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Germany: Amended copyright law looks to the future

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New Rules for New Technology Rights and Unknown Uses in German Copyright Law bring Opportunities and Challenges

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Summary: Amendments recently introduced in German copyright law have brought about important changes regarding the possibility to acquire rights in the future relating to currently unknown means of exploitation. Contract forms currently in use should be reviewed, but rights owners should also check their old contracts.

No other intellectual property right grants a longer protection period than copyright: life of the artist, plus 70 years. When this was established, the idea was to allow an artist's children to benefit from his or her success, given that many did not gain popularity until after their death. This may not be as true today. However, the protection period remains unchanged and now influences the way the copyright industry works. While fresh repertoire is an important part of the market, a significant part of the industry's revenues derive from the ongoing exploitation of existing material over years and decades.

Of course, technology has changed over time, and the same work may be re-packaged, converted into and adapted to new media and products. Movies, for example, went from being shown in theaters, then re-run on television, and now are available on DVD. In a probably not so distant future, DVD will be replaced by non-physical delivery such as video-on-demand over the Internet and cable networks. Even the oldest form of media industry, the publishing business, is not safe. Business information and STM publishing would no longer be conceivable without online databases, which also contain pre-existing works. Today, novels are not only turned into movies; they are published as audiobooks available on CD or as Internet downloads. And, with Amazon's introduction of the Kindle e-book reader, publishers may have an entirely new technology to use in exploiting existing works.

Of course, as each new use is developed, rights must be licensed from the writer, artist, etc... if the works have not gone into the public domain. Agreements governing the grant of such rights might be years or decades old, entered into for

the original publication of the work. And, those agreements may not have taken into consideration the advent of new technologies and methods of exploitation.

The question is: How should agreements be worded to include all currently known and future uses so as to secure corresponding revenues, ideally until the work goes into the public domain? Until recently, German copyright law had an easy, but rather unsatisfying, answer to this: Don't worry about it! The law simply did not permit the contractual grant of a right to use copyrighted works in ways that were unknown at the time of the agreement. From 1 January 1966 until 31 December 2007, section 31 (4) of the Germany Copyright Act read as follows:

“Any grant of rights of exploitation in respect of types of uses not known as well as any obligation to grant such rights shall be void”.

Hence, the advent of any new technology or media could force the current rights owner – such as publishers, film producers or others– to enter into new negotiations with the authors to acquire the respective new rights of use. In this regard, German law differed significantly from other jurisdictions, in particular the United States, where an assignment of rights for future uses of copyrighted materials can be validly agreed upon. The effect of this German copyright peculiarity was that right holders, who wanted to open new ways of distribution for existing works, were constantly in a very uncomfortable and miserable situation: They had to work out new agreements with the original author, and with subsequent editors who had possibly adapted and further developed the work. Very often, the biggest problem was actually identifying these authors and locating them so many years later. In many cases, the authors had died in the meantime and one had to find out who their successors were and which of them owned the rights. Inevitably, the authors and their successors would demand remuneration for their signature, which strained the economic viability of the project.

Apart from the clear cases, where it was obvious that this process could not be avoided, the previous law also triggered a number of uncertainties of how to interpret the notion of a not yet known type of use at different times, depending on when the original agreement had been entered into. Litigation, often taking years, was often necessary to decide whether, for example, the distribution of a movie on DVD as opposed to the use of the same movie on VHS cassettes was a distinct type of use at all, which then would possibly have been yet unknown at the time when the agreement on VHS exploitation was made. The German Federal Supreme Court finally held that video cassettes and DVDs were not distinct uses and therefore the issue of whether DVD had been known at the time when the video cassette agreement was made was irrelevant (Federal Supreme Court, Decision of May 19, 2005, I ZR 285/02 ‘Zauberberg’).

As another example, while few questioned that online use was “distinct and new,” as opposed to print publication, theatrical release, television broadcast, etc...and that it became known in the mid-1990s, this was not much help to a rights owner who

entered into an agreement on March 23, 1996 or October 4, 1994. It was unclear as to when exactly online exploitation became a known exploitation.

This situation has changed fundamentally in Germany as of January 1, 2008. As part of a regulatory reform package intended to address some of the challenges posed by new technological developments, the German legislature has granted authors and licensees of copyrighted works more freedom to address exploitation by as yet unknown technological and commercial means. In principle, a grant of rights to exploit a work in the future through an unknown means can now be validly agreed upon. In the current version of the German Copyright Act, Section 30 (4) has been deleted and replaced by Sections 32 a and 32 c, which read as follows:

§ 32a Contracts for unknown types of exploitation

(1) A contract wherein the author grants or undertakes to grant rights for unknown types of exploitation must be set out in writing. No written form is required if the author grants a royalty-free, nonexclusive right of exploitation for everyone. The author may revoke the grant of rights or his undertaking thereof. The right of revocation will expire three months after the other party has sent the notice of the intended beginning of the new type of exploitation to the author at the last known address.

(2) The right of revocation lapses if the parties, after the new type of exploitation has become known, have agreed a remuneration in accordance with § 32c (1). The right of revocation also lapses if the parties have agreed the remuneration in accordance with a joint fee regulation. The right of revocation will expire upon the author's death.

