Implied License Doctrine in Copyright Law: A Typological Framework

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I. Introduction

In property law, the transfer of the possession of movable property and the registration system of real estate can demonstrate the transfer of property ownership. However, intellectual property, including copyright, is intangible. The ownership of copyright cannot be inferred from the possession of the material object in which the work is embodied because the ownership of copyright is distinct from the ownership of the material object. Thus, to enhance the predictability and certainty of copyright ownership, including exclusive licenses of copyrighted works, a signed document is required in many jurisdictions. Nonexclusive licenses, however, carry no such requirements and can be granted via oral expression or implied from conduct. The point of the leading copyright treaties that “a nonexclusive license may be granted via oral expression or implied from conduct” has been cited in many US copyright cases. In this sense, an implied license addresses a gap in copyright law.

Traditionally, the implied license doctrine is considered an element of contract law, as a license is usually implied in a contractual context in judicial practice. In recent years, this doctrine has been used to address copyright issues of caching and indexing of copyright works by a search engine. Courts clearly contend that a license to cache and index copyright works can be inferred from the failure of copyright owners to make software settings to block from being searched by a search engine before posting works online. This default of an implied license is not consistent with the general presumption in intellectual property law of infringement where there is any use of copyrighted works without explicit permission. Robert Merges has characterized this new default as an opt-out system of the implied license doctrine. Commentators further propose that socially desirable operations of the Internet, including indexing, linking, browsing, transmission of digital contents, and even aggregation, should fall within the purview of the implied licensing system. The doctrine thus has a broader meaning and application now than previously, able to encompass diverse circumstances.

However, most research does not present an integrative review of the doctrine, resulting in ambiguity regarding its application. The manner in which a copyright license is implied may be instrumental in clarifying its conceptualization, which can be further detailed by setting out types of implied licenses. There are the two kinds of typology: empirical and normative. Little research has explored the normative types of implied licenses. This article proposes such a typological framework. Part II of this article will unpacks the theory of types,
section III will explore the function of the doctrine, based on which, part IV will define three normative types of the implied license doctrine: the opt-in system, the opt-out system and the non-option system. Part V will then summarize the key elements of the doctrine as derived from the existing cases to further define the framework as a flexible system with a greater degree of certainty.

II. The theory of types

The implied license doctrine is an abstract concept. Much ink has been spilled over the doctrine as viewed through various lenses, yet it remains difficult to sketch the precise contours of “the most confused and uncertain”\(^1\) doctrine. One approach states that an implied license is traditionally characterized as “merely an agreement not to sue the licensee for copyright infringement.”\(^2\) A critically opposite point of view regards it as a unilateral permission that transforms the “duty of non-interference” of the putative licensee to a “privilege to use.”\(^3\) Following this Hohfeldian analytical approach, the unilateral permission is described by Mysoor\(^4\) in further detail by a set of operative facts, including the positive act, the neutral act, and the knowledge of the copyright owner.\(^5\) The evolving function of the implied license doctrine has also been outlined as an open-ended standard that can infuse copyright policy considerations into copyright law.\(^6\) While none of the above-mentioned perceptions seems wholly untenable in a specific context, the implied license doctrine is so flexible that any single conceptual framework is insufficient to apply in all cases.\(^7\)

Logically, an abstract concept tends to be defined by a limited number of isolating characteristics.\(^8\) Only the facts that fully satisfy those characteristics will be covered under the concept.\(^9\) Whether the concept is applicable to specific facts is thus an either-or proposition,\(^10\) only when the specific facts are duly in compliance with the concept can the concept be applied. Due to its prescription of included characteristics, an abstract concept is typically described as “closed.” This is a double-edged sword, as on the one hand, it contributes to legal certainty and stability, but on the other, the constantly emerging actualities of life present great challenges to lawmakers and judges attempting to apply the closed concept. This challenge is clear in the copyright regime due to constant advancements in technology.\(^11\) An apt illustration of the narrowly defined concept of the implied license doctrine is the three-factor test proposed by US courts. The three factors of the test are request, creation and delivery, and intent. These apply to situations wherein a licensee “created a work at the licensor’s request and handed it over, intending that the licensor copy

10 See RAYMOND, supra note 6 § 10:1.
11 See 3 MELVILLE, supra note 4, § 10.01[C] [5]. Also see e.g., Allen-Myland, Inc. v. International Business Machines Corp., 746 F. Supp. 520 (E.D. Pa. 1990); N.A.D.A. Services Corp. v. Business Data of Virginia, Inc., 651 F. Supp. 44 (E.D. Va. 1986); Harris v. Emus Records Corp., 734 F.2d 1329, 1334 (9th Cir. 1984).
14 See id.
15 See Orit Fischman Afori, supra note 6.
16 See RAYMOND, supra note 6 § 10:2.
18 See Wu Congzhou, supra note 17, at 25.
19 See Arthur Kaufmann, supra note 17, at 394. Wu Congzhou, supra note 17, at 28.
and distribute it.”21 An ongoing relationship following such a transaction can sometimes waive the first factor, request,22 and a lack of objection can imply the copyright owner’s intention in particular instances.23 In this way, a degree of flexibility may be attained in the three factors while maintaining the original conceptual framework.

