an electronic record of the contract. UCITA does not alter these requirements and provides that required assent to required terms can also be manifest through ''electronic initials.'' See Official Comment 5 of UCITA § 105. State consumer laws enjoy special status (for preempting terms of licensing agreements) under UCITA.

Other law may also recognize shrink- or click-wrap agreements. While UCC § 2-204(1) provides that ''a contract for sale of goods may be made in any manner sufficient to show agreement, including conduct by both parties which recognizes the existence of such a contract...,'' U.S. courts are divided as to whether shrink-wrap agreements are enforceable.[30] UCC § 2A-204(1), governing leases, contains an almost identical provision to article 2. The CCISG permits electronic agreements (without a writing) unless one of the contracting states specifically mandates a writing requirement by excluding the applicable provision of the convention.[31]

Enforceability of Contractual Terms Against a Fundamental Public Policy or Conflicting with Other Law

A license agreement (or other contract) in which any term ''violates a fundamental public policy'' may result in the court finding that the contract is unenforceable or limit enforcement to the remainder of the contract.[32] In Official Comment 3 to UCITA § 205, a ''shrink-wrap license'' prohibiting the licensee from ever criticizing the software is seen as problematic.[33] On the other hand it is expressly noted that such a provision might be accepted in a negotiated license where the license pertained to software in the early stages of development, which had not been released to the general marketplace. In addition, courts may refuse to enforce or limit the enforcement of contracts or terms that are unconscionable (generally terms that are very ''one-sided'').

In addition to consideration of public policy, UCITA provides for the preemption of federal law and state consumer protection statutes.[34] Other state law does not preempt private license agreements (unless explicitly considered by the state when it enacts UCITA). This is important because copyright and other rights contained in state law, which may be broader than federal copyright law, consequently do not preempt contractual agreements under UCITA.

Of particular concern is whether licensors of digital content can extend their rights that would otherwise be limited with respect to applicable federal copyright law (state law, except for consumer law, is granted a lesser standing to preempt terms of the license agreement under UCITA § 105). The act attempts to balance a fundamental policy of contract law to enforce contractual agreements with ''public interest in assuring that information in the public domain is free for all to use from the public domain and in providing access to information for public purposes such as education, research, and fair comment.''[35] Having said this, there is no question, that UCITA fundamentally advocates the enforceability of license agreements. ''[I]t is clear that limitations on the information property rights of owners that may exist in a copyright regime, where rights are good against third parties, may be inappropriate in a contractual setting where the courts should be reluctant to set aside the terms of a contract.''[35] Indeed, courts are particularly reluctant to set aside negotiated (as opposed to ''mass-market,'' ''shrink-'' or ''clip-wrap'' agreements).[36]

With respect to ''mass market'' transactions, Official Comment 3 of UCITA § 105 suggests that license terms prohibiting the making of multiple copies, use of information for commercial purposes, limiting the number of authorized users, or modification of the software or content are generally enforceable.[37] However, terms in a ''mass market'' agreement that prohibit persons from observing the visible operations or characteristics of software and using the observations to develop noninfringing commercial products, that prohibit quotation of limited material for purposes of education or criticism, or that preclude a nonprofit library licensee from making an archival (backup) copy would ordinarily be invalid in the absence of a showing of significant commercial need.[37] Additional provisions are suggested for the circumvention of technical measures protecting copyright for purposes of checking security and to provide for the ''interoperability of computer programs.'' Finally, ''to the extent that Congress has established policies on fair use, those

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can be taken into consideration under (UCITA § 105).'' Consequently, policy articulated in the legislative history of the fair use provisions of 17 USC § 107 may have bearing on the enforceability of terms in license agreements that otherwise restrict the application of ''fair use.''

Like UCITA, UCC article 2 has a section addressing ''unconscionable contracts.''[38] It does not, however, have a specific section addressing conflict with fundamental public policies or consumer protection statutes. However, the UCC does not necessarily restrict claims of aggrieved party to breach of contract under the UCC. For example, it is possible to bring a claim for breach of warranty under the UCC in the same action as claims based upon violation of a consumer protection statute provided that the consumer protection claim is not simply a restatement of the breach of warranty claim.[39] Similarly to UCITA, UCC article 2A, governing leasing, and now adopted in 49 states, addresses consumer protection statutes but not conflicts with ''fundamental public policy.''[40] Article 2A also addresses ''unconscionable'' leases and terms.[40] The CCISG, unless otherwise noted therein, expressly does not address the ''validity of the contract or any of its provisions....'' Consequently, enforceability of terms that may be in violation of a fundamental public policy or unconscionable is a matter to be determined under national or local law pursuant to choice of law rules.

