Authors' Remuneration in Comparative Perspective

Norwegian Copyright Society, 19 May 2022

Jane C. Ginsburg
Columbia Law School

Authors' Remuneration: The Problem:

- Authors and performers typically are the "weaker parties" to contracts transferring rights under copyright
- Imbalance of bargaining power can result in very bad deals for authors and performers
- Even fairly-balanced contracts may not account sufficiently to the author or performer for work's future success

Response: various techniques

Limitation of rights that can be granted, e.g. future technologies reserved to authors (some national laws)

Limitation of duration of grant (US reversion right)

Use-it-or-lose-it (out of print clauses; DSM Directive art. 22)

Adjustment of remuneration (national laws; DSM Directive arts. 18-21)

US author protections: contract formality; termination right - application and PIL issues

Contract formality:

Any grant of exclusive rights must be in writing and signed by the grantor

Grant of non exclusive rights may oral or inferred from conduct

Rights are “divisible” any exclusive right or subright may be transferred and owned separately

Does requirement of signed writing and divisibility of copyright imply a rule of strict construction of the scope of a grant? (New question of federal law?)

Termination right

- Author's inalienable right to terminate grants of rights 35-years after execution (for post-1978 grants)
- Authors' statutory reversion rights originated in 1710 UK Statute of Anne (but reversion right no longer in UK law)
- In prior US statute, automatic (but alienable) reversion if author renewed registration after 28 years

§ 203 Termination Issues

- Who may terminate?
- How is termination effected?
- Which grants are subject to termination?
- What is the effect of termination?

Continued: Who May Terminate?

- If multiple authors:
  - a majority of granting authors
- If author or authors dead:
  - a majority of respective beneficiaries
  - voting as a unit for each author and *per stirpes*

Who May Terminate?

- The (statutory) author
- Including FOREIGN authors *with respect to US rights* [more on this below]
- Who is a statutory author?
  - Not an employee for hire (law of country of origin determines)
  - Collaborators v. intermeddlers

How is Termination Effected?

1. On or after 1/1/1978, author (or authors) grant any right under copyright.
2. Written notice must be served 10 to 2 years prior to termination.
   - Note: 25 years from grant is the first opportunity to serve notice under § 203.
   - 2003 = 25 years from 1978
   - 2016: may begin serving notice re agreements entered into in 1991

Termination Timeline

Year 25: 1st chance to serve notice (2-10 years advance notice required)

Year 38: Last chance to serve notice

Year 0: Author grants (1/1/1978 or later)

Year 35: 5 year termination period begins

Year 40: 5 year termination period ends

Note: publication right termination period begins 35 yrs from publication, or 40 years from the grant (whichever earlier)

Termination Timeline, applied

Year 2007: 1st chance to serve notice (2-10 years advance notice required)

Year 2020: Last chance to serve notice

Year 1982: Author grants

Year 2017: 5 year termination period begins

Year 2022: 5 year termination period ends, **but already too late!**

§ 203 Grants Subject to Termination

"the exclusive or nonexclusive

grant of a transfer or a license of copyright or of any right under a copyright, executed by an author

on or after January 1, 1978,

otherwise than by will"

-- 17 U.S.C. § 203(a)

Grants *Not* Subject to Termination

- Works made for hire
- Testamentary Dispositions

No Contracting Out of Termination

"Termination of the grant may be effected **notwithstanding any agreement to the contrary**, including an agreement to make a will or to make any future grant."

-- 17 U.S.C. § 203(a)(5)

Effect of Termination

- In general, all rights revert

But …

Continued: Effect of Termination

Exception for already-created derivative works:

> "A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination …"
>
> -- 17 U.S.C. § 203(b)(1)

Compare "Rear Window" case (Stewart v. Abend): renewal under 1909 Act effect a total reversion

But …:

Continued: Effect of Termination

Scope of exception: does not extend to new versions of already-made derivative works:

> " … but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the grant" -- 17 U.S.C. § 203(b)(1)

If Author Fails to Terminate

- If termination is not made, or is made improperly, the grant continues in effect.

Relatively few terminations since 2013: Legislative failure? Maybe not . . .

- Relatively few works still have commercial value after 35 years; termination so far most relevant for musical compositions and sound recordings
- Pending disputes as to whether sound recordings are works made for hire, and therefore not terminable
- Termination may encourage earlier bargaining to rescind and enter into a new agreement on better terms for authors

PIL Problems: the Duran-Duran and Paul McCartney cases

Issue: Does English-law contract transferring all rights for all territories prevail over the inalienable US termination right?

Duran-Duran case: post-1978 grant (203 termination), leave to appeal granted

McCartney: grants made starting in 1962 (304(c) termination), declaratory judgment action filed SDNY, 18 January 2017; settled

Duran-Duran contract

Governed by English law; jurisdiction in English courts

Covered all rights "now or hereafter conferred by the laws of any territory so that the entire copyrights and all other rights in the said works shall be vested in the Publishers **absolutely free from the adverse claims of any third party** . . .

