

# INTERNATIONAL ASSOCIATION OF ENTERTAINMENT LAWYERS

*Newsletter: Spring 2003*



This issue contains the full set of legal updates given during the IAEL sessions at Midem in January. We were honoured to have Jay Cooper, one of our founder members, give the US update, and his contribution appears here in the form of two articles setting out the artists' case on two key issues troubling the US industry at present: the "work made for hire" debate and the labels' exemption from the Californian seven-year labour rule.

There are also contributions from Spain, France, Italy, The Netherlands, Germany and the UK. The UK contribution is by Gordon Williams of Lee & Thompson and includes an update on privacy and confidentiality cases in the UK in which he has been closely involved.

The so-called EU copyright directive should have figured strongly in these presentations, but in January only Greece and Denmark had implemented the directive by the required date, so our speakers were left to speculate as to how their law might change. We intend to bring you a fuller account of implementation across European member states in the next issue.

There is also a late entry to the newsletter, in the form of an update from Michael Sukin on the recent affirmation by the US Supreme Court of the 20-year extension to US copyright that was put on the US statute books in 1998. Michael summarises the various views for and against the constitutionality of the extension.

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This newsletter is edited by Alexander Ross, Theodore Goddard, London  
*Editorial co-ordination and production: Theodore Goddard, London*

INTERNATIONAL ASSOCIATION OF ENTERTAINMENT LAWYERS  
13, rue Alphonse de Neuville, 75017, Paris, France

[www.iael.org](http://www.iael.org)

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## THE MUSIC BUSINESS AND THE LAW: IMPORTANT DEVELOPMENTS IN 2002 THE ITALIAN PERSPECTIVE

### Introduction

The purpose of this report is to offer a brief review of the latest relevant developments, regarding both Italian law and the Italian jurisprudence, in the year 2002 and significant for the music business. We have therefore focused our attention on two specific points: a) the implementation into Italian law of the EU Directive n° 2001/29 on the harmonization of certain aspects of copyright and related rights in the information society (the “Copyright Directive”) and b) some recent case-law establishing, or reaffirming, important principles for copyright and copyright protection.

### a) The implementation of the Copyright Directive

1) During the last month of December, 2002, the Italian Government approved the Legislative Decree implementing into Italian law the EU Copyright Directive.

The 5<sup>th</sup> recital of the said Directive acknowledges that “*Technological development has multiplied and diversified the vectors for creation, production and exploitation. While no new concepts for the protection of intellectual property are needed, the current law on copyright and related rights should be adapted and supplemented to respond adequately to economic realities such as new forms of exploitation*”.

This further harmonization should therefore respond to the need for a higher level of protection, since, according to the 9<sup>th</sup> recital of the Directive, copyright and related rights are “*crucial to intellectual creation. Their protection helps to ensure the maintenance and development of creativity in the interest of authors, performers, producers, consumers, culture, industry and the public at large. Intellectual property has therefore been recognized as an integral part of property*”.

To this purpose, articles 6 and 7 of Chapter III of the Directive deal with the protection of technological measures and rights-management information, obliging the EU Member States to provide “*adequate legal protection against circumvention of any effective technological measures*” carried out “*in the knowledge, or with reasonable grounds to know,*” that such circumvention is being pursued (art. 6, 1.).

According to article 6, 3. “*technological measures*” means any “*technology, device or component that, in the normal course of its operation, is designed to prevent or restrict acts, in respect of works or other subject-matter, which are not authorized by the rightholder of any copyright or any right related to copyright ...*”.

The 48<sup>th</sup> recital of the Directive states that such protection should “*be provided in respect of technological measures that effectively restrict acts not authorized by the rightholders of any copyright, rights related to copyright or the sui generis right in databases without, however, preventing the normal operation of electronic equipment and its technological development*”.

Finally, according to the 10<sup>th</sup> recital of the Directive, authors and performers “*have to receive an appropriate reward for the use of their work, as must producers in order to be able to finance this work*”, given that the investments required to produce phonograms, films, multimedia products as well as “*on-demand*” services are deemed (and they actually are, as we know) “*considerable*” by the Directive.

2) This being said, let us now examine the major modifications that the Copyright Directive (and, to a certain extent, the WIPO Copyright and Performances and Phonograms Treaties of December 20, 1996) brings into the Italian copyright legislation through the mentioned Legislative Decree.