Choice of Law and Forum

Choice of law and forum matter because the outcome of a particular dispute may rest on the discrepancies of the law between jurisdictions. Under UCITA § 109, the law governing any agreement is generally the law selected by the parties per the agreement. However, this does not apply to ''consumer contracts'' (i.e., between a licensed merchant and consumer) to the extent that this would affect the application of any state law (such as consumer law) pursuant to choice of law rules under UCITA (assuming the absence of agreement as to choice of law).

If the parties have not specified what law applies by agreement, then the law of the licensor's jurisdiction applies if the contract called for electronic delivery of the product or information, and the law of the licensee's jurisdiction applies if a delivery was designated by a tangible medium. In any other instance, the law of the jurisdiction with the ''most significant relationship to the transaction applies.'' As a final caveat, for an international transaction in which choice of law has not been determined per the agreement, the law of a jurisdiction outside the United States only applies if a party located in the United States would have ''substantially similar protections and rights'' to those found under UCITA. As indicated in Official Comment 5, this does not mean ''merely that the foreign law is different,'' but rather the ''differences must be substantial and adverse.'' Under UCITA § 110, choice of forum, the place where litigation of a dispute will take place, is also left up to the parties unless the choice is ''unreasonable and unjust.'' Official Comment 3 indicates:

> Terms may be unreasonable in that they have no commercial purpose or justification and their impact may be unjust if the term unfairly harms the other party. On the other hand, an agreed choice of forum based on a valid commercial purpose is not invalid simply because it adversely affects one party, even if the bargaining power was unusual.

In essence, valid commercial purposes, such as a party's location, will justify choice of a particular forum.

UCC Article 2 applies Article 1, § 1-301, to determine choice of law. Like UCITA, the UCC distinguishes consumer from other types of transactions, but otherwise gives deference to the choice of the parties regardless of whether the jurisdiction selected has a ''reasonable relation'' to the transaction. However, for consumer transactions, the selected jurisdiction must bear a ''reasonable relation'' to the transaction, and may not deprive a consumer of any protection under their applicable consumer protection law. Regardless of whether the transaction is a consumer transaction, per § 1-301, a choice of law clause is ''not effective to the extent that application of the law of the State or country designated would be contrary to a fundamental policy of the State or country'' whose law would otherwise apply.

In UCC Article 2A, which may become the preferred uniform law for interpreting content licenses (in the absence of UCITA), choice of law and forum clauses for consumer leases are limited:

1) If the law chosen by the parties to a consumer lease is that of a jurisdiction other than a jurisdiction in which the lessee resides at the time the lease agreement becomes enforceable or within 30 days thereafter or in which the goods are to be used, the choice is not enforceable.
2) If the judicial forum chosen by the parties to a consumer lease is a forum that would not otherwise have jurisdiction over the lessee, the choice is not enforceable.[39]

Consequently, under either UCC Article 2 or 2A, applicable consumer law of the party who is a consumer will generally always apply. Indeed, under Article 2A, the law of the party who is a consumer will always apply.

Although only applying to commercial (and not consumer) transaction, the CCISG, applies if both of the parties (which must be in different countries) are located in contracting states (to the CCISG), or if the law of a

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contracting state applies through choice of law rules.[41] Having said this, parties may, per the agreement, elect out of the application of the convention.[42] Since the convention neither applies to consumer transactions nor addresses the validity or enforceability of contractual terms,[43] choice of law rules of the jurisdiction where the dispute is adjudicated have to be applied for many issues relating to international transactions. For U.S. courts, choice of law questions are increasingly decided based upon ''significant relationship'' of the jurisdiction to the transaction (even if the UCC is not considered). Certain factual contacts are weighed to determine if such a relationship exists:

