E

WIPO/CR/KYI/09/2
ORIGINAL: English
DATE: June 2009

STATE DEPARTMENT OF
INTELLECTUAL PROPERTY

WORLD INTELLECTUAL
PROPERTY ORGANIZATION

WIPO SUB-REGIONAL SEMINAR ON THE PROTECTION OF WORKS AND PERFORMANCES IN THE AUDIOVISUAL SECTOR

organized by
the World Intellectual Property Organization (WIPO)

in cooperation with
the State Department of Intellectual Property (SDIP)
of the Ministry of Education and Science of Ukraine

Kyiv, June 22 and 23, 2009

PROSPECTS FOR IMPROVING THE PROTECTION OF AUDIOVISUAL PERFORMERS AT THE INTERNATIONAL LEVEL

Dr. Mihály Ficsor, Chairman, Central and Eastern European Copyright Alliance (CEECA), Budapest

I. INTRODUCTION

1. This is my second background paper prepared for this sub-regional seminar. The first one describes the specific international norms on the international protection of audiovisual works; second, it outlines the current situation regarding the international protection of audiovisual performances; and, third, it refers to the general means to fight audiovisual piracy and to the specific measures needed against "camcoding" piracy. This one has been prepared for the panel discussion on the "Prospects for Improving the Protection of Performers at International Level."

II. FAILURE OF THE 2000 DIPLOMATIC CONFERENCE

2. In accordance with the resolution adopted by the 1996 Diplomatic Conference mentioned in my first background paper, the preparatory work of international norms continued, first in two sessions of a separate "Committee of Experts on a Protocol concerning Audiovisual Performances" in 1997 and 1998, and then in the first three sessions of the Standing Committee on Copyright and Related Rights established to deal with any kinds of norm-setting in the field of theses rights, in 1998 and 1999.

3. It seemed that the preparatory work was not ripe enough regarding the thorny issue of transfer of rights. Nevertheless, at the insistence of those delegations which were in favor of adopting a "protocol" to the WPPT as soon as possible, a Diplomatic Conference was convened to take place in December 2000.

4. The Diplomatic Conference took place as foreseen, from December 7 to 20, 2000. It produced significant progress in solving the various pending issues, but on the issue of transfer of rights, it turned out to be impossible to reach consensus. The Plenary, on the last day of the Conference, adopted the following Recommendation:

> "The Diplomatic Conference
>
> (1) *notes* that provisional agreement has been achieved on 19 Articles;
>
> (2) *recommends* to the Assemblies of Member States of WIPO, in their September 2001 session, that they reconvene the Diplomatic Conference for the purpose of reaching agreement on the outstanding issues."[1]

5. The Recommendation used the expression "provisional agreement" regarding the 19 articles mentioned in it. It is to be noted, however, that the agreement on those articles – in particular, on the most substantial ones concerning rights along with exceptions and limitations – was not only provisional but also conditional for certain delegations (including the United States (U.S.) delegation) on appropriate provisions on transfer of rights on which, however, there was no agreement.

6. The Basic Proposal for the new instrument – about which it was "provisionally" agreed at the Diplomatic Conference that it should be construed as a stand-alone treaty rather than a mere protocol to the WPPT – contained no less than four alternatives in its Article 12 on the issue of transfer of rights:

---

[1]WIPO document IAVP/DC/36/ p. 15, para 96.

"*Alternative E*
"Transfer

"Once a performer has consented to the incorporation of his performance in an audiovisual fixation, he shall be deemed to have transferred all exclusive rights of authorization provided for in this Treaty with respect to that particular fixation to its producer, subject to written contractual clauses to the contrary.

"*Alternative F*
"Entitlement to Exercise Rights

"In the absence of written contractual clauses to the contrary, once the performer has consented to the audiovisual fixation of his performance, the producer shall be deemed to be entitled to exercise the exclusive rights of authorization provided for in this Treaty with respect to that particular fixation.

"*Alternative G*
"Law Applicable to Transfers

"(1) In the absence of any contractual clauses to the contrary, a transfer to the producer of an audiovisual fixation of a performance, by agreement or operation of law, of any of the exclusive rights of authorization granted under this Treaty, shall be governed by the law of the country most closely connected with the particular audiovisual fixation.

"(2) The country most closely connected with a particular audiovisual fixation shall be

(i) the Contracting Patty in which the producer of the fixation has his headquarters or habitual residence; or

(ii) where the producer does not have his headquarters or habitual residence in a Contracting Party, or where there is more than one producer, the Contracting Party of which the majority of performers are nationals; or

(iii) where the producer does not have his headquarters or habitual residence in a Contracting Party, or where there is more than one producer, and where there is no single Contracting Party of which a majority of the performers are nationals, the principal Contracting Party in which the photography takes place.