The method of identifying types is useful to provide this type of flexibility.24 Types are often described as having two defining traits. First, types can be characterized by a hierarchical organization. No rigid and firm line exists between these types;25 rather, the boundary between the types is dynamic and flexible. To address changing facts, one type may be transformed into another. In this way, a continuum of types is formed. Second, types have a high level of openness, which is a critical advantage over the rigid, either-or quality of an abstract concept. Theoretically, types are able to evolve with the accumulation of knowledge and experience; they possess a normative elasticity to respond to a wide variety of social phenomena. One commentator contends that types constitute the intermediate ground between the theoretical legal doctrine and the particular actualities of life,26 stating that “thinking in terms of the nature of things is typological thinking.”27 Due to these advantages of types—hierarchical organization and openness—types can play a paramount role in addressing the tension between legal doctrine and the dynamic actualities of life. Therefore, a typological approach could remedy the defects of an abstract concept.28

Theoretical investigations abound addressing the types of the implied license doctrine. One UK textbook briefly differentiates between contractual licenses and gratuitous licenses, listing the factual bases that can give rise to a license, including trade practices or customs, conduct, and the effect of estoppel.29 More recently, a PhD thesis has gone a step further to combine the factual bases that can give rise to a license and the formalities of licenses by providing a typological framework comprised of consent-based implied bare and contractual licenses, policy-based bare and contractual licenses, and licenses implied by custom.30 A modern US licensing handbook sheds light on the issue in the rubric of contract law, proposing a continuum with several points: implied-in-fact licenses implied from conduct and based on both contractual doctrine and estoppel doctrine, implied-by-construction licenses that are implied to complete contracts and “make the actual deal sensible,” and implied-in-law licenses that are implied to achieve justice in the form of equality and morality.31

Pursuant to the factual basis for implying a license, the above-mentioned taxonomic methods help clarify the application of the doctrine, but I argue that they all have an explicit limit in that they miss an important part of the picture. There are the two kinds of typology: empirical and normative. Empirical types are constructed on the basis of the average or

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21 See e.g., Effects Associates, Inc. v. Cohen, 908 F.2d 555 (9th Cir. 1990); Offley v. Activision, 2008 WL 961569 (9th Cir. 2008); Estate of Roberto Hevia v. Potrio Corp., 602 F. 3d 34 (1st Cir. 2010); Karlson v. Red Door Homes, LLC, 2015 WL 2117247 (11th Cir. 2015); Muhammed-Ali v. Final Call, Inc., 832 F. 3d 755, 762 (7th Cir. 2016).
22 See e.g., Falcon Enter., Inc. v. Publ’rs Serv., Inc., 438 F. App’x 579, 581 (9th Cir. 2011).
23 See e.g., Baisden v. I’m Ready Prods., Inc., 693 F. 3d 491, 500-501 (5th Cir. 2012) (stating that “[C]onsent for an implied license may take the form of permission or lack of objection”).
24 See KARL LARENZ, TRANSLATED BY HUANG JIAZHEN, METHODOLOGY OF JURISPRUDENCE, 577 (2020).
26 See Arthur Kaufmann, supra note 17, at 393-94.
27 Id. at 393.
28 Id. at 397.
29 See DAVIES et al., COPINGER AND SKONE JAMES ON COPYRIGHT 459-62 (2016).
30 See Poorna, supra note 13.
31 See RAYMOND, supra note 6 § 10:8-38 (treating implied licenses as one type of promise or term in a contract).
common experience. These are more perceivable, as they are described in accordance with the actualities of life as precisely as possible. However, empirical types are limited due to their exclusive reliance on these actualities. In other words, empirical types lack normative foundations. The taxonomic methods described above use empirical types. They focus more on the extension rather than the intension of the implied license doctrine. The extension of the doctrine is constrained by existing cases, with the predictable consequence that marginal cases, which are beyond the range of the existing categories, pose difficulties for both judicial reasoning and the formulation of new types.

Whereas actualities of life form the basic building blocks of both empirical types and normative types, normative types are not satisfied with the exclusive reliance on such actualities; rather, they are based on value judgments. A continuum of normative types can be constructed by adding or subtracting certain characteristics of the actualities of life as required by the legal institution’s normative function. Such characteristics can be considered or ignored, strengthened or weakened, and even added to address policy considerations. In this sense, normative types are products of thinking. Karl Larenz refers to them as “legal structure types” (rechtlicher Strukturtypus). This is both because the characteristics, whether existent or nonexistent, are rooted in the normative functions of the legal institution and because the structural relations between these characteristics form a continuum of types.

III. The function of the implied license doctrine

Traditionally, the implied copyright license doctrine falls under contract law, along with other implied contractual terms. In judicial practice, a license is usually implied in a contractual context. The doctrine is therefore used to construct contractual relations. Regarding the freedom of contract, theoretically speaking, the court should be reluctant to rewrite a contract for the contractual parties by the process of implication. Only in the instance that an implication is so obvious that “it goes without saying” or is necessary to “give business efficacy” can a term be implied. Thus, the default is that nothing is implied, particularly when the license is sophisticated and comprehensive. This logic is consistent with the copyright policy that “rights not expressly granted in a license are presumed reserved for the licensor.” However, a nonexclusive license does not require the formality of a signed document in writing. The transaction as a whole, including extrinsic evidence, is properly considered to identify what the parties would have wanted at the time of contract formation.

