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Private International Law Aspects of Authors' Contracts: the Dutch and French Examples

Jane C. Ginsburg* and Pierre Sirinelli**

Abstract

Copyright generally vests in the author, the human creator of the work. But because, at least until recently, most authors have been ill-equipped to commercialize and disseminate their works on their own, the author has granted rights to intermediaries to market her works. Since most authors are the weaker parties to publishing, production, or distribution contracts, the resulting deal may favor the interests of the intermediary to the detriment of the author's interests. Many national copyright laws have introduced a variety of corrective measures, from the very first copyright act, the 1710 British Statute of Anne, which instituted the author's reversion right (still in force, albeit much modified, in U.S. copyright law), to detailed limitations on the form and scope of grants found in many continental European copyright laws. Recently, the Netherlands and France have amended their copyright laws to reinforce author-protective provisions; the French reforms particularly envision the publishing contract in the digital environment.

But many author contracts, especially in the digital environment, grant rights for multiple territories: how does the international dimension of these agreements affect the practical ability of individual countries to regulate authors' contracts with respect to exploitations occurring within their borders? If, on the one hand, "lawmakers tend to be provincial in developing copyright-contract rules, remaining focused on largely local parties and interests rather than on policies common to many jurisdictions," and, on the other, general principles of private international law leave to the parties the determination of the law applicable to their contract, may the parties simply avoid "provincial" protections of authors'

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economic interests by choosing (or the stronger party imposing) the law of a less author-interventionist jurisdiction to govern the full territorial extent of the transfer?

This Article will first discuss two examples of reforms of copyright-contract law, then will consider the extent to which private international law rules may render these reforms largely ineffective for authors who grant rights for multiple territories. Finally, we will propose private international law approaches that preserve local author-protective contract restrictions without rendering the implementation of the international agreement unduly cumbersome or unpredictable. We recognize that our approach departs from classic, content-neutral, private international law rules, because it seeks to impose a particular outcome. But content-neutral choice of law rules are what create the problem that provoked this examination in the first place: the rule of “party autonomy,” that directs courts to look to the law the parties choose for their contract enables the stronger party to avoid weaker party protections simply by submitting the contract to a less-constraining national law. The proposed rule remains within the general private international law (non substantive) framework because it in no way instructs States to adopt author-protective measures. It simply endeavors to ensure, if a State does determine to recalibrate the balance of power between authors and exploiters, that the contract not set the State’s efforts to protect its resident authors to naught.

Introduction

Copyright generally vests in the author, the human creator of the work.¹ But because, at least until recently, most authors have been ill equipped to commercialize and disseminate their works on their own, the author has granted rights to intermediaries to market her works. Since most authors are the weaker parties to publishing, production, or distribution contracts, the resulting deal may favor the interests of the intermediary to the detriment of the author’s. Many national copyright laws have introduced a variety of corrective measures, from the very first copyright act, the 1710 British Statute of Anne, which instituted the author’s reversion right² (still in force, albeit much modified, in U.S. copyright law³), to detailed limitations on the form and scope of grants found in many continental European copyright laws.⁴ Recently, The Netherlands and France have

¹Some countries, however, including the United States and the Netherlands, vest copyright in works made by employees in the course of their employment in the employer, who may often be a juridical person.

²Act for the Encouragement of Learning (Statute of Anne), 1710, 8 Ann., c. 19, § 11 (Gr. Brit.) (“[T]he sole right shall return to the author” if still living at the expiration of the initial 14-year copyright term).

³17 U.S.C. § 203 (2012) (creating the inalienable right to terminate grants 35 years after the execution of the contract).

⁴See, e.g., Loi 92-597 du 1 juillet 1992 [Code of Intellectual Property], Journal Officiel de la République Française [J.O.], July 3, 1992, arts. L. 131-1-132-30 [hereinafter French Code of Intellectual Property],

amended their copyright laws to reinforce author-protective provisions; the French reforms particularly envision the publishing contract in the digital environment.

But many author contracts, especially in the digital environment, grant rights for multiple territories: how does the international dimension of these agreements affect the practical ability of individual countries to regulate authors' contracts with respect to exploitations occurring within their borders? If, on the one hand, "lawmakers tend to be provincial in developing copyright-contract rules, remaining focused on largely local parties and interests rather than on policies common to many jurisdictions,"⁵ and, on the other, general principles of private international law leave to the parties the determination of the law applicable to their contract, may the parties simply avoid "provincial" protections of authors' economic interests by choosing (or the stronger party imposing) the law of a less author-interventionist jurisdiction to govern the full territorial extent of the transfer?

This Article will in Part I discuss two examples of reforms of copyright-contract law; Part II will then consider (A) the extent to which private international law rules may render these reforms largely ineffective for authors who grant rights for multiple territories, and (B) will propose private international law approaches that preserve local author-protective contract restrictions without rendering the implementation of the international agreement unduly cumbersome or unpredictable.