- place of contracting;
- place of negotiation of contracts;
- place of performance;
- location of subject matter of the contract;
- domicile, residence, nationality, place of incorporation, and place of business of the parties.[44]

In addition several policy considerations are weighed:

- maintenance of interstate and international order;
- relevant policies and government interests of the forum;
- relevant policies of other interested states;
- relevant interests of those states in the determination of the particular issue;
- protection of justified expectations (of the parties);
- basic policies underlying the particular field of law;
- certainty, predictability and uniformity of result;
- simplification of the judicial task;
- application of the better rule of law.[45]

For EU countries, the issue of choice of law is governed by the Convention on the Law Applicable to Contract Obligations (adopted in 1960), which generally honors the choice of the contracting parties.[46] If no choice has been made by the parties, the law of the country ''most closely connected'' which usually defaults to the domicile or place of business of the party ''who is to effect the performance (i.e., deliver the licensed product).''[46] Once again exception is made for consumer contracts.[46]

Warranties

Warranties are additional promises made by the parties usually pertaining to ownership of or rights to the property being licensed, capacity to contract, outstanding claims for infringement, etc. Warranties may be specified by contract, but there are always certain warranties addressed in the applicable governing law on contracts. Under UCITA § 401(a), a licensor, who is ''a merchant regularly dealing in information of the kind warrants that the information will be delivered free of the rightful claim of any third person by way of infringement or misappropriation. . ..'' For other licensors (although also applying to merchants who deal in information), the warranty is limited: ''no person holds a rightful claim to, or interest in, the information which arose from an act or omission of the licensor, other than a claim by way of infringement or misappropriation, which will interfere with the licensee's enjoyment of its interest. . ..''[47] Additional warranties (that the information is not in the public domain and that no other party shares in rights to the information) are made in the event that an exclusive license is granted.[48] Warranties are not made with respect to the infringement of rights pertaining to collective administration (e.g., rights obtained through collective bargaining), compulsory rights (certain limitations on copyright under U.S. law),[49] or rights originating under foreign law (provided that the such warranties may cover such rights if expressly provided for in the agreement and the rights originate in countries with ''intellectual property rights treaties'' with the United States).[50]

The warranties set forth in UCITA § 401 can be waived or modified by agreement, but only if by ''specific language or by circumstances that give licensee reason to know that the licensor does not warrant that competing claims do not exist or that the licensor purports to grant only the rights it may have.''[51] In an electronic or automated transaction, the language has to be ''conspicuous.''[52] Merchants have the option of ''quitclaiming'' rights without any warranty.[53]

UCITA also applies for express warranties (additional promises made by the licensor)[54] and, with respect to software, an implied warranty of merchantability (i.e., ''fit for the ordinary purposes for which such computer programs are used'').[55]

For content licensing agreements, a key issue is always whether there is a warranty as to the accuracy of information. UCITA § 404 distinguishes between licensors who are merchants ''in a special relationship of reliance with the licensee'' who collect and compile previously non-published information and other kinds of licensors (editors or ''conduits'' for informational content). Essentially, the former are required to exercise ''reasonable care.'' In determining whether a ''special relationship of reliance'' exists, several requirements are articulated in the Official Comments to § 404, which comments attempt to capture doctrines already set forth in U.S. case law:

- licensor ''possess unique or specialized expertise,''
- licensor is in a ''position of confidence and trust with the licensee such that reliance on the inaccurate information is justified,''

- licensor is in the business of providing the type of information subject to the transaction,
- information is personally tailored to the licensee.[56]

In addition, to the UCITA warranties for accuracy, other duties may be imposed on professionals (lawyers, physicians, etc.) based upon the law of the respective jurisdictions of their practice. The exclusion from warranty under § 404(b)(1) is for ''published informational content,'' which is ''informational content made available to the public as a whole or to a range of subscribers on standardized, not a personally tailored, basis.''[57] The policy behind this exclusion is discussed on Official Comment 3.b.

> Published informational content is the subject matter of general commerce in ideas, political, economic, entertainment or the like, whose distribution engages fundamental public policy interests in supporting and not chilling this distribution by creating liability risks. This Act treats published informational content that is computer information analogously to print newspapers or books which are not exposed to contractual liability risks based on mere inaccuracy; treating the computer informational content differently would reject the wisdom of prior law. Creating greater liability risk in contract would place an undue burden on the free flow of information.