"*Alternative H*
[No such provision]"[2]

7. Alternative E corresponded to the proposal of the United States delegation submitted during the preparatory work, and although it was supported by certain other delegations, it was strongly opposed by many others, including in particular by the delegations of the E.C. and its Member States. In contrast, Alternative H reflected the position of certain delegations, in particular those of the E.C. and its Member States, but it seemed unacceptable to some

[2] WIPO document IAVP/DC/3, pp. 55 and 57.

others, including the delegation of the United States. Therefore, these alternatives did not have any reasonable chance to be adopted by consensus. Only Alternative F and Alternative G seemed to have more or less chance. Concerning these two alternatives, the notes in the Basic Proposal read as follows:

> "12.10. During the preparatory stages a model that took its inspiration from Article 14*bis*(2)(b) of the Berne Convention was considered by some delegations. *Alternative F* is based on this approach, and it provides for a presumed entitlement to exercise the rights; it would be applied in the absence of written contractual clauses to the contrary. It would be applicable only to performers' exclusive rights of authorization, and only to the particular audiovisual fixation…
>
> "12.11. One aspect of obscurity has been removed from the provision in Alternative F compared to the corresponding provisions of the Berne Convention. The legal operation of the so-called clause on "presumption of legitimation" of Article 14*bis*(2)(b) of the Berne Convention is based on the expression "authors ... may not... object." Authors continue to be owners of their respective rights, but the rights are not exercisable against the user. Alternative F is similar in its effect but is phrased as a presumption of entitlement. The producer would be expressly and properly "entitled to exercise the exclusive rights of authorization provided for in this Treaty." Performers would still own their rights and they could assert them against third parties to the extent of any unauthorized use or, subject to applicable contracts or national legislation, claim remuneration from the producer. Producers would have certainty in their ability to exploit the audiovisual production in the marketplace…
>
> "12.13. The proposed Instrument is directed to addressing international situations. The purpose of *Alternative G* is to build a bridge between different legal systems, leaving each country to determine its own policy concerning transfer, while still providing business certainty. It is based on the principles of private international law.
>
> "12.14. The main function of Alternative G would be to guarantee the recognition of different arrangements for the transfer of rights that are in use in different Contracting Parties. It does so providing in *paragraph (1)* that a transfer of any of the exclusive rights of authorization to the producer shall be governed by the law of the country most closely connected with the audiovisual fixation, a principle well established in private international law. This rule would be applicable in all cases of transfer of rights, whether by agreement or by operation of law. The rule would be rebuttable: it would be applicable only in the absence of any contractual clauses to the contrary, and like the previous alternatives, it would apply only to the exclusive rights of authorization and only to the particular audiovisual fixation.
>
> "12.15. This alternative would not impose on the Contracting Parties any model of transfer of rights or contractual arrangements. Contracting Parties would be free to choose their models according to their legal traditions or refrain from legislating about the transfer of rights. All Contracting Parties joining the proposed Instrument could maintain their own solutions. The only strict obligation for Contracting Parties would be to provide for the application of the law of the "country most closely connected." The ownership of rights would thus be determined only once and each audiovisual production would have its own set of rules that would follow the production throughout its international distribution.

> "12.16. *Paragraph (2)* of Alternative G provides for a hierarchy of three points of attachment for the choice of applicable law. The first point of attachment, the place of headquarters or habitual residence of the producer, is similar to that of Article 5(4)(c)(i) of the Berne Convention. It guarantees the application of a single law to all participating performers. The second criterion, nationality of the majority of the performers, and the third point of attachment, the principal place of filming, would serve the same objective of uniformity. There might be Situations in which there is no Contracting Party which meets the criteria laid down in paragraph (2). In such situations, ordinary rules of private international law apply."[3]

8. The issue of transfer of rights surfaced twice to the level of formal discussions in Main Committee I for short and not truly substantive debates. The real work on this issue was done in a working group which was a forum for informal consultations. It seems that, rightly enough, Alternative G was emerging as the greatest hope for reaching a possible compromise solution. The most substantive debate that took place on December 17 afternoon, that is, three days before the end of the Diplomatic Conference, still showed, however, that not all delegations – and, in particular, not the delegations of the E.C. and its Member States – were able to join a consensus on that basis. Still on December 20 in the afternoon, last efforts were made and various variants of the alternatives were raised, but in vain. The Diplomatic Conference was unable to settle this last – but the most difficult – issue.