The leading case illustrating the traditional application of the doctrine is Effects Associates, Inc. v. Cohen. In this case, the moviemaker Larry Cohen, as the hiring party, orally commissioned Effects Associates, Inc. (Effects), as the hired party, to create special

32 See HUANG MAORONG, LEGAL METHODOLOGY AND MODERN CIVIL LAW, 578(2007).
33 Id. at 582.
34 See KARL LARENZ, supra note 24, at 584.
35 Id. At 583.
36 See Orit Fischman Afori, supra note 6, at 275.
40 PRC Cl. Art 29.
41 908 F.2d 555 (9th Cir. 1990).
effects footage for his upcoming film, “The Stuff”, informally over lunch.42 The parties did not negotiate copyright issues, which is not uncommon in the film industry. Later, Cohen was not satisfied with the footage and paid less than the agreed amount to Effects, even though the Cohen still used the footage in his film, which turned out to be a blockbuster. Effects brought a claim of copyright infringement against Cohen based on the work of authorship. Had the suit been brought in the Hong Kong (HK) jurisdiction, Cohen would have had a clear advantage, as HK Copyright Ordinance (HKCO) clearly grants the commissioning party exclusive exploitation rights.43 HK case law has even ruled in favor of a commissioning party by imposing a constructive trust obligating the author to convey the copyright even where the commission fell short of the statutorily required expressed contract.44 However, in jurisdictions such as the US, the implied license doctrine may come into play to protect the commissioning party. The implication of a nonexclusive license entitled the non-owner moviemaker to use the footage in certain manners, even in the absence of an assignment or exclusive licensing instrument. The court stated that an implied license is much like an implied-in-fact contract. Without a term in the contract granting such use, the footage that Cohen commissioned would be “of minimum value” or even “worthless.” Thus, it was held necessary to imply a license in the business context based on a “reasonable person” standard.

More recently, the implied license doctrine has been divorced from the contractual relationship. The reasoning expressed by Judge Kozinski in Foad Consulting Group, Inc. v. Musil Govan Azzalino clearly holds that an implied license is sometimes “a legal obligation the law imposes between certain parties where there is no actual agreement between them.”45 Courts thus can inject value judgments and policy ideas into copyright law by implying a license. One such example is Peking Beida Fangzheng Electronics Co., Ltd. v. Guangzhou Baojie Co., Ltd.,46 a landmark case that has had a lasting effect on the application of the implied license doctrine in China. This case involved Beida Fangzheng, the copyright holder of Fonder LanTing font, computer software used to design Chinese characters in its database. An American design company, NICE, lawfully purchased a CD incorporating the copyrighted font with an end user license agreement stating that “this software can be used by the end user on a single computer for displaying on the monitor and printing by a printer” and reserving other rights to the copyright holder. Later, NICE was commissioned by Guangzhou Baojie to create a trademark logo using that font. The logo was then placed on packaging for shampoo and other personal care products, which were produced by Guangzhou Baojie and sold by the grocery store Carrefour. Beida Fangzheng brought an infringement suit against Guangzhou Baojie and Carrefour. While a discussion of whether the logo qualified for copyright protection is beyond the scope of this article, the judge held that NICE, as a purchaser, was granted a license by implication to reasonably use the font. It is worth noting that the scope of that implied license covered not only the “essential use” of displaying Chinese characters on a screen, which is consistent with the terms of end user license agreement, but also the “subsequent use” of sublicensing its clients to use those Chinese characters, which overrides the restriction of the end user license agreement. The court contended that any restrictions on “subsequent use” by the copyright owner should satisfy the requirements of explicitness, reasonableness, and effectiveness. This contention is inconsistent with the US federal IP policy in both copyright and patent context that “a licensee has no right to resell or sublicense the rights acquired unless he had

42 See Effects Assocs., Inc. v. Cohen, 908 F.2d 555 (9th Cir. 1990).
43 HK CO, s 15.
45 270 F.3d 821 (9th Cir. 2001). (Kozinski, J., concurring).
been expressly authorized so to do.”

This policy is essential, as copyright licenses are personal to the licensee and copyright owners should have the ability to control the identity of the licensees. However, the font industry is exceptional; a font differs from other types of works in that the Chinese characters serve more an instrumental than an aesthetic function. Therefore, to reconcile copyright owners’ proprietary control over their works with the development of the font industry, the court implied a license, including the power to sub-license, to override the end user license agreement.

In a digital context, the opt-out system of the implied license doctrine can work as a means to legalize the basic operation of the Internet. In recent years, online intermediaries have hindered copyright’s expansion not in terms of claiming anti-expansion but in terms of preying the value of copyright works. The resulting “value gap” has been the target of two counterattacks from copyright owners. An effective tactic has been the aggressive lobbying of lawmakers to amend the law so as to bridge the gap. One result of this tactic is seen in the EU copyright reform of 2019, in which intermediary liability has been changed, although without empirical evidence to support the so-called value gap. The other tactic has been to legally challenge unlicensed online activities by filing suits against online distribution giants such as Google for activities such as facilitating access to copyrighted images and reproducing copyrighted books. One of these cases, Field v. Google, Inc., has established a new default for the copyright licensing arrangement. The failure of a copyright owner to make software settings of the widely known RES to disallow robot crawling, scraping, accessing and indexing copyright contents before posting works online amounts to the implication of a copyright license to allow those online activities. Caching and indexing, which are necessary for the normal function of the search engine, fall within the scope of that license. Robert Merges has characterized this new default as an opt-out system of the implied license doctrine. Some scholars further argue that this system could serve as one of the solutions to massive copyright authorization online. Essentially, this new default benefits users by shifting the informational burden to copyright owners, meaning that the copyright owner bears the burden to disclose his or her willingness or unwillingness to grant a license in a certain manner. This facilitates access to copyrighted works and broadens the scope of permitted acts.