Once again, UCITA attempts to capture existing law as defined in the courts.[57]

In addition to warranties concerning noninfringement, express warranties, and accuracy of information, UCITA also addresses implied warranties for compatibility with computer systems dependent upon whether the licensor ''has reason to know any particular purpose for which the computer information is required.''[58]

Like UCITA, both UCC articles 2 and 2A provide for warranties from infringement,[59] express warranties,[58] and implied warranties of merchantability.[58] Instead of providing for an implied warranty addressing system integration, UCC articles 2 and 2A each have an implied warranty for a ''particular purpose.''[60] However, there is a material difference with respect to UCC articles 2 and 2A pertaining to warranties from infringement. Generally, article 2 just warrants ''rightful'' title, and freedom from security interests, encumbrances and liens.[60] Article 2A, pertaining to leases, grants freedom from interference with enjoyment (otherwise known as ''the warranty of quiet enjoyment'') resulting from an ''act or omission of the lessor. . ..''[60] Article 2A, in fact, reinstates the quiet enjoyment warranty that was removed from the UCC.[60] The distinction is that ''quiet enjoyment'' includes the right to *use* and possess property with out infringing upon third parties, whereas good title only refers to infringement as a result of the transfer of ownership (e.g., a transfer of title to a car may legitimately transfer ownership without guaranteeing that the car may be driven on state roads). This is a clear instance in which UCC Article 2A favors licensees. One can imagine litigation over whether Article 2A should apply to a transaction because the licensee argues that a particular use of the licensed information is covered under § 2A-211's warranty of enjoyment. Like UCC Article 2, the CCISG requires transfer of good title (for intellectual property this warranty is limited to infringements of which the licensor knew or should have known),[61] but there is no reference to a warranty for quiet enjoyment.

Like UCC Article 2A, UCITA warrants the ''enjoyment'' of the interest ''which arose from an act or omission of the licensor. . ..''[62] Merchants who ''regularly deal in information'' have an unrestricted warranty of delivery that is free of third party claims for infringement or misappropriation (i.e., the infringement does not have to result from acts or omissions of the licensor). However, this higher standard for certain merchants does not encompass warranties of quiet enjoyment (which, for such merchants, still requires acts or omissions on their part).[62]

However, since UCITA does not limit the warranty on merchants who ''regularly deal in information'' to their infringements resulting from *their own acts and omissions*, it provides better protection in some instances for licensees than Article 2A, but without explicit reference to enjoyment. Consequently, whether UCITA, the CCISG, UCC Article 2, or UCC Article 2A applies can have significant impact on the outcome of a dispute.

To illustrate this difference, imagine that a business subscribes to a database of fine art images from a commercial vendor who regularly sells databases of images from art museums and galleries. The license agreement says nothing about permissible uses of the images, and the initial subscription or access to images does not constitute infringement. The subscribing business uses an image as a background for the Web pages of its website. The owner of the image, a museum, informs the subscribing business that it is infringing on the museum's rights by using the image on its website. Apparently, the museum had licensed the images to the database vendor for educational purposes only, and the vendor was expressly obligated under its agreement with the museum to place a statement as to the educational limitation in any sublicense agreements, such as the one with the business (but failed to do so). The subscribing business to the database seeks redress from the database vendor for breach of implied warranty. Under UCITA § 401(b) and UCC § 2A-211(a), the database vendor may be held in breach of his warranty for quiet enjoyment. However, under both UCC § 2-312 and the CCISG Article 42, the database vendor is only in breach if it doesn't have good title, and it

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is unclear in this instance whether the database vendor's failure to notify the subscribing business of any limitations for ''educational purpose'' constitutes failure of good title, especially since there are other permissible uses for the database. Since this section of UCC article 2 has been applied to software,[63] a legitimate issue is raised as to the potential for disparate treatment under the different uniform laws. This disparity may lead to ''forum shopping'' and greater use of contractual provisions that select the applicable law.