III. PROSPECTS FOR A NEW TREATY

A. Apparent reasons for absence of agreement on new international norms on the rights of audiovisual performers

9. After the 2000 Diplomatic Conference, at the subsequent sessions of the SCCR, those delegations which considered the updating of the international protection of the rights of audiovisual performers did not give up, and insisted that further efforts should be made in trying to achieve this objective. The proposed new treaty will be on the agenda of the Committee also at its next session in May 2009, and also a number of regional and national WIPO meetings take place – like the one for which this background paper has been prepared – to promote the protection of the rights of audiovisual performers. The key question is whether there is real political will of the key negotiators to try to produce a real breakthrough.

10. It would be misleading to base expectations on an overly optimistic interpretation of the outcome of the 2000 Diplomatic Conference according to which the remaining task is not too difficult, since there was agreement on 19 articles of the draft Treaty and only one single article – only 5% of the substantive provisions – has remained unsettled due to absence of consensus.

11. In fact, that twentieth article covered the most fundamental question of the draft Treaty. It would be self-deception to believe that, without a consensus about it, one could speak about a real agreement concerning the other 19 articles "provisionally agreed upon." The majority of those provisions were agreed upon subject to the settlement of the issue of transfer of rights to be addressed in that famous twentieth article. Many provisions were only adopted *ad referendum* with the reservation of various delegations to reconsider them later.

---

[3] *Ibid*, pp. 54 and 56.

12. Nevertheless, it is still undeniable that significant progress was made at the Diplomatic Conference. This is true not only concerning the provisionally adopted 19 articles, but to a certain extent also in respect of the issue of transfer of rights. As mentioned, even on the last day, new compromise proposals emerged and were discussed. At the various formal and informal meetings after the Diplomatic Conference, the gaps between the opposing positions seemed to be further narrowed, although the key negotiating parties have not got close to a real breakthrough. Furthermore, as a result of the WIPO surveys and international, regional and national information meetings, now there is much greater awareness than ever before about the importance of adequate protection of the rights and interests of audiovisual performers.

13. As stated above, much depends on the political will of the negotiating parties. It should be seen that, in turn, the political will to make efforts to reach an agreement depends to a great extent on whether or not the parties may consider that it would be in accordance with their economic, social and cultural interests.

14. From the viewpoint of the various countries, the questions may emerge in this way: Is not the present status quo also suitable to us? Is it truly necessary to change it at the price of some compromises? Would it be worthwhile giving up certain principles or elements of our existing system in the hope to get advantages in other aspects? Would the balance of advantages and disadvantages of a new treaty be truly favorable to us?

15. In the U.S. position, the interests of audiovisual producers traditionally play quite an important factor; this was evident during the negotiations of the Rome Convention, the TRIPS Agreement and the WPPT, as well at the 2000 Diplomatic Conference. This is quite understandable in view of the important contribution of the film industry to the U.S economy (to the GDP, employment, economic growth, international trade). The present status quo reflected in the international treaties can hardly be characterized as unfavorable to this industry. Producers may be satisfied with their position as owners of all kinds of rights in their audiovisual productions. If they were ready to reach a compromise in recognition of the interests of their performers, they certainly would insist that it should not undermine this position and, through it, the efficiency of the U.S. film industry.

16. The U.S. audiovisual performers may not feel it urgent either to achieve new international norms. The system of collective negotiations and agreements between the producers and the guilds, with the combination of basic and “residual” payments, in general, seem to work quite satisfactorily from their viewpoint too. A new international treaty with adequate norms may rather be helpful to just strengthen their legal basis in the collective negotiations.

17. The European audiovisual performers may hardly be dissatisfied with the level of protection under the “*acquis communautaire*.” That level is much higher than what the Rome Convention, the TRIPS Agreement and the WPPT require. In contrast with the minimum requirements of those treaties, the provisions of the E.C. directives, in general, provide for generous economic rights (such as for reproduction, distribution, rental and (interactive) making available to the public) to both “aural” and “audiovisual” performers. The Rental and Related Rights Directive has introduced in Europe the institution of “residual rights” which is

not based just on possible collective or individual contractual agreements between producers (of phonograms and films) and performers, but rather on legislative norms prescribing an unwaivable right to remuneration to be maintained after the transfer of the exclusive right of rental by performers to producers.[4]

18. Therefore, for the European audiovisual performers, a new treaty may not seem indispensable in order to enjoy satisfactory protection. They do not need a treaty in order to enjoy adequate protection and enforcement of rights by domestic (and E.U.) performers, but rather from the viewpoint of international aspects, first of all in the relationship with the U.S. It is understandable that they would only regard the adoption of a new treaty worthwhile and acceptable if it guaranteed that they could maintain their strong position.