It can be seen from the judicial development of the doctrine that the modern implied license doctrine is designed to broaden permitted acts in diverse situations to balance the competing interests between copyright owners and content users. The balance of interests is


49 DIRECTIVE (EU) 2019/790, Art 17.


51 See e.g. Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146, 1154 (9th Cir. 2007).


56 See GUO WEI, RESEARCH ON COPYRIGHT IMPLIED LICENSE 111 (2014).

57 See DAVIES, supra note 29, at 698.
central to copyright law, as it renders copyright law fairer and more efficient.\(^{58}\) In the rubric of copyright law, there are two kinds of limits on exclusive rights: absolute limiting doctrines to reflect pre-grant balance of interests and correlative limiting devices to strike post-grant balance of interests.\(^{59}\) Absolute limiting doctrines, including copyrightability and duration, directly restrict copyright owners’ monopoly power and come into play in the initial grant of copyrights. In contrast, correlative limiting devices such as L&Es are external, statutory limitations applied in the process of copyright enforcement.\(^{60}\) The implied license doctrine is also capable of striking a post-grant balance of interests, but in a more flexible way. In some cases, users’ reasonable expectations are required to be taken into account to determine the implications and scope of a license. These expectations have been objectively explored and are sometimes affected by industry usages or social norms. It has been argued that users’ personal property rights should also be considered.\(^{61}\) It is also argued that the implied license doctrine could be an open standard in copyright law.\(^{62}\) As an involuntary license,\(^{63}\) it can override copyright owners’ intents when necessary.

**IV. Typological framework**

The appropriate balance of interests between copyright owners and users can best be achieved by adopting a topological framework and applying a different level of regulation to each type of the doctrine. Two kinds of facts can lead to a change in a legal relation: facts not under a person’s volitional control and facts under a person’s volition.\(^{64}\) Thus, volition, or will, is paramount in grouping the facts that can change a legal relation. In the context of copyright licenses, a copyright owner’s intent is of significance in creating a license and determining the scope of that license; this is also true for implied licenses. Thus, based on varying deferral to individual discretion, implied licenses can be placed into three categories: an opt-in system, an opt-out system, and a non-option system.

It is important to note that asserting the importance of copyright owners’ intent does not mean that their intent should be deferred to in all situations. To the contrary, in some cases, copyright owners’ intent must be overridden to maximize the scope of permitted acts, for example to promote the public interest or to weigh industrial policy appropriately,\(^{65}\) such as in *Peking Beida Fangzheng Electronics Co., Ltd. v. Guangzhou Baojie Co., Ltd.*\(^{66}\) Judicial discretion thus grants courts the power to determine the fate of the deal. I categorize such cases as belonging to a non-option system of the implied license doctrine. In most other cases, however, individual autonomy should be respected and promoted. While copyright law defines the initial entitlement to a copyrighted work, in a subsequent exchange of rights in the copyrighted work, the parties themselves play a significant role in the terms of that exchange. Generally, there are two ways for private parties to frame such an agreement: an opt-in system and an opt-out system. The opt-in system of the implied license doctrine is consistent

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\(^{60}\) Id.


\(^{62}\) See Ort Fischman Afori, supra note 6.

\(^{63}\) See JAY, *supra* note 40 § 3.04.


\(^{65}\) See Ort Fischman Afori, supra note 6, at 275.

with the default operation of copyright law.\textsuperscript{67} As such, it respects the intent of copyright owners as much as possible. In this system, a copyright owner does not grant any use of the work until actively choosing to do so. Without this action, any use of the work is deemed unauthorized, granting the copyright owner a cause of action for copyright infringement. In contrast, the opt-out system of the implied license doctrine shifts the informational burden to copyright owners.\textsuperscript{68} Certain legislation offers one example of the opt-out system of the implied license doctrine, but I argue for a broader scope.

The three systems of the implied license doctrine are not fixed within this proposed framework. Rather, as normative types, they are adjustable based on the influence of certain elements, such as industrial customs or public policy. Thus, the framework operates in a “sliding scale” manner. The typological method on a sliding scale is appealing on two grounds. First and foremost, a sliding scale approach balances multiple interests. Generally, the less the deference to copyright owners’ intent, the more regulatory intervention in private ordering is permitted and the more relevant justification for that intervention is required. For example, if a fundamental right were involved in a case, the court would insist that it be respected, and the judge would be required to demonstrate a substantial and objective justification to tip the balance between copyright owners’ exclusive rights and that fundamental right. Additionally, this flexible approach could provide a more encompassing applicability of the implied license doctrine. It recognizes a hierarchical degree of deference to copyright owners’ intent, such that its functions vary from the high degree of deference in the opt-in system to the intermediate degree of the opt-out system, down to the lowest degree of the non-option system. Thus, the typological framework of the implied license doctrine as created on a sliding scale, if thoughtfully encouraged and advanced by judges, permits them to calibrate the balance between copyright owners and users on a case-by-case basis. FIGURE 1.1 illustrates the continuum of the implied license doctrine, with the norm (opt-in) at one extreme and the exception (non-option) at the other extreme of deference to the copyright owner’s intent.

FIGURE 1.1. Types of implied license doctrine

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<table>
<thead>
<tr>
<th>high deference</th>
<th>some deference</th>
<th>no deference</th>
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<tr>
<td>to copyright owners’ intents</td>
<td>to copyright owners’ intents</td>
<td>to copyright owners’ intents</td>
</tr>
<tr>
<td>opt-in system</td>
<td>opt-out system</td>
<td>non-option system</td>
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V. A flexible system

The sliding-scale framework gives judges significant flexibility in determining the balance of interests appropriate to the facts and circumstances of each case; however, it also potentially gives rise to uncertainty. To address this, it is crucial to identify under what circumstances the application of the doctrine should shift from one type to another. Given the complexity of weighing the conflicting interests of copyright owners and users, a prescription for variables to be considered, taken from existing cases and the functions of the doctrine, is required to improve the predictability of judicial decisions. Thus, the proposed system uses a flexible system approach.\textsuperscript{69} The variables are characterized as elements, or moving forces.\textsuperscript{70} I

\begin{itemize}
\item \textsuperscript{67} See John S. Sieman, supra note 9, at 887-88 (contending that the implementation of copyright law is an opt-in system).
\item \textsuperscript{68} ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY, 303-04 (2011).
\item \textsuperscript{69} See Zhang Yudong, translation, the Introduction of A Flexible System, 129 Journal of Gansu Institute of Political Science and Law, 40 (2013).
\end{itemize}
propose several objective elements in this article. Elements relevant to evincing parties’ intents are derived from a fact-centered inquiry as well as a law and policy inquiry.