No expert evidence on US law

Duran-Duran contract, choice of law analysis

- Foreign mandatory rules don't apply (UK reserved from art. 7(1) Rome I Conv.)
- US law governs assignability of US copyright
- But English law determines scope of assignment
- Dispute regarding relationship under US law of US right to English contract rights is a precluded question of fact (procedural posture of case)
- Authors should have reserved their sec 203 termination rights

McCartney declaratory judgment action

- Contracts transferred all copyright interests "in all countries for the period of copyright so far as it is assignable by law"
- McCartney seeks to preempt UK action for breach of contract
- UK breach of contract action would enforce an "agreement to the contrary" to McCartney's exercise of his US termination right

US PIL precedent: Corcovado v Hollis Music (2d Cir. 1993)

- Brazilian-law contract between Brazilian composer and music publisher, transfers all rights worldwide
- But language not sufficiently specific to transfer US renewal term right under US law
- Grantee claimed Brazilian contract law governed question of scope of transfer worldwide
- Court held that transferability and scope of transfer of US rights are questions of US copyright law

Morricone v. Bixio (2d Cir 2019)

Italian film composer serves notice of termination on Italian publisher

Publisher counters that film scores commissioned for audiovisual works are works made for hire, hence contract not terminable

Applicable law: Italian (parties Italian, works first published in Italy, contract concluded in Italy)

Issue: does Italian law have a work made for hire doctrine, or equivalent? Question of law (not fact)

Relevance to US law: what is “equivalent” to US work for hire?

Morricone, continued

Second Circuit rules Italian commissioned work contract is not equivalent to US work made for hire because composer retains authorship status:

"Italian law does not recognize a comparable allocation of authorship ab initio by statute, even if a contract between the parties grants all economic rights of exploitation to the commissioner. "

"The maximum total duration permitted by the laws of the United States is thirty-five years plus such additional period as the assignor allows until the exercise of the option to terminate."

Implications for foreign authors

Grants of rights are territorial, copyright law of each country covered by the grant determines the permissible scope of the grant for that territory

Cannot grant rights that in a given territory are inalienable; an “all rights” grant transfers whatever rights each territory allows to be transferred

Per *Morricone*, the maximum unconditional grant of US rights is 35 years; any longer duration is subject to the author’s inalienable right to terminate the grant

The law of the contract cannot make rights alienable in territories for which the copyright law reserves the rights at issue to authors; the author’s exercise of those reserved rights therefore is not a breach of the contract

DSM Directive, art. 18 - *Principle of appropriate and proportionate remuneration*

Member States shall ensure that where authors [but not of computer programs – art. 23(2)] and performers license or transfer their exclusive rights for the exploitation of their works or other subject matter, they are entitled to receive appropriate and proportionate remuneration [can, albeit rarely, be lump sum: Recital 73; can license for free: Rec. 82].

In the implementation in national law of the principle set out in paragraph 1, Member States shall be free to use different mechanisms and take into account the principle of contractual freedom [but art. 23(1)] and a fair balance of rights and interests.

To ensure appropriate and proportionate remuneration, need information: art. 19(1) Transparency obligation [no contracting out]

Member States shall ensure that authors and performers receive on a regular basis, at least once a year, and taking into account the specificities of each sector, up to date, relevant and comprehensive information on the exploitation of their works and performances from the parties to whom they have licensed or transferred their rights, or their successors in title [and, on request by author, sub-licensees: Recital 76], in particular as regards modes of exploitation, all revenues generated and remuneration due.

But, 19(2)

The obligation set out in paragraph 1 shall be proportionate and effective in ensuring a high level of transparency in every sector. Member States may provide that in duly justified cases where the administrative burden resulting from the obligation set out in paragraph 1 would become disproportionate in the light of the revenues generated by the exploitation of the work or performance, the obligation is limited to the types and level of information that can reasonably be expected in such cases.

And but, 19(4)

Member States may decide that the obligation set out in paragraph 1 of this Article does not apply when the contribution of the author or performer is not significant having regard to the overall work or performance [how assess?], unless the author or performer demonstrates that he or she requires the information for the exercise of his or her rights under Article 20(1) [contract adjustment mechanism] and requests the information for that purpose.

Art. 20 Contract adjustment [no contracting out]

Member States shall ensure that, in the absence of an applicable collective bargaining agreement providing for a mechanism comparable to that set out in this Article, authors and performers or their representatives are entitled to claim additional, appropriate and fair remuneration from the party with whom they entered into a contract for the exploitation of their rights, or from the successors in title of such party, [at any time?] when the remuneration originally agreed turns out to be disproportionately low compared to all the subsequent relevant revenues derived from the exploitation of the works or performances.