19. As regards developing countries, it should be seen that the differing positions around the issue of transferability and the level of support for a new treaty are not a manifestation of a "North-South" conflict. The dividing line is not between industrialized countries and developing countries. There are certain developing countries – for example India which has one of the biggest film industries of all over the world – that are in favor of easy and broad transferability of rights and are not among those that urge the preparation and adoption of a new treaty. Other developing countries actively promote the idea of a treaty, and as regards the issue of transfer of rights, have more or less of the same position as the European countries.

20. It is more difficult to describe and analyze the economic, social and cultural interests of developing countries from the viewpoint of the question of the preparation of a new treaty and the thorny issue of transfer of rights than in the case of industrialized countries. Much depends on the status of the film industry in these countries, but it may not be decisive in itself, since – as it can be seen in the case of the U.S. and Europe – the existence of film production does not in itself determines the positions of the various countries.

B. Possible benefits of a new treaty for various groups of stakeholders

21. At the 1996 and 2000 Diplomatic Conferences and the various sessions of the SCCR, the most animated debates took place between the delegations of the E.C and the U.S; they played the most active role in the negotiations. It was not by chance that there was a quite broadly shared impression among the other delegations that, if the E.C. and the U.S. negotiators were able to reach a compromise solution regarding the issue of transfer of rights, the deadlock would be eliminated and the way would be opened towards the adoption of a treaty.

22. However, as described above, from the viewpoint the interested stakeholders of these countries, a new treaty may not seem to be truly indispensable and urgent and, therefore, they may be reluctant to support compromise solutions the impact of which may require from them to change their sufficiently well functioning systems and may create certain risks. This is

[4] See Article 3(6) and 5 of Directive 2006/115/EC of the European Parliament and the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version of the Directive originally adopted in 1992).

particularly the case in respect of the question of transfer of rights. In the following paragraphs, those reasons are discussed which still suggest that a treaty based on reasonable compromise would be in the interests of the majority of stakeholders and would not conflict with the interests of others.

23. In order to describe the basic problem in general terms, it may be said that the IP-based system that functions sufficiently well in Europe in favor of European performers does not function the same way – or does not function at all – in favor of U.S. (and other non-European) performers, and the U.S. collective contract system does not offer either the same benefits to European (and other non-U.S.) performers who are not members of the U.S. organizations representing performers. It is in the light of this situation that the transfer of rights is a fundamental issue.

24. It is a key issue for European performers exactly due to the fact that, in their countries, usually there is no such organizational framework (guilds, etc.) as in the U.S. which could negotiate collective contracts with producers, on the basis of which the economic interests of performers might be guaranteed. In Europe too, there are performers' organizations, but they do not have the same functions as the U.S. guilds do. If they have a role in negotiations with producers and other users on the remuneration of performers, they usually act in their capacity of collective management of rights. In that respect, the negotiation, collection and distribution of remuneration is based on IP rights provided by national laws rather than on mere labor-law-type contracts. The collective management organizations of performers point out that, where economic rights are transferred to the producers – and, thus, the performers may only receive remuneration, if any, directly from the producers on the basis of contracts concluded with them on the occasion of the transfer of their rights – the position of performers is weaker. This is one of the reasons for which these organizations are in favor of legislative solutions that may strengthen their position, such as limitation of the transferability of rights, provisions on unwaivable rights to remuneration maintained after the transfer of economic rights, transformation of "impractical" exclusive rights into mere rights to remuneration; prescription of mandatory (or at least "extended") collective management, etc.

25. The above-mentioned system favored by the collective management organizations does exist in Europe for quite a broad scope of rights. This alone does not seem to be an obstacle to some treaty-based arrangements that would consist in exercising performers' rights by such organizations irrespective of whether the rights are still owned by the performers as original owners of rights or have been transferred (in countries where the transfer of rights is possible or prescribed under national laws) to producers or to any other successors-in-title.

26. In reality, however, the majority of European collective management organizations do not function in such a way, and this does not only depend on their own decisions and practices, but it directly follows from the copyright policy and the legislative norms of the countries concerned. It is quite frequent that the collective management organizations collect remuneration for all audiovisual performers but, for various reasons, they do not transfer that part of the remuneration which corresponds to the performances incorporated in U.S. films. Mostly, there is no transfer either to the producers of those films (who are usually obligated, under contracts, to pay "residuals" to performers). The collective management organizations have various solutions to use such "non-transferable" amounts; for example, they add them to the distribution funds of those performers whose rights are covered by their repertoire, or use them for general cultural or social purposes.