A. Fact-centered inquiry

In terms of facts, the first element that should be considered when evaluating a particular case is the fundamental relationship between the parties and how they conduct their relationship, such as whether it is a long-term relationship, a one-time arrangement, a commissioning relationship, or an employment relationship. This relationship is important to qualify, as it may indicate an implied license or the intention of the parties. For example, a license can be implied from a relationship wherein a commissioned party creates a work at the request of a commissioning party and hands it over, intending that the commissioning party copy and distribute it. In some cases, the need for a request from the commissioning party can be waived by a long-term relationship, and the intention of the copyright owner also can be inferred from a lack of objection. Similarly, a failed work-for-hire agreement may indicate the dependence of copyright owner’s intention to grant a license on continuing employment. A partnership relationship may exist where someone has written software as a fundamental part of partnership property or where a partner’s main contribution is to incorporate independently written articles in a manuscript. However, no commercial relationship is proven by the mere transfer of a copy to those who are on a mailing list in the absence of further indications and negotiations.

The nature of the work in question clearly must be considered, as it relates to the authorship of the work and indicates the fundamental relationship between the parties. This includes whether the work involved is original or derivative; whether the work is of a nature such that neither party has other genuine use for it or, conversely, it is an off-the-shelf product with other practical uses; whether the work, such as the Chinese characters in the font case, serves an instrumental more than an aesthetic function; whether the work may be copied without derogation, such as a book, or whether copies of the original are significantly lower in value, such as a work of fine art; and whether the nature of the work gives rise to two or more distinct copyrights, such as a piece of music, which generates both a copyright for the musical composition and a copyright for the sound recording. In addition, as computer programs and databases are inevitably copied in the course of normal uses, a class of permitted acts have been introduced by lawmakers in some jurisdictions, removing the need for implied licenses in those cases.

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71 See e.g., Effects Associates, Inc. v. Cohen, 908 F.2d 555 (9th Cir. 1990); Offley v. Activision, 2008 WL 961569 (9th Cir. 2008); Estate of Roberto Hevia v. Potro Corp., 602 F. 3d 34 (1st Cir. 2010); Karlson v. Red Door Homes, LLC, 2015 WL 2117247 (11th Cir. 2015); Mohammed-Ali v. Final Call, Inc., 832 F. 3d 755,762 (7th Cir. 2016).
72 See e.g., Falcon Enters., Inc. v. Publ’rs Serv., Inc., 438 F. App’x 579,581 (9th Cir. 2011).
73 See e.g., Baisden v. I’m Ready Prods., Inc., 693 F. 3d 491, 500-501(5th Cir. 2012) (stating that “[C]onsent for an implied license may take the form of permission or lack of objection”).
75 Coward v Phaestos Ltd [2013] EWHC 1292.
76 Oddo v. Ries, 743 F.2d 630 (9th Cir. 1984).
78 See e.g., Hangzhou Big Head Son Cultural Development Co., Ltd. v. CCTV Animation Co., Ltd, (2016) Zhe 8601 Min Chu 433.
79 Atelier Eighty Two Ltd v Kilnhorw Climbing Centre CIC [2015] EWHC 2291.
81 See e.g., Regulation on Computers Software Protection PRC, Art 16. CDPA s 50 A, B, BA, C D.
82 See DAVIES, supra note 29, at 463.
The totality of the parties’ conduct, as a reflection of their intent, is another essential element to examine. This may include the creation and delivery of the copyrighted work, full awareness of the exploitation of copyrighted works without objection for an extended time, the use of written contracts such as a standard or sophisticatedly negotiated contract, limitations placed on uses during the creation or delivery of copyrighted works such as attribution restrictions and terms of use, whether such limitations are covenants or conditions, acceptance of royalties or other sums, and other facilitations to the exploitation of copyrighted works. Relevant conduct of alleged infringers includes requests that the work be created, obtaining the work directly from the copyright owner or through a third party, oral agreement, the exploitation of copyrighted works in a commercial or personal manner, and mere general consultation.

The fourth element requiring particular consideration concerns the course of performance and the course of dealing. In contract law, a “course of performance” refers to a sequence of conduct under a long-term agreement. Specifically, one party performs the contract on repeated occasions without objection by the other party, who has both knowledge of “the nature of the performance” and “opportunity for objection to that performance.” A “course of dealing” concerns previous transactions between parties that are qualified to establish “a common basis” for understanding the expressions and conduct under the current transaction. A course of performance has more relevance to the interpretation of a given contract interpretation than a course of dealing, as the former is closer to the actual transaction than the latter. In an implied license scenario, both are relevant to determine the intention of the copyright owner and the expectation of the copyright user. This is illustrated in the following cases. Korman v. HBC Florida, Inc. concerns a seven-year relationship between the musician Korman and the radio station WQBA-AM, owned by HBC, in which Korman produced numerous jingles for WQBA-AM and allowed WQBA-AM to air those jingles. Given this course of performance, it was deemed reasonable that Korman impliedly granted a license to air the jingle in dispute. In Zhang Hao v. Beijing University of Technology Press Co., Ltd., the court relied on the course of dealing between the author Zhang Hao and the publisher Beijing University of Technology Press to imply a license. In this case, Zhang Hao sued the publisher for copyright infringement because the publisher published his book but refused to pay him royalties. The court held that the nature of this case was breach of contract rather than infringement, because the previous cooperation between the parties constituted course of dealing that was qualified to imply a contractual license. Specifically, in previous cooperation between them, Zhang Hao was responsible for selecting