### I - Author’s rights

- First of all, art. 13 of the Italian Copyright Act (n° 633 dated April 22, 1941) has been amended in order to expressly include in the reproduction right the multiplication in copies “*direct or indirect, temporary or permanent, in whole or in part*” of the work, in any “*form or manner*”.<sup>1</sup>
- Furthermore, art. 16 of the law has been amended in order to rename the former “*diffusion*” right into the new right of “*communication to the public by wire or wireless means*” of the work.<sup>2</sup>

- Finally, art. 4 of the Directive finds itself in the amended art. 17 of the Italian copyright law, where two new paragraphs have been added to clarify that the exhaustion of the distribution right only applies to the first permitted sale or transfer of ownership of the work in the European Community<sup>3</sup>, but not if the works are made available to the public in such a way that anyone can access them “*from a place and at a time individually chosen*”.<sup>4</sup>

## II - Recorded works

Section V of Chapter IV of Part I<sup>5</sup> of the Act is now titled “*Works recorded on devices*”, as opposed to the former “*Works recorded on mechanical devices*”, and the same concept applies to the language of the subsequent articles.<sup>6</sup>

## III - Exceptions and limitations

The whole Chapter V of the same Section I (now called “*Exceptions and limitations*”, as opposed to the former “*Free uses*”) has been amended to implement the provisions contained in art. 5 of the Copyright Directive,<sup>7</sup> with the division of its content into 3 new Sections: 1) Reprography and other exceptions and limitations, II) Private reproduction for personal use and 3) Common provisions. More in detail:

- art. 65 (press reproduction)<sup>8</sup> and art. 66 (political speeches)<sup>9</sup> of the Act have been extended to, respectively, broadcast or otherwise made available articles and speeches;
- art. 68 (reprography) has been amended to align the provision to the provisions of article 5, 2., (a) and (c) of the Directive, now including the (remarkable) specification that photocopies made by libraries, museums and public archives cannot bring any direct or indirect economic or commercial advantage, and the same specification has been inserted into art. 69, 2. (former paragraph 1bis) with reference to state record and movie libraries;
- art 68bis has been newly introduced to embody the exception of temporary reproduction, replicating the language of article 5, 1. of the Directive (but adding that such exception does not affect the responsibilities deriving from the - future - implementation of the Directive on electronic commerce<sup>10</sup>);
- a new series of articles has been inserted (71bis to 71quinquies) to incorporate exceptions in favour of people with disabilities,<sup>11</sup> for study or scientific research<sup>12</sup> or for use (against the payment of an equitable compensation) in hospitals or prisons,<sup>13</sup> with the obligation for the rightholders, in specific cases,<sup>14</sup> to remove the technological measures in order to allow the exercise of the given exceptions;
- article 71sexies (opening the second sub-section dedicated to private copying) has been inserted to fully incorporate in the Italian Copyright Act the exception for reproduction made by a natural person, for private use (only),<sup>15</sup> without purpose of gain, for no commercial ends and with respect of the technological measures; while granting authors, producers of phonogram and audiovisual works, performing artists and videogram producers the compensation<sup>16</sup> set forth in the following article 71septies;
- article 71nonies has been inserted to state that all the above mentioned exceptions and limitations, when applied to works and other protected subject-matter made available to the public in such a way that anyone can access them from a place and at a time individually chosen, shall not conflict with their normal exploitation nor unreasonably prejudice the legitimate interests of the rightholders;<sup>17</sup>
- finally, article 71decies has been inserted to expressly extend all exceptions and limitations to neighbouring rights.

## IV - Neighbouring rights – phonographic producers

Chapter I of Part II<sup>18</sup> of the Act is now titled “*Rights of producers of phonograms*”,<sup>19</sup> as opposed to the former “*Rights relating to the production of phonographic recordings and similar devices*”.

More in detail:

- article 72 has been restructured in order to fully incorporate the provisions set forth in the Copyright Directive and in the WIPO Performances and Phonograms Treaty, therefore now granting phonographic producers (in addition to the already existing rights of distribution<sup>20</sup> and of the rental of the phonograms<sup>21</sup>) the exclusive right to a) authorize or prohibit the reproduction “*direct or indirect, temporary or permanent, in whole or in part*” of the phonograms, in any “*form or manner*”<sup>22</sup> and b) authorize the making available to the public of

the phonograms,<sup>23</sup> not subject to exhaustion;<sup>24</sup> while similar restructuring has been done with reference to articles 78bis of the law (now article 78ter), for producers of cinematographic or audiovisual works, 79, for broadcasting organizations, and 80, for performing artists.