27. The basic reason for non-transferring remuneration to U.S. performers – in spite of the fact that in principle the tariffs applied by collective management organizations are calculated in a way that the same amounts are to be paid no matter whether domestic, European, U.S. or other foreign films are used – as a rule, is the absence of any treaty relationship. In principle, in certain cases, reciprocity rules might help, but they are rarely available and, even if they exist, they are not necessarily applied.

28. There are certain problems in the relationship between the European countries and the U.S. even where there is treaty relationship between them in respect of copyright and related rights. Some of those problems are due to differing interpretations of national treatment obligations and/or the absence of compatible organizational structures. However, it would hardly be possible to discuss these problems – in particular the complex issues of national treatment – in the framework of this paper.

29. One may be – and, it seems, some people, in fact are – of the opinion that, after all, it is not a bad thing that the remuneration collected for all performers is not distributed to a number of owners of rights, since in that way domestic and other protected performers may get more; furthermore, it may also be beneficial from the viewpoint of balance of payments.

30. However, there are certain reasons for which such kinds of full collection/partial distribution systems – at least, on a longer run – could hardly work in favor of any stakeholders. They raise a number of problems that could be eliminated if an international treaty were adopted based on a reasonable compromise.

31. The U.S. has repeatedly pointed out that it conflicts with several basic legal principles to collect money on behalf of other people and then to keep it without benefitting them; or to put it in another way – from the viewpoint of those who are supposed to pay – to collect money without any sound legal-political justification.

32. It would be quite difficult to deny that such a practice causes contradictions suitable to undermine the credibility of the copyright and related rights system. Therefore, when this problem was raised at the 2000 Diplomatic Conference, it was recognized that it was untenable. A declaration has been included in the records of Main Committee I to state this, the status of which is very close – or even equal – to that of an “agreed statement” mentioned in Article 31(2)(a) of the Vienna Convention on the Law of Treaties. Since it has been adopted by consensus, it may serve as an important guiding principle to be applied in international relations.

33. The relevant paragraphs of the report of Main Committee I read as follows:

> “423. He invited the Committee to consider Article 4 on national treatment, underlining that any delegation had the possibility to stop the process at any moment. The President made the following declaration: “during the work of Main Committee I, a proposal was made to include in the Treaty a provision stating that no Contracting Party should allow collection of remuneration in respect of performances of nationals of another Contracting Party, unless distribution of such remuneration is made to those nationals. Such rules have not been taken to the text of the Treaty. It is understood that there is no legal basis for collection of remuneration in a Contracting Party in respect of nationals of another Contracting Party for rights that it does not accord to those nationals. Collections in such circumstances would be inappropriate and without legal authority. Therefore all those from whom such remuneration is claimed should have legal

remedies against the payment. Where remuneration is collected, on the basis of proper mandates, in a Contracting Party for rights that it accords to the nationals of another Contracting Party, but not distributed to them, those nationals should have legal means to ensure that they received the remuneration collected on their behalf." The President asked the Committee whether Article 4 could be adopted with the understanding that the declaration he had just made would be taken to the Records of the Diplomatic Conference.

"Main Committee I adopted, by consensus, Article 4, as contained in document IAVP/DC/34."[5]

34. Nowadays, consumer and other "civil-society" organizations are paying growing attention to the way the copyright and related rights system functions. They have good reasons to claim that collection of money on behalf of those who do not receive anything leads to an unjustified increase of the costs of the use of audiovisual works, and may insist that such practices should be abandoned.

35. Would it be possible to reduce the scope of collection of remuneration and not to collect, for example, for U.S. performers since they do not enjoy protection due to the absence of treaty relationship with the U.S.? Perhaps, in certain cases, this may be solved, but even in those cases it would create organizational and legal-contractual difficulties as well as much higher monitoring costs. However, where blanket licensing is the only workable method – and, in the case of mere rights to remuneration, in general, this is the case – this would hardly be possible.

36. It may be stated in general that the management of a broader – preferably worldwide – repertoire is in the interest of collective management organizations and the performers represented by them (as well as in the interest of users). It strengthens the credibility of the system and makes its operation simpler and more cost-effective for all stakeholders. It is, therefore, submitted that, from an objective point of view, it would be in the interest of European (and other) collective management organizations to be able to also administer the rights of U.S. performers based on an appropriate WIPO treaty.

37. It goes without saying that such an arrangement would also benefit U.S. performers no matter whether they received the money directly or through their producers as parts of "residuals." Furthermore, it would hardly be in conflict with the interests of film producers either in Europe or in the U.S. Just the contrary; for example, in the U.S., if the amount of "residuals," as a result of transfer of remuneration from Europe, increased, it might have a beneficial effect on the negotiation and conclusion of collective agreements between the film studios and the guilds.