83 See Photographic Illustrators Corp. v. Orgill, Inc., 953 F.3d 56 (1st Cir. 2020) (indicating that “[T]he fact of delivery is not in isolation”).
85 See Photographic Illustrators Corp. v. Orgill, Inc., 953 F.3d 56, 58 (1st Cir. 2020) (discussing a detailed, sixteen-page instrument).
86 See Sun Microsystems, Inc. v. Microsoft Corp., 188 F.3d 1115, 1121 (9thCir.1999); Photographic Illustrators Corp. v. Orgill, Inc., 953 F.3d 56 (1st Cir. 2020); MDY Indus., LLC v. Blizzard Entm’t, Inc., 629 F. 3d 928, 939 56 (9th Cir. 2010).
87 See Leofelis SA v Lonsdale Sports Ltd[2007] EWHC 451(contending that the payment and acceptance of royalties after the lapse of license could indicate the continuation of the license in some circumstances).
88 Berg v. Symons, 393 F. Supp. 2d 525, 544 (S.D. Tex, 2005) (describing that the user obtains the works from a third party).
89 Atelier Eighty Two Ltd v Kihlavor Climbing Centre CIC [2015] EWHC 2291.
90 See e.g., Roberts v Cardware Ltd [1980] FSR 352.
92 See UCC § 1-303.
93 Id.
94 182 F.3d 1291 (11th Cir. 1999).
95 (2018) Jing 0105 Min Chu 7617.
a topic for a book. When the topic was approved by the Press, Zhang Hao then completed the book, commissioning others to catalogue it and design the cover, and delivered the manuscript to the Press as scheduled.

Another crucial consideration concerns the existence and the nature of payment. Of significant relevance is whether the party who obtains the payment as consideration is an author or a performer. This is particularly important in instances involving session musicians, as was the case in two UK cases, *Godfrey v. Lees* and *Beckingham v. Hodgens*. If the payment is in exchange for the musician’s service rather than for creating an original copyrighted work, then the musician is considered a performer rather than an author. Performance service is generally paid less than intellectual creation, but not always. A substantial sum as consideration is also significant in a licensing arrangement. Consideration is a matter for special negotiation, particularly in a commercial transaction. Therefore, the amount of payment as it relates to the free market price affects the scope of a license. For example, nonexistence of an implied license was found inconsistent with the facts that Cohen paid roughly $56,000 for the required footage in *Effects Assocs., Inc. v. Cohen*, that Sylvania paid almost $3 million for its sublicensing privilege in *Photographic Illustrators Corp. v. Orgill, Inc.* and that a small advertising agency paid at a customary rate of £15 per hour for the drawing of the combined logo in *R. Griggs Group, Ltd. v. Evans*.

The industrial customs and standards of a particular field play a paramount role in some cases in determining the copyrightability of a work and in implying a license to use that work. A custom is distinguishable from a common industrial practice. In the US, a common industrial practice is similar to a usage of trade, which includes any regular practice or method of dealing. By contrast, in the UK, when a repeatedly voluntary industrial practice is “notorious, certain, reasonable,” “lawful and binding,” this practice may be deemed a custom. The label of custom is thus more restricted than that of industrial practice. Not many customs are used to deny copyright infringement. For example, it is a generally recognized press custom that it is not infringement for a journal or periodical to publish the manuscript sent from the author subject to a usual rate without further reference, and it is just a common newspaper practice that one newspaper republishes a copyrighted photograph, which has already been published by another newspaper, without a formal license. Professor Rothman has built a theoretical framework to identify valuable customs. The proposed factors of Rothman’s framework, including motivation, representativeness, and application and its implications, are tailored to copyright law. An industrial standard is used to respond to technical demands that are widely accepted within a particular industry. Industrial standards are more relevant in patent law than in copyright law. However, in the

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97 See Poorna, *supra* note 13, at 84-86.
100 *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990)
101 *Photographic Illustrators Corp. v. Orgill, Inc.*, 953 F.3d 56 (1st Cir. 2020).
104 See UCC § 1-303.
105 See Eggar, Forrester Offshore Ltd v Hong Kong United Dockyards Ltd [1987] 1 HKC 318.
106 See JACK BEATSON, ANDREW BURROWS & JOHN CARTWRIGHT, ANSON’S LAW OF CONTRACT 170-71 (30th ed, 2016).
110 Id, 1967-80.
computer program industry, such external restraints, including hardware standards, software standards, and computer design standards, may negate copyrightability, as some reproduction of the original software is necessary to follow those standards. The original software thus can obtain no copyright protection due to the doctrine of *scènes à faire*.  

The last element of fact inquiry concerns whether the transacting parties have disclosure obligations and how they implement those obligations. Information disclosure requires one party to reveal some information for the sake of the other party. This informational burden weakens the basic principle of *caveat emptor* in a free market economy, but it is sometimes essential for trade security and to protect the vulnerable. In the copyright licensing regime, information disclosure is important as a means to justify an opt-out system. The opt-out process should be free, easily accessible, and simple to use, such as the widely known RES, which can be used effectively and conveniently to block copyright owners’ works from being cached and indexed by search engines. Information disclosure also plays a role in commercial licensing transactions, where the licensee-user must disclose the role of the licensed work in his aggregate project to the licensor-owner, as this information may affect either the owner’s willingness to enter into the transaction or the bargaining power of the licensor-owner. In *Garcia v. Google, Inc.*, for example, without explicit authorization and beyond reasonable expectation of the actress Garcia, a movie producer included her five-second acting performance in a video that spoke against the Prophet Mohammed, resulting in Garcia receiving death threats. One might reasonably believe that Garcia would not have agreed to her inclusion in the project had she been aware of the subject matter. In another UK case concerning information disclosure, *R Griggs Group, Ltd. v. Evans*, the freelance designer, Mr. Evans, contended that he would have charged more for the logo he produced if he had known it would be used for myriad purposes worldwide rather than merely point-of-sale materials for use in the UK.  