- article 78 has been amended in order to better incorporate the definition of producer of phonograms given by article 2, (d) of the WIPO Performances and Phonograms Treaty.<sup>25</sup>

#### V - Technological measures and rights-management information

Finally, a new Part IIter has been inserted after article 102ter<sup>26</sup> of the Act, with two new articles (102quater and 102quinquies) in order to comply, respectively, with the provisions of article 6<sup>27</sup> and article 7<sup>28</sup> of the Copyright Directive on technological measures of protection and rights-management information.

Both, with the newly introduced provisions of letters g) and h), respectively, are subject to the sanctions set forth in article 171ter of the Act (imprisonment from 6 months to 3 years and fine).<sup>29</sup>

#### b) Recent case-law

##### 1) Broadcasting right (Court of Milan, decision n° 6605 of May 27, 2002)

A number of Italian music publishers sued a local commercial radio station broadcasting from Milan, complaining of use of their work without authorisation in the station's broadcasts (authorisation that the radio station should have obtained through the Italian collecting society SIAE, to which, according to art. 180 of our Copyright Act, the activity of intermediary in the exercise of - among others - broadcasting rights of protected works is reserved).

The claimants requested the Court to declare a violation of their rights, to grant an injunction against any further utilization of the works, to order the publication of the decision in newspapers and magazines and to order the defendant to pay the legal costs of the case.

The radio station claimed that the broadcasting activity made use of recordings, and not the underlying songs, and therefore that any necessary authorisation had to be granted by the relevant artists and phonographic producers, not the publishers of the songs.

The Court accepted the publishers' claim (noting that, pending the proceeding, the radio had signed an agreement with SIAE) and remarked that the principle of independence of the exploitation rights set forth in article 19 of the Italian copyright Act<sup>30</sup> states that the performance of work and its fixation on a phonographic recording does not affect the exclusive broadcasting right of the work, set forth in article 16 of the Act, as also expressly stated in the following article 61, 2. of the same Act.<sup>31</sup>

##### 2) Synchronisation right (Court of Rome, decision n° 21982 of May 30, 2002)

A recent decision of the Court of Rome has addressed once again the issue of the so-called "synchronisation" right (the coupling on an audiovisual device of audio - almost always music - and - generally - moving images).

The case concerned the insertion of an excerpt of an aria from a famous opera into the soundtrack of a motion picture; insertion that was requested by the film producer but never granted by the music publisher.

The defendant claimed that only part of the work was used (1 minute and 30 seconds) and that the extract was sung by an actor, accompanied by instrumentation (accordion and guitar) simpler than used in the original (scored for orchestra), and that such a short and incomplete performance was not sufficient to amount to communication of the work to the public.

The Court found for the claimants, declaring a violation of their rights, inhibiting any further utilization of the work by synchronisation in the motion picture and ordering the defendant to pay damages and the legal costs of the case.

The decision follows a previous decision of the Court of Rome (March 15, 2001), that examined the case of a synchronisation of music into a TV advertisement, noting that such use does not fall under the authorisation granted by SIAE to the broadcasting organization to publicly perform (broadcast) music of the SIAE repertoire.

### 3) Protection of critical editions (Supreme Court, decision n° 559 of January 17, 2001)

A less recent, but nonetheless very interesting, decision addressed the issue of protection of critical editions, in which the Italian Supreme Court overturned a previous decision of the Court of Appeal of Turin that had rejected, in principle, the protection under copyright law of critical editions, arguing that they would, by principle, lack creativity.

On this issue, it is worth noting that Italy is among the few European States which have chosen to implement the provisions of article 5 of the EEC Directive n° 93/98, now incorporated into article 85quater of the Italian copyright Act that grant (neighbouring right) protection to critical and scientific editions, regardless of their creativity, for a period of 20 years from publication.

This, however, leaves open the issue of whether, where creativity subsists, critical editions should enjoy full copyright protection under the provision of article 4 of the Italian Act.<sup>32</sup>

The Court has endorsed the principle by stating that, when characterized by creativity, critical editions do enjoy protection and that such creativity has to be ascertained on a case by case basis, therefore ordering the renewal of the proceedings in a different section of the same Court.<sup>33</sup>

### 4) Misleading advertising (2 Antitrust Authority decisions)

The Italian Antitrust Authority (to which jurisdiction is granted by the Italian Legislative Decree n° 74 of January 25, 1992<sup>34</sup>) has intervened on two very similar cases of advertising of phonographic products, deemed to be misleading.

- The most recent case regards the cover of CD containing a series of cover recordings performed by an artist of songs previously performed by another (much more famous) artist.

