Max Planck Institute
for Innovation and Competition

Author-protecting rules in copyright and private international law -

Remarks from a German perspective

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A parallel issue?

From Duran Duran to Elvis:

From termination rights to the right to fair remuneration

German copyright revision of 2002 (1): introducing an independent right to fair remuneration

Sec. 32:

The author shall have a right to the contractually agreed remuneration for the granting of rights of use and permission to use the work. If the amount of the remuneration has not been determined, equitable remuneration shall be deemed to have been agreed. **If the agreed remuneration is not equitable, the author may require the other party to consent to a modification of the agreement so that the author is granted equitable remuneration.**

German copyright revision of 2002 (2): introducing a independent right to ‘further participation‘

Sec. 32a:

(1) Where the author has granted a right of use to another party on conditions which, taking into account the author’s entire relationship with the other party, result in **the agreed remuneration being conspicuously disproportionate to the proceeds and benefits derived from the use of the work**, the other party shall be obliged, at the author’s request, **to consent to a modification of the agreement which grants the author further equitable participation** appropriate to the circumstances. It shall be **irrelevant whether the parties to the agreement had foreseen or could have foreseen the amount of the proceeds or benefits obtained**.

(2) **If the other party has transferred the right** of use or granted further rights of use and if the conspicuous disproportion results from proceeds or benefits enjoyed by a third party, the latter **shall be directly liable to the author** in accordance with subsection (1), taking into account the contractual relationships within the licensing chain. The other party shall then not be liable.

(3) There can be **no advance waiver** of the rights pursuant to subsections (1) and (2)….

What is the position of those rules in international copyright contracts?

- Qualification of issues as falling under *lex causae* or *lex contractus* is notoriously difficult…
- Issues are often qualified as falling into the first category if they
  - arise *ex lege*
  - are effective against third parties
- What does that mean for the ‘remuneration rules‘?
  - Minority position: Sec. 32, 32a form part of the substance of the right granted: they are independent rights attributed to the author, such as the resale right or unalienable remuneration for rental and lending.
  - In the majority view, Sec. 32, 32a are of a contractual nature

A brief look into the history of the provisions

- The 2002 revision was initiated by the ‘professor‘s draft‘, tabled by academics passionate about improving the situation of individual authors

A. Dietz, G. Schricker, U. Loewenheim, M. Vogel, W. Nordemann

- Fortunately for them, the minister of justice

in the (then) red/green government was sympathetic …

- However, during the legislative process several changes were introduced to soften the draft‘s initially rather stark interference with the principle of party autonomy

The ‘right to remuneration‘ as stipulated in the professors‘ draft

“Whoever uses a work on the basis of an exploitation right granted or transferred by the author is obliged to pay the author a remuneration which is adequate in regards to the kind and scope of the use made. If income is generated from the use it must be taken into account that the author is entitled to appropriate participation in such income (own translation).“

That would have been a substantive right conferred to the author, thus affecting (in P.T.‘s terms) transferability

Compare the draft version with what became law:

Draft:

"**Whoever uses a work** on the basis of an exploitation right granted or transferred by the author **is obliged to pay** the author a remuneration which is adequate in regards to the kind and scope of the use made. If income is generated from the use it must be taken into account that the author is entitled to appropriate participation in such income" (own translation).

Final (enacted) version:

"The author shall have **a right to the contractually agreed remuneration** for the granting of rights of use and permission to use the work. If the amount of the remuneration has not been determined, **equitable remuneration shall be deemed to have been agreed**. If the agreed remuneration is not equitable, the author may **require the other party to consent** to a modification of the agreement so that the author is granted equitable remuneration.

Immunity against contracting out by choice of law?

- Realizing that the final formulation of Sec. 32, 32a could motivate (and would allow) copyright assignees to choose a different law in order to avoid pertinent claims, another section was introduced last-minute (without any previous discussion or Parliamentary debate, only 11 days before the law was enacted):

Section 32b

Compulsory application

The application of sections 32 and 32a shall be compulsory

1. **if German law would be applicable** to the contract of use **in the absence of a choice of law**, or
2. to the extent that the agreement **covers significant acts of use** within the territory to which this Act applies

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Which effects ?

- Sec. 32b makes clear that Sec. 32, 32a are regarded as overriding mandatory rules in the meaning of Art. 9(1) Rome I Reg. (or rather Sec. 34 EGBG in force at the relevant time, which still applies to contracts concluded before 2009)
- German courts must therefore apply those rules whenever they have adjudicative jurisdiction over the case and the conditions listed in Sec. 32b are fulfilled
- Of particular interest is Sec. 32b Nr. 2: It applies whenever, and to the extent that, the agreement covers “significant acts of use” in Germany
  - That‘s where we meet Elvis: His estate has claimed additional remuneration under Sec. 32a against RCA and further licensees, including one German company.
  - The claim was not successful so far – the courts did not find the thre remuneration received was conspicuously disproportional to the proceeds gained – but applicability of Sec. 32a is uncontentious.

Benefits for Duran Duran?

- After the disappointing experience with reclaiming their US copyright, Duran Duran might want to claim (at least) additional remuneration for exploitation of their works in Germany
  - Whereas in the original version Sec. 32 et seq. only applied to authors, a subsequent law revisions has clarified that they apply to performing artists *mutatis mutandis*; sec. 79(2) Copyright Act
  - However, Duran Duran would have to find a way to file their claim in Germany
    - Even though Sec 32b declares Sec 32 and 32a as “internationally mandatory”, this does not compel application by foreign (British) courts
    - The case does not fall under Art. 9(3) Rome I – performance of the contract would not be unlawful

Exceptional character of overriding mandatory rules: Hi Hotel

- Sec. 32b invites the conclusion *e contrario* that other author-protective provisions in the Copyright Act are not overriding the law otherwise applicable
  - This was confirmed by the German Federal Supreme Court (BGH) in "Hi Hotel" concerning Sec. 31(5) (enshrining the principle of limiting the assignment of exploitation rights to what is necessary for the purpose of the contract).
  - The BGH reversed the ruling of the Court of Appeal that Sec. 31(5) applies as an internationally mandatory rule to interpretation of a contract between a German photographer and the French owner of a hotel in Nice:
    - In case of doubt, it must be assumed that a rule, even if mandatory under domestic law, does not compel application in an international context
    - The principle of protection of the weaker party on which Sec. 31(5) and other mandatory rules rely primarily serves individual interests. It is true that public interests are served as well, but that is rather a reflex than an aim of the legislation.
    - Sec. 32b shows that other binding copyright rules than those mentioned therein are not supposed to be internationally mandatory

Are the rules too strict?

- It is difficult to accept that national provisions aimed at the protection of authors are discarded depending on the applicable law, even though the contract at least in part concerns use in, and income derived from, exploitation in the territory where those rules apply
- In favour of a broader application of internationally mandatory rules in such situations it has been argued that
  - for constitutional reasons, national rules protecting the weaker party in a situation of structural imbalance should always be overriding if and to the extent a contract has a substantial connection with the country concerned (P. Katzenberger)
  - Human rights-based considerations should give precedence to provisions intended to protect the interests of individual authors (G. Austin)
- What then about provisions of labour law or lease contracts?

Rethinking qualification?

- An alternative would be to rethink the standards for qualification of issues as forming part of the contractual sphere or of the right as such.
- Could be feasible/advisable in certain grey zone cases, but hardly recommendale as a general remedy.
- What else?

Thank you for your kind attention!