**B. Law and policy inquiry**  

By “law and policy inquiry,” I refer to relevant provisions in statutes, matters of public interest, industrial policies, constitutional rights, and similar germane legal forces. The court may put weight behind these legal forces by implying a license. The following cases are presented as examples of the consideration of these elements. A recent case, *Geophysical Service, Inc. v. TGS-NOPC*, involved two statutes regulating offshore seismic surveys: the Canada Oil and Gas Regulations of 1960 and the Canada Oil and Gas Act of 1982. The two statutes require administrative approval in advance of a seismic survey, that the resulting seismic data be submitted to the government, and that data be made public after five years. Geophysical is a Canadian company known for its seismic data business. In 1982, the company obtained an approval to conduct a seismic survey and submitted the resulting data (GSI works) to the government, as required. Seventeen years later, a US company, TGS-NOPC, requested GSI works from the government to provide geological services. The Canadian government then reproduced and distributed GSI works to the company, as the five-year confidentiality period had expired. Geophysical, as the copyright owner of GSI

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111 See e.g., Lexmark International, Inc. v. Static Control Components, Inc. 387 F.3d 522 (6th Cir. 2004).
114 786 F. 3d 733 (9th Cir. 2015).
works, filed a complaint for copyright infringement. The court held that the totality of the parties’ conduct, including the knowledge of the provisions in the statutes and the lack of objection to those provisions, gave rise to an implied license. In fact, Geophysical had little power to reserve its rights short of refusing the survey job in the first place. The requirements provided by statutory provisions formed the very basis for granting the government a license, and the reproduction and distribution of GSI works was integral to the enforcement of the law.

Another US case involves the effects of a final divorce decree. In *Berg v. Symons*,119 Berg was an Australian silversmith who specialized in designing western jewelry and belt buckles. Berg married Symons, and they moved to America to expand their western jewelry business, with Berg designing and marketing while Symons ran their office. After 16 years of marriage, the business had become quite successful; however, the couple divorced. Under the divorce decree, Berg was awarded “all rights and privileges, past, present, and future, arising out of or in connection with the operation of the business,” while Symons was entitled to sell “approximately $200,000.00 worth of jewelry and buckle blanks from unsold inventory.”120 This stock contained Berg’s copyrighted designs. Once she had sold the inventory, Symons made and sold new pieces incorporating Berg’s copyright. Berg sued for copyright infringement, and Symons raised the affirmative defense of the implied license doctrine. The court applied the three-factor test rigidly to conclude that no license was implied.121 I counter that as the divorce decree made no mention of the copyright of the jewelry it awarded Symons, an implied license covering the unsold inventory was indeed created but that it did not extend to the production and sales of new jewelry. Such a result is consistent with the express terms of the divorce decree and with the three-factor test.

In some cases, public interest also plays a vital role in implying a license. *Lexmark International, Inc. v. Static Control Components, Inc.*122 is one such case, illustrating the importance of competition and consumer welfare. The opinion in another Chinese case, *Hangzhou Big Head Son Cultural Development Co., Ltd. v. CCTV Animation Co., Ltd.*,123 was also justified by public interest concerns. “Big Head Son and Small Head Father” (大頭兒子和小頭爸爸) is a very popular Chinese animated television series: its three cartoon characters, “big head son,” “small head father,” and “apron mother,” have given endless delight to Chinese children. From a legal perspective, the characters on the TV screen are derivative works. The original sketches by Liu Zedai were commissioned in 1994 by CCTV and used to produce the 1995 animated series. The court contended that there was an implied license for CCTV to make the 1995 series because Liu Zedai should have been aware of and agreed to the use of the original sketches to make derivative works. In 2012, Liu Zedai transferred ownership of the copyright in the original works to Hong Liang. In 2013, CCTV authorized CCTV Animation to create the 2013 animated series without the permission of Hong Liang. In 2014, Hangzhou Big Head Son Company obtained the copyright in the original works from Hong Liang. The plaintiff Hangzhou Big Head Son Company thus established a prima facie case of copyright infringement, as protection of the characters in the 1995 series did not extend to the original sketches, and any further adaptation based on the characters in 1995 series therefore required permission from the copyright owner of the original sketches. However, the court refused to issue an injunction, contending that the three characters had become a cultural symbol, a carrier of significant cultural value, and a consumer product

121 Id.
122 387 F.3d 522 (6th Cir. 2004).
meeting the needs of public cultural consumption, thus becoming more than mere copyrighted material. As an alternative remedy, the award of statutory damages was raised. Therefore, the court held in favor of the public interests represented by the unauthorized 2013 derivative works rather than the exclusive right of the copyright owner of original works.

C. Combining the elements

The interaction between these elements is complex. It is worth noting that it is not essential that the above-mentioned elements exist in every case; sometimes two or three elements are sufficient to identify the type of implied license doctrine to be applied and determine whether a license is implied. Furthermore, it is not essential that each element be determinative, only that they carry weight and that they lend themselves to being weighed against each other.