(3) If several works or work contributions have been combined to one entity which may be reasonably exploited by means of the new type of exploitation only by using all works or work contributions, the author may not exercise the right of revocation in bad faith.

(4) The rights defined in paragraphs (1) to (3) above may not be waived in advance.

§ 32c Remuneration for types of exploitation known later

(1) The author is entitled to a separate, adequate remuneration if the contract partner takes up a new type of exploitation according to § 31a, which was agreed but as yet unknown at the time of conclusion of the contract. § 32 (2) and (4) shall apply *mutatis mutandis*. The contract partner shall notify the author without delay of the beginning of the new type of exploitation.

(2) If the contract partner has assigned the right of exploitation to a third party, the third party shall be liable for the remuneration under paragraph (1) upon taking up the new type of exploitation. The contract partner's liability lapses.

(3) The rights defined in paragraphs (1) and (2) cannot be waived in advance. However, the author may grant a royalty-free, nonexclusive right of exploitation for everyone.

Now “new technologies” clauses will be valid in German rights agreements - if the wording is sufficiently clear. Authors do, however, have a right to subsequently revoke this assignment within certain time limits. If the work is used by these new means of exploitation, the author is entitled to claim additional remuneration. Special rules apply to screenwriters, who are not entitled to revoke their grant of rights vis-à-vis the producer.

In addition, and perhaps most importantly for current rights owners, the new law provides for a mechanism granting a statutory license to current rights owners to exploit existing works through new forms of use. This transitional rule applies to all works acquired between 1966 and December 31, 2007. Given the development of a variety of new media in recent years, including, in particular, different forms of video-on-demand distribution, the new law can create the opportunity for rights owners to derive further value from existing portfolios.

This “transitory provision” (which actually comes close to a statutory license) for existing agreements and works got somewhat hidden in Section 137 l:

§ 137l Transitional provisions for new types of exploitation

(1) If the author, between 1 January 1966 and 1 January 2008, granted to another all essential rights of exploitation on an exclusive basis with no limits as to territory or time, the rights of exploitation unknown at the time of conclusion of the contract are deemed granted to the other party as well unless the author objects to the use towards the other party. For types of exploitation known on 1 January 2008, the objection must be raised within one year. In all other cases the right of objection will expire three months after the other party has sent the notice of the intended beginning of the new type of exploitation to the author at the last known address. Sentences 1 to 3 shall not apply to rights of exploitation that have become known in the meantime, which the author has already granted to a third party.

(2) If the other party has assigned to a third party all rights of exploitation as originally granted to him, paragraph (1) shall apply mutatis mutandis to any such third party. If the author gives notice of revocation to his original contract partner, the latter shall provide the author without delay with all necessary information about the third party.

(3) The right of revocation according to paragraphs (1) and (2) shall lapse if the parties have made an express agreement about a type of exploitation that has become known in the meantime.

(4) If several works or work contributions have been combined to one entity which may be reasonably exploited by means of the new type of exploitation only by using all works or work contributions, the author may not exercise the right of objection in bad faith.

(5) The author is entitled to a separate, adequate remuneration if the other party takes up a new type of exploitation in accordance with paragraph (1) which was as yet unknown at the time of conclusion of the contract. § 32 (2) and (4) shall apply mutatis mutandis. The claim may only be asserted through a collecting society. If the contract partner has assigned the right of exploitation to a third party, the third party shall be liable for the remuneration upon taking up the new type of exploitation. The other party's liability lapses.

Unless the author or his heir sends a valid opposition to the current owner of rights granted under an existing publishing or rights agreement before January 1st, 2009, the other party will automatically acquire all rights with respect to the contractual work for all kinds of use of the work, which have become known since 1966. This is providing the agreement intended a comprehensive grant of rights to the publisher, studio etc. including the rights for all or essentially all kinds of use known when the agreement was made. Special provisions apply, if the publisher has assigned its rights or if the parties have entered into supplementary agreements on certain additional new uses over the period defined in the agreement. The author will have a statutory claim to an "adequate remuneration", the amount of which will ultimately be determined by the courts, if the parties do not agree. This is a significant change to the existing law.

The following example may illustrate the effects of new Section 137 I: A writer or director entered into a typical publishing or production agreement in 1971, by which he has assigned the world-wide exclusive rights for all or substantially all then known kinds of use to the publisher/production company for life of copyright. According to the former doctrine and law, he and not the publisher owned the rights for use in "new technologies, such as Internet subscription services and video downloads. If the publisher wished to use these rights, it had to negotiate to agree on an additional grant of rights with the author. Now, if there is no valid opposition on or before December 31st, 2008, the publisher will own all rights with regard to new technologies developed since 1971 from January 1st, 2009 and can then exploit them commercially without permission from the author or his successors. The latter may only claim a statutory compensation. In the case of a film writer or a director this would give the studio the rights required for DVD rental or video-on-demand services on the Internet, which were not known at the time of the agreement.

US attorneys should make their clients aware of the new German law, where clients have a copyright interest in Germany. If the client is an author (or his successor), he may risk losing control over the new media rights in existing works if no action is taken. If the client is a publisher or production company, it is in his interest to take advantage of the enhancement of his rights catalogue in existing works made possible by the new law. In some cases, the author will lose his opposition right under the new law, if he enters into agreements on new technologies now.