38. An appropriate compromise would be beneficial also from the viewpoint of the entire copyright and related rights system which is under attack in various ways for various reasons, since it would strengthen its credibility and social acceptance. For this, it would be necessary to prove that it functions "as advertised;" namely as a means to promote the creation of valuable cultural productions and their availability to the public, and not only in certain countries, but in all – both industrialized and developing – countries of the world.

[5] WIPO document IAVP/37, pp. 58-59.

39. There are various methods of collective management organizations to serve this objective, such as agreements between them allowing deduction of a certain reasonable part of the remuneration (also from the amounts to be transmitted to other countries) for the promotion of creativity in the country where the remuneration is collected. This is not only a matter of generosity and international solidarity. It also serves the interest of those foreign owners of rights who agree to such deductions, since in that way, appropriate support may be obtained from the creators, the general public and the policy makers of net importer countries for efficient protection and enforcement of rights, which, without this, may not be so easily granted. That is, this kind of generosity and solidarity is a useful long-term investment. It is advisable that also the producers and other owners of rights of net exporter countries recognize this and act accordingly.

C. Chances for a New Treaty: Only Through a Compromise Solution

40. Obviously, it may not be sufficient to recognize that a new treaty based on a reasonable compromise would be in the interests of all stakeholders, or at least would not be in conflict with the interests of any stakeholders. The big question is how such compromise may be worked out and adopted.

41. It is submitted that, before addressing any legal-technical details, it would be necessary to reconsider certain basic principles on which any new attempts may be made with a stronger determination and with more readiness to concentrate on common interests than on dubious short-term advantages.

42. For example, it seems to be of a fundamental importance what would be the legal orientation of the new treaty and what place it would have in the structure of international norms on copyright and related rights.

43. As a basic condition of any compromise, the demand that the new instrument simply assimilate the rights of audiovisual performers to the rights of “aural performers” – basically to the rights of performers in respect of their performances fixed on phonograms – as provided in the WPPT should be given up. The idea that the new instrument should be just a protocol to the WPPT was closely linked to this demand. During the post-1996 negotiations, appropriate compromise was reached at least on the legal status of the proposed instruments in the sense that it should be a stand-alone treaty. Of course, this in itself would not be decisive from the viewpoint of the nature and level of protection to be granted under the treaty. It still may consist in the assimilation to the rights of “aural” performers under the WPPT, and, to the contrary, it may also be stand-alone instrument also from a substantial point of view. As stated above, it is believed that the latter option would be advisable.

44. This is so since the status of audiovisual performers should also be in accordance with the status of owners of copyright in the audiovisual works in which their performances are incorporated. It is an unfounded allegation that, if the status of audiovisual performances were not the same as that of performances fixed on phonograms, it would necessarily mean “discrimination” to the detriment of audiovisual performers. The advocates of this position seem to disregard the fact that the legal status of authors of audiovisual works does also differ from the status of the authors of works embodied in phonograms, not mentioning the fact that the status of phonogram producers and film producers also does differ. Those differences are not the results of any “discrimination” either; they simply follow from the differing ways in which films and phonograms are produced, made available and used.

45. Having pointed this out, it is important to take into account that Article 14bis of the Berne Convention does deal with the issue of transfer of rights by the authors to the producers (makers) of audiovisual works.

46. It is interesting to note that this article of the Berne Convention also contains a private-international-law rule in its paragraph (2)(a). Before discussing the possible relevance of this rule, it should be stated that the author of this background paper tends to agree with those commentators who are of the view that no private-international-law solution has real chance to succeed as a workable compromise solution to facilitate the adoption of a new audiovisual performances treaty. This is not a matter of principle but a matter of practical experience in view of the failure of the attempts to reach consensus on such a basis at the 2000 Diplomatic Conference.

47. In the opinion of the author of this paper, of the private-international-law options discussed at the Diplomatic Conference, the application of the law of the country to which the audiovisual fixation has the closest relationship (read: the country of the producer, or, in other words, the country of origin) presented as Alternative G might have been a suitable basis for a reasonable compromise. From this viewpoint, it is to be noted, however, that Article 14bis(2) of the Berne Convention does not seem to be in accordance with this principle; it prefers the application of the law of the country where protection is claimed.

48. Even if the issue regulated by that provision of the Berne Convention is not the transfer, but rather the original ownership of copyright in audiovisual works, it is relevant from the viewpoint of the proposed new treaty. This is the case, since if, in the new treaty, the source-country principle had applied, inconsistency would emerge between the international norms on copyright and the rights of performers regarding the applicable law from the viewpoint of the chain of transfer of rights.