The element of the totality of the parties’ conduct is properly assigned as the focal point of the analysis; hence, it is called the “central element.” Conduct by the parties apart from the mere exploitation of copyrighted works must exist in each case. Such conduct includes not only the positive conduct of delivery, signing contracts, receiving payment, etc., but also the passive conduct of not objecting. In most cases, no conduct on the part of the parties negates the possibility of applying the doctrine. As such conduct is the best evidence of the intentions of the parties, they should be given the most weight. However, other factors may affect how such conduct is weighed. For example, some conduct is not voluntary. For example, some new music artists must bend to the will of established record labels due to their disadvantaged position, or even intimidation in extreme cases. Consideration could possibly be categorized as conduct; however, given its ability to differentiate between contractual licenses and gratuitous licenses, it deserves separate attention.

It is crucial that the parties’ conduct be considered in context. The remaining elements provide such context; thus, I refer to them as “context-construction elements”. It is worth noting that some of these elements are more general and thus appear in all three types of the implied license doctrine. These include fundamental relationships, nature of the work, course of performance, course of dealing, payment, and information disclosure. I call them “general context construction elements”. Other context-construction elements, including industrial customs and standards, provisions in law, public interests, relevant policies, constitutional rights and other similar germane legal forces are particular to specific cases. These elements can be characterized as “particular context-construction elements”. FIGURE 1.2 below sets forth the above elements.

FIGURE 1.2. Elements to assess the application of the implied license doctrine

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The interplay between the central element and the general context-construction elements gives rise to the opt-in system of the implied license doctrine in most cases. This is illustrated in *Effects Assocs., Inc. v. Cohen*. Here, the central element includes the following conduct: Cohen required the creation of footage, Effects created it and delivered it to Cohen, Cohen accepted and paid for it, and Cohen used the footage in his film. The context-construction elements in this case include a commissioning relationship as the fundamental relationship, an agreed amount as consideration, and the particular uses of the footage as disclosure. Cohen argued that it was customary in the film industry not to have written licenses, stating, “Moviemakers do lunch, not contracts.” The court rejected this argument, citing the requirement of lawfulness for the formation of a custom. Given that no other elements exist to push the case into another type of implied contract, it qualifies for the opt-in system of the implied license doctrine.

The interplay between the central element and the particular context-construction elements of industrial customs and provisions in law could call for the opt-out system of the implied license doctrine. The opt-out system has its own merits. Particularly in the digital word, it serves as a mechanism to legalize the basic operation of the Internet and to remedy transaction cost problems. Real problems with the opt-out system as it applies to the Internet concern the scope of the system and how to determine what activities should be covered by it and why. *Field v. Google, Inc.* is the benchmark case that established the opt-out system for caching and indexing copyrighted materials by a search engine. The central element of this case includes the positive conduct of putting copyrighted content in cyberspace and the passive conduct of not objecting to its being indexed and cached. The particular context-construction element here is the widely known RES. In addition, the content-construction element of provisions in the law is the veto power legally granted to copyright owners, which they may exercise by reserving their rights. For example, in the US, the non-commercial performance of a nondramatic literary or musical work can be used “exclusively for

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125 908 F.2d 555 (9th Cir. 1990).
126 See *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990).
educational, religious, or charitable purposes,” except where the copyright owner has signed a written notice of their objection to that performance, including the reason for that objection, at least seven days in advance. Failure to satisfy the requirements of the notice, whether in form, content, or manner, results in limitations on copyright owners’ exclusive rights. As such, the performance of a nondramatic literary or musical work can be regarded as a license implied from the provision in law.

The interplay between the central element and the particular context-construction elements of provisions in law, public interests, and relevant policies could call for the application of the non-option system of the implied license doctrine, which overrides copyright owners’ intents and thus requires strong justification. As an illustration, consider the application of this system to the case of Geophysical Service Inc. v. TGS-NOPEC. The particular context-construction elements are the provisions in the Canada Oil and Gas Regulations of 1960 and the Canada Oil and Gas Act of 1982. In this context, the central element includes the fact that Geophysical Service applied for permission before conducting the survey and submitted the resulting data to the government. The court relied heavily on the conduct of Geophysical Service, which acted without any objection, to imply a license. To conduct the survey, Geophysical Service had no choice but to comply with the provisions in law. Under my proposed system, therefore, the case could be placed within the range of the non-option system, with the coercive provisions supporting an implied license overriding Geophysical Service’s argument that the government is not entitled to copy and distribute its copyrighted data to a third party.

The above three kinds of interplay between the elements can be summarized as seen in FIGURE 1.3 below.

**FIGURE 1.3. Interplay of elements**

Worth noting once more is that the list of elements and the ways in which they interact is not exhaustive. The elements presented here are summarized from reviewed cases and thus are limited to the facts of those cases. The proposed framework is not intended to solve complex, marginal cases, nor is it presumed that all cases can be easily categorized into one type of the implied license doctrine. On the contrary, there are inevitably gray zones and intermediate cases, as each case turns on its own facts and circumstances. However, this article has made efforts to construct normative types of the implied license doctrine capable

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130 I focus on US Circuit cases, UK cases and Chinese cases regarding implied license defense in this article to summarize the elements.
of providing guidance for courts encountering with new cases. Even where the flexible system falls short, judicial discretion may be exercised, with an eye to the function of the implied license doctrine, to best further the goals of copyright law.

**Conclusion**

In brief, there are three steps to constructing such a typological framework. First, the normative functions of the implied license doctrine must be identified. This can be achieved by summarizing the doctrine at the judicial level. The development of the doctrine indicates that the function of the doctrine is to strike post-grant balance of interests between copyright owners and users. Second, it must be determined how to define categories, or types, to achieve the function of the implied license doctrine. A typological framework lays the foundation for this article with three defined types: the opt-in system, the opt-out system, and the non-option system of the implied license doctrine. The use of one over the other types depends on the appropriate degree of deference to copyright owners’ intent. Third, the application of these types must be made as certain and predictable as possible. The consideration of certain elements of a case works in this system to slide the application of the doctrine from one type to another.