Art. 20: Ambiguities

"remuneration originally agreed": Only one renegotiation, even if remuneration subsequently agreed also becomes disproportional?

"disproportionately low compared to all the subsequent relevant revenues": if remuneration for one mode of exploitation is disproportionately low, but remuneration altogether is not, then no renegotiation for that mode?

How assess "disproportionately low"?

Art. 20 does not appear to address the problem of old license/new media (determination of whether new modes of exploitation are covered by the scope of the grant)

Art. 21 – Alternative Dispute Resolution [no contracting out]

Member States shall provide that disputes concerning the transparency obligation under Article 19 and the contract adjustment mechanism under Article 20 may be submitted to a voluntary, alternative dispute resolution procedure. Member States shall ensure that representative organisations of authors and performers may initiate such procedures at the specific request of one or more authors or performers.

Art. 22(1) – Right of Revocation (for non exploitation)

Member States shall ensure that where an author or a performer has licensed or transferred his or her rights in a work or other protected subject matter on an exclusive basis, the author or performer may revoke in whole or in part the licence or the transfer of rights where there is a lack of exploitation of that work [not of particular rights?] or other protected subject matter. [If non exploitation not due to author's acts, 22(4)]

But, art. 22(2)

Specific provisions for the revocation mechanism provided for in paragraph 1 may be provided for in national law, taking into account the following:

(a) the specificities of the different sectors and the different types of works and performances; and

(b) where a work or other subject matter contains the contribution of more than one author or performer, the relative importance of the individual contributions [how assess?], and the legitimate interests of all authors and performers affected by the application of the revocation mechanism by an individual author or performer.

Member States may exclude works or other subject matter from the application of the revocation mechanism if such works or other subject matter usually contain contributions of a plurality of authors or performers.

Limitations, continued

Member States may provide that the revocation mechanism can only apply within a specific time frame, where such restriction is duly justified by the specificities of the sector or of the type of work or other subject matter concerned.

Member States may provide that authors or performers can choose to terminate the exclusivity of the contract instead of revoking the licence or transfer of the rights.

Revocation: timing art. 22(3)

Member States shall provide that the revocation provided for in paragraph 1 may only be exercised after a reasonable time following the conclusion of the licence or the transfer of the rights. The author or performer shall notify the person to whom the rights have been licensed or transferred and set an appropriate deadline by which the exploitation of the licensed or transferred rights is to take place. After the expiry of that deadline, the author or performer may choose to terminate the exclusivity of the contract instead of revoking the licence or the transfer of the rights.

Contracting out? Art. 22(5)

Member States may provide that any contractual provision derogating from the revocation mechanism provided for in paragraph 1 is enforceable only if it is based on a collective bargaining agreement.

Art 22: Ambiguities

Does non-exploitation giving rise to revocation right apply to work as whole (so exploitation of one right will protect grantee against revocation of the other rights), or to any of the rights granted (e.g. grantee exercises analog but not digital right)?

If revocation right is not mandatory (Recital 81 does not designate art. 22 as mandatory) member States may permit contracting out of the revocation right – which would defeat its purpose!

PIL Issues: Avoiding Author Protections by choice of law and choice of forum

Characterization: are arts. 18-23 copyright rules or contract rules?

If copyright, governed by laws of countries for which rights are granted.

If contract, governed by law chosen by the parties.

Can parties "contract out" of author protections by choosing a non-EU national law lacking those rules?

Can parties "contract out" of author protections by choosing a forum that will characterize the issues of transparency, fair remuneration, obligations to use as matters of contract law (and therefore derogatable)?

Mandatory rules

E.g. French implementation of arts 18-23:

Le contrat par lequel l'auteur de la composition musicale avec ou sans paroles d'une œuvre audiovisuelle transmet tout ou partie de ses droits d'exploitation au producteur de cette dernière ne peut avoir pour effet, nonobstant la loi choisie par les parties, de priver l'auteur, pour l'exploitation de son œuvre sur le territoire français, des dispositions protectrices prévues aux articles L. 131-4, L. 131-5 et L. 132-28 du présent code.

L'auteur peut saisir les tribunaux français de tout litige relatif à l'application de l'alinéa précédent, quel que soit le lieu où son cessionnaire ou lui-même sont établis et nonobstant toute clause attributive de juridiction contraire.

French implementation; comments

- Subject matter limited to music in audiovisual works; quid other works?
- Notwithstanding the law chosen by the contract, the author is entitled to the protective provisions implementing the DSM Directive *for exploitations in France*
- "The author" – includes *foreign authors*? *Huston* case, and Berne art. 5.1 suggest it does.
- The author may bring a claim for the benefit of those provisions before the French courts *notwithstanding any forum selection clause*