49. There would not have been necessarily such a basic inconsistency between the status of authors and performers of audiovisual works if the option of “presumption of legitimation” (presented as Alternative F at the Diplomatic Conference) had been adopted. The nature of that option would have corresponded to Article 14bis(2) of the Berne Convention which is only applicable where the authors are the original owners of rights in audiovisual works. It guarantees that the producers (makers) of audiovisual works may get in the position, through transfer of rights or otherwise, to be able to carry out acts covered by the rights of authors. However, that option was also rejected by the E.C. (which insisted that the issue of transferability of rights should simply be left to national legislation).

50. It may be asked why this kind of solution that is suitable to authors is not suitable to performers; why they claim a stronger status. The response of European audiovisual performers may be, and in fact it seems to be, that since they do have a stronger status than that, it would not be a good deal to agree on international norms offering weaker status for us.

51. This argument may be sufficient in itself as a basis of a negotiation strategy. The audiovisual performers may also base a weighty argument on paragraph (3) of Article 14bis of the Berne Convention. It allows to countries party to the Convention not to apply paragraph (2)(b) on the “presumption of legitimation” in respect of the authors of scenarios, dialogues and musical works created for the making of audiovisual works and the principle

director thereof; that is, in respect of the featured authors of the such works. It may be said that actors, or at least featured actors (certainly, others than the "extras") deserve the same status as featured authors due to their decisive role in the making and possible success of audiovisual productions.

52. However, as stated above, it is not advisable to try to base a compromise solution again on the various private-international-law options discussed in 2000 concerning the transfer of rights.

53. What kinds of other solutions may then exist as possible alternatives? It seems there are not many, if there is any at all. However, it seems that there might still be some, if the approach to the issue of transferability were modified. In a possible new approach, the differences between the various legal systems would have to be recognized not only as a reality but also as acceptable for the various countries party to the treaty, provided that neither of them would be constrained to other countries, and, at the same time, they would be applied also to the benefit of the performers of other countries party to the treaty.

54. This would require abandoning the hopeless attempts of trying to adapt reality to the new treaty and recognizing instead that any international agreement would only be feasible and workable if it were adapted to reality. This would need the acceptance that only a kind of "umbrella" arrangement is realistic which would only concentrate on achieving the fundamental objective – namely, the recognition of the right of audiovisual performers to benefit proportionately from the exploitation of audiovisual fixations in which their performances are incorporated – and would leave sufficient freedom to the contracting parties in respect of the way in which this would be guaranteed to each other's performers.

55. There are some aspects of the different legal systems and the positions of the negotiating parties that do not seem to create conflicts, and thus they might serve as a basis for such an "umbrella" deal.

56. First, although the European performers oppose that the new treaty provide for, or promote, the transfer of rights to producers and, in that way, "export" the U.S. legal system to Europe, they seem to accept the existence of that system as well as similar contract-based systems in other countries as a reality (a reality also as regards the fact that it might hardly be possible to change them by the "export" of the European system).

57. The strict and consistently represented position of the E.C. delegation according to which the treaty should not deal with the transfer of rights and that this issue be simply left to national legislation, in principle, also appeared to reflect the recognition that the contracting parties would be free to settle the issue the way they wish, including the way followed in the U.S. On the surface, this seemed to reflect flexibility and openness to compromise solutions. In fact, however, it was a basic obstacle to any agreement. It was like that since it went along with the intention of some E.U. Member States to maintain their policy of not recognizing the validity of the ownership of film producers under their laws and denying the transfer of remuneration for audiovisual performances incorporated in their audiovisual works.

58. In principle, this policy of certain E.C. Member States was – and probably still is – is based on the position that the recognition of the validity of transfer of rights in such performances to film producers would be in conflict with the "public order" under their legal system. It is submitted that no negotiation on a future treaty would have any chance for

success if this position were maintained. In the consensus-based system of WIPO, the U.S. and other countries with similar contract-based systems would be unable to accept a treaty allowing "public-order"-based denial of the recognition of the rights provided by the treaty just because they have been transferred by the performers.

59. There seems to be, however, weighty arguments for the E.C. to accept that the denial of the recognition of the validity of transfer of rights is not appropriate by citing "public order" restrictions. This means not only the argument that it is only in such a case that there is any hope for a meaningful treaty (on the understanding that, even if the consensus-based approach were suspended in order to be able to adopt a treaty, an agreement without the participation of the U.S. as the No. 1 exporter of audiovisual productions would make the treaty meaningless). It also means that the application of the "public order" principle in this respect would be unjustified by the E.U. Member Countries also from the viewpoint of the *acquis communautaire*.