In decision n° 11470 of November 27, 2002, the Authority ordered the phonographic producer to modify the lay-out of the CD cover, noting that the name of the performing artist ("*performed by ...*") was printed much too small and was less visible than the name of the artist that previously performed the same musical compositions (accompanied, but in small characters, by the mention "*a tribute*"), therefore leading the public to believe that the disc contained the recording of works actually performed by the latter.

- The same principle was applied by the Authority in the previous decision n° 10599 of March 28, 2002, in a case concerning the advertisement in a mail-order catalogue of several phonographic products also containing cover recordings of songs previously interpreted by other (much more famous) artists.

The Authority ordered the advertisement to be discontinued, noting that the mere expression "*cover*" next to the name of the famous artist was not sufficient to distinguish the two products and could lead the public to believe that the discs contained the recording of works by the famous artist.

Gianluca Pojaghi  
Studio Legale Pojaghi, Milan

#### Footnotes

- 1 Article 2 of the Directive, granting the exclusive right to authorize or prohibit "*direct or indirect, temporary or permanent*" reproduction "*by any means and in any form, in whole or in part*", and the first Agreed Statement, concerning article 1 (4) of the WIPO Copyright Treaty, according to which "*the reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment ...*" and "*the storage of a protected work in a digital form or in an electronic medium constitutes a reproduction ...*"
- 2 Article 3, 1. of the Directive, granting the exclusive right to authorize or prohibit "*any communication to the public*" of the work, "*by wire or wireless means*", and article 8 of the WIPO Copyright Treaty, using identical language
- 3 Article 17, 2., reflecting Article 4, 2. of the Directive and art. 6 (1) of the WIPO Copyright Treaty, using identical language
- 4 Article 17, 3., reflecting article 8 (Right of Communication to the Public) of the WIPO Copyright Treaty
- 5 Generally containing provisions on author's rights
- 6 Article 61, 1. a), granting the exclusive reproduction right of the work on any "*sounds, voices or images bearing device, whatever is the technologies used therein*"

- 7 Parallel, with a greater degree of detail, to article 10 of the WIPO Copyright Treaty and article 16 of the WIPO Performances and Phonograms Treaty
  - 8 See article 5, 3., (c) of the Directive
  - 9 See article 5, 3., (f) of the Directive
  - 10 N° 2000/31/EC
  - 11 Article 71bis, from article 5, 3., (b) of the Directive
  - 12 Article 71ter, from article 5, 3., (n) of the Directive
  - 13 Article 71quater, from article 5, 2., (e) of the Directive
  - 14 Article 71quinquies
  - 15 Article 5, 2., (b) of the Directive
  - 16 Levied at source on the sale price of recording or recordable devices
  - 17 Article 5, 5. of the Directive, article 10 of the WIPO Copyright Treaty and article 16 of the WIPO Performances and Phonograms Treaty
  - 18 Generally containing provisions on neighboring rights
  - 19 The same language of the title of Chapter III of the WIPO Performances and Phonograms Treaty
  - 20 Article 12 of the WIPO Performances and Phonograms Treaty
  - 21 Article 13 of the WIPO Performances and Phonograms Treaty
  - 22 Article 2 of the Copyright Directive and article 11 of the WIPO Performances and Phonograms Treaty
  - 23 Article 3, 2. of the Copyright Directive and article 14 of the WIPO Performances and Phonograms Treaty
  - 24 Article 3, 3. of the Copyright Directive
  - 25 *“the person, or the legal entity, who or which takes the initiative and has the responsibility for the first fixation of the sound ...”*, equivalent to the definition given by article 3, (c) of the International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations done in Rome on October 26, 1961
  - 26 Opening the Chapter containing provisions on the protection of databases
  - 27 Same principle in articles 11 of the WIPO Copyright Treaty and article 18 of the WIPO Performances and Phonograms Treaty
  - 28 Same principle in articles 12 of the WIPO Copyright Treaty and article 19 of the WIPO Performances and Phonograms Treaty
  - 29 Article 8 of the Copyright Directive
  - 30 *“The exclusive rights referred to in the preceding articles shall be independent of each other. The exercise of any one right shall not exclude the exercise of the other right. They shall extend to the work in its entirety and to each of its parts.”*
  - 31 *“Assignment of the right of reproduction or the right of distribution shall not include, unless otherwise agreed, assignment of the right of public performance or of communication to the public.”*
  - 32 Protecting derivative works of creative nature
  - 33 The case is, at the time we write this article, still pending
  - 34 Implementing in Italy the EEC Directive n° 84/450 on misleading advertising
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