Remedies—Electronic Self-Help and Denial of Access

Although UCITA generally avoids functioning as a consumer protection statute, it does completely ban the licensor's use of electronic disabling devices or ''self-help'' with respect to ''mass-market'' transactions (in the event of cancellation of the license).[64] However, ''mass-market'' transactions expressly do not include site licenses or access contracts.[64] Termination of access for access contracts is permissible upon ''material breach'' of the agreement or ''if the agreement so provides'' without any other limitation under UCITA.[63] For non-mass-market transactions, UCITA requires that the parties separately manifest assent to such a provision and provide 15-day notice of breach of the agreement to the licensee and the licensor's intent to use ''self-help.''[64] In addition, electronic self-help is prohibited if the ''licensor has reason to known that its use will result in substantial injury or harm to the public health or safety or grave harm to the public interest substantially affecting third persons not involved in the dispute.''[64] Licensees may recover damages for wrongful ''self-help,'' including consequential damages, and regardless of whether the license agreement excludes such damages if the licensee provides notice of the potential damages.[64] In addition to self-help, other remedies are available under UCITA including damages, cancellation, withholding payments, discontinuing access (for access contracts), repossession of all copies of the licensed information, etc.[64]

UCITA's use of electronic ''self-help'' is really a reflection of UCC Article 9, pertaining to secured transactions, specifically the repossession of collateral.[65] However, no analogous provision exists in UCC Article 2 or 2A or the CCISG. The propriety of such action is uncertain under case law. For example, a Minnesota case on the subject discusses claims (or counter-claims) against those invoking electronic deactivation of software,[66] which claims (although unsuccessfully) incorporated a variety of legal theories including fraud, RICO conspiracy, extortion, consumer debt protection statutes, trespass, nuisance, federal wiretapping statute, the Electronic Communications Decency Act, breach of contract, fraud and theft.[67] In another case (although unpublished), claims based upon breach of warranty and the Computer Fraud and Abuse Act (CFAA)[68] survived a summary judgment motion to dismiss.[69] Subsequent case law ruled that the CFAA applies not just to hackers but to computer manufactures as well.[70] In yet another instance, a ''drop dead'' software device was found ''void as a matter of public policy.''[71]

Without the blessing of a uniform law such as UCITA, utilization of electronic self-help remedies such software deactivation and ''drop dead'' devices may subject licensors to liability. Even with UCITA, a significant legal issue is raised as to whether federal statutes such as CFAA or state or federal consumer protection statutes are superseded by UCITA with respect to electronic self-help.

As a kind of self-help remedy, termination of access, as provided for under UCITA § 814, does not have the same stringent requirements for exercise as electronic measures imbeded in software under UCITA § 816. However, even the exercise of this remedy may be problematic if it conflicts with federal statutes or state consumer law.[72] Nonetheless, the apparent greater latitude available for the termination of access remedy, may propel vendors into exclusively providing content via online services.

CONCLUSION

Content licensing is a complex legal subject necessitating review of the applicable law both creating intellectual property rights and governing contractual agreements and licensing. In addition, consumer protection and other law may impact the transaction. Because of the nature of information transactions to involve a wide array of jurisdictions, choice of law has to be carefully considered with respect to international, foreign, and domestic (both state and federal) law. As yet an additional layer of complexity, the promulgation of a uniform law governing computer information transactions known as UCITA, has evoked widespread opposition, and significant disharmony among jurisdictions. Nonetheless, UCC Articles 2 and 2A (and potentially, on a limited basis, the CCISG) may, on an increasing basis, fill the some of the void (particularly Article 2A, governing leases) left by UCITA, assuming it fails and that UCC Articles 2 and 2A are not amended to exclude information transactions.

Principal among the issues addressed by the various commercial codes and conventions are issues of formation, unenforceability, warranties, and available remedies in the event of breach. Particularly noteworthy (and worthy of scrutiny) are the attempts of such uniform laws to resolve issues surrounding shrink-wrap, click-

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wrap, and mass-market transactions and the validity of provisions conflicting with copyright law (including the interest of the public in ‘‘fair use’’); other state and foreign intellectual property rights (which may be broader than, for instance, U.S. federal law); and state consumer laws. In addition, the enforceability and desirability of choice of law and forum provisions, the scope and validity of both implied and explicit warranties, and the potential for abuse and disruption potentially caused by remedies such as denial of access and electronic self-help through means such as disabling devices in software need to be resolved.

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270 Madison Avenue, New York, New York 10016