60. It was as early as in 1992 that the E.C. and its Members States recognized that there was no conflict with any kind of "public order" principle in the case of transfer of the rights of performers to producers, including the transfer of the rights of audiovisual performers to film producers. This legal position has not changed since then. The Rental and Related Rights Directive[6] adopted in that year contained the following provisions, and they have not been modified since then, except that they have been renumbered in the "codified version" of the Directive published in 2006:[7] The provisions of the relevant paragraphs in the codified version (appearing in the new numbering as parts of Article 3) read as follows:

> "3. The rights referred to in paragraph 1 [rental rights, including the rental right of performers] may be transferred, assigned or subject to the granting of contractual licences.
>
> "4. Without prejudice to paragraph 6, when a contract concerning film production is concluded, individually or collectively, by performers with a film producer, the performer covered by this contract shall be presumed, subject to contractual clauses to the contrary, to have transferred his rental right, subject to Article 5.
>
> "5. Member States may provide for a similar presumption as set out in paragraph 4 with respect to authors.
>
> "6. Member States may provide that the signing of a contract concluded between a performer and a film producer concerning the production of a film has the effect of authorizing rental, provided that such contract provides for an equitable remuneration within the meaning of Article 5. Member States may also provide that this paragraph shall apply *mutatis mutandis* to the rights included in Chapter II [the rights of performers provided in the Directive other than the right of rental]."

[6] Council Directive 91/100/EEC of 19 November 1992 on rental right and lending right and on certain rights related to copyright in the field of intellectual property.

[7] See footnote 23, above.

61. These provisions clearly recognize the possibility and validity of transfer of rights; paragraph 4 provides for rebuttable presumption of transfer, and paragraph 6 even allows to Member States to apply automatic transfer of rights upon concluding of contracts with film producers. In view of this, no Member State may claim that the transfer of rights foreseen in the Directive would be in conflict with "public order" since it is an obligation to transpose the provisions of the Directive into national laws. Therefore, the E.C. either does not seem to have a valid reason to claim or imply that the validity of the transfer of rights of audiovisual performers to film producers in a country party to the proposed treaty can be denied in any Member State and that, on that basis, the applicability of the rights thus owned by film producers could be rejected.

62. It does not concern the validity of transfer of rights to film producers that the Directive prescribes in its Article 3(6) and (5) that an unwaivable – "residual" – right to equitable remuneration must be maintained after the transfer of rights to the film producers.

63. In fact, in addition to the recognition of the validity of transfer of rights, the existence of "residual" remuneration for performers may be regarded another common element of the different legal systems on which a compromise solution may be based. Such a solution might consist (i) in providing appropriate rights (with appropriate exceptions and limitations, enforcement provisions, etc.) to audiovisual performers; (ii) in making it clear that the contracting parties are free to provide for the transfer – or at least the transferability – of the rights of audiovisual performers to film producers, or even in providing for a rebuttable presumption of transfer; (iii) in recognizing the validity of the transfer also in those contracting parties which may not have the same system; (iv) in providing that the performers must receive proportional equitable "residual" remuneration for the uses of their performances in respect of which they have transferred their rights; and (v) leaving to the contracting parties on what basis they fulfill the obligation to guarantee such remuneration to the performers, as long as they do so (whether on the basis of the contracts on consenting to the incorporation of their performances in audiovisual fixations, in the form of "residual" payments, or of statutory provisions on unavailable "residual" rights usually exercised by collective management organization).

64. This is only a sketch of a possible compromise solution. If there were any chance to base a treaty on this kind of compromise, of course, it would still be necessary to agree on several details for which the flexibility of all the parties would be needed.

65. For example, the U.S. would have to recognize that, in order to guarantee the payment of "residuals" for the beneficiaries of the treaty, it should solve the problem of those performers of other contracting parties who are not members of U.S. guilds (e.g., either through some kind of extension of the effect of collective agreements to such performers or through the establishment of an alternative or parallel collective management structure).

66. It might also be an idea to allow to those E.U. Member States and other countries that still may insist on some "public-order" considerations to transfer the remuneration collected on the basis of the unwaivable "residual" rights to an organization that manages "residuals" in the U.S. or other possible countries with a similar contractual system rather than to the producers concerned (in which case, however, also some internal arrangements would be necessary in order to respect the contractual obligations between performers represented by such organizations and the producers).

67. A compromise solution would also require a duly calibrated regulation of the application of national treatment.

68. One thing seems to be quite sure; namely that, if the issue of transfer of rights were solved, it would be possible to solve all the other pending issues of the proposed treaty.

[End of document]