I. Substantive Provisions of the Dutch and French Laws on Authors' Contracts

A. Dutch Copyright Contract Act⁶

Under Dutch law, employers are the copyright owners of employee-created works.⁷ But the Dutch version of works made for hire does not extend to works by freelance creators. As to nonemployee authors, the new copyright law announces a principle of strict interpretation of the scope of contracts: the grant "shall comprise only

http://www.legifrance.gouv.fr/affichCode.do?sessionId=2D013356C523C269C96912FA8B0AE456.tpdjo04v_3?idSectionTA=LEGISCTA000029759371&cidTexte=LEGITEXT000006069414&dateTexte=20150208; Germany, Gesetz über Urheberrecht und verwandte Schutzrechte (Urheberrechtsgesetz) [Copyright Act], Sept. 9, 1965 (Ger.), §§ 31-32(B), 36; Belgium, Loi Relative au Droit D'Auteur et aux Droits Voisins [Law on Copyright and Neighboring Rights] of June 30, 1994 (as amended by the Law of Apr. 3, 1995), arts. 3, 11, 24, 26, 55. For analysis of particular national laws' provisions on authors' contracts, see, e.g., INTERNATIONAL COPYRIGHT LAW AND PRACTICE (Lionel Bently ed., LexisNexis 2015). On amendments to the German author-protective provisions, see, e.g., Wilhelm Nordemann, *A Revolution of Copyright in Germany*, 49 J. Copyright Soc'y 1041 (2002); William R. Cornish, *The Author as Risk-Sharee*, 26 COLUM. J. LAW & THE ARTS 1, 8-16 (2002). See generally, Paul Katzenberger, *Protection of the Author as the Weaker Party to a Contract under International Copyright Contract Law*, 19 I.I.C. 731 (1988).

⁵Paul Edward Geller, *International Copyright: The Introduction*, in INTERNATIONAL COPYRIGHT LAW AND PRACTICE *supra* note 4, at INT-259.

⁶Copyright Contract Act of June 30, 2015, Staatsblad van het Koninkrijk der Nederlanden, Stb. 2015, 257, <https://zoek.officielebekendmakingen.nl/stb-2015-257.html>, <http://www.ipmc.nl/en/topics/new-copyright-contract-law-netherlands> (Visser Schapp & Kreijger trans) (amending the Dutch Copyright Act of 1912) [hereinafter Dutch Copyright Contract Act]. Thanks to the law firm of Visser Schaap & Kreijger for the English translation of the Act.

⁷Dutch Copyright Act of 1912, art. 7 [hereinafter Dutch Copyright Act].

the rights that are stated in the deed or that necessarily derive from the nature and purpose of the title or the grant of the license.”⁸ This provision confirms prior case law narrowly interpreting the scope of grants in the context of modes of exploitation developed after the conclusion of the contract.⁹ By contrast, in some countries, in the absence of a statutory rule of interpretation, courts treat the scope of copyright licenses as a question of contract law.¹⁰

The Dutch law contains several nonwaivable provisions assuring authors “fair compensation.”¹¹ As a general rule, contracts are to stipulate fair compensation for grants of rights of exploitation, and the Minister of Education, Culture and Science is to “determine the amount of fair compensation for a specific sector and for a certain period of time” upon the “joint request of an association of makers existing in the relevant sector and a commercial user or an association of commercial users. This request shall contain jointly agreed advice regarding fair compensation and a clear definition of the sector to which the request relates.”¹² The law’s “bestseller clause” provides for additional compensation when “the agreed compensation is seriously disproportionate to the proceeds from the exploitation of the work,” although the law does not define “seriously disproportionate.”¹³ (The German copyright law has long had such a clause,¹⁴ so case law under that provision may provide some guidance.) The law provides a further source of remuneration when the contract explicitly covers uses unknown at the time of contracting: the original grantee or its successor(s) must provide additional compensation for those new uses.¹⁵

The law reverts rights to the author upon notifying the grantee “if the other party to the contract does not sufficiently exploit the copyright to the work within a reasonable period after having concluded the contract, or does not sufficiently exploit the copyright after having initially performed acts of exploitation.”¹⁶ While the reversion right may not be waived, the law does not define these terms. Perhaps the dispute resolution committees the law establishes will resolve these and other issues that the law leaves open.¹⁷

⁸Dutch Copyright Contract Act art. 1A (modifying art. 2 of the Dutch Copyright Act).

⁹*See, e.g.*, Dist. Ct. Amsterdam 24 Sept. 1997, AMI 1997, 9, p. 194, NJV (Freelancers/Volkskrant newspaper) (Neth.) (holding that a 1980s publishing contract did not cover digital exploitations).

¹⁰For example, in the United States the rule of interpretation is considered a matter of state contract law, which may lead to different outcomes. *Compare* Cohen v. Paramount Pictures, 845 F.2d 851 (9th Cir. 1988) with Boosey & Hawkes v. Disney, 145 F.3d 481 (2d Cir. 1998) (both interpreting the scope of synchronization licenses and reaching different conclusions as to the extension of the licenses to cover distribution of videocassettes to the public).

¹¹Dutch Copyright Act art. 25h(1) (non waivability). Art. 45d(2), however, excludes video on demand from the principal director’s and screenwriter’s statutory rights to fair compensation. The rationale for this exclusion is unclear.

¹²*Id.* art. 25c.

¹³*Id.* art. 25d.

¹⁴German Copyright Act of 9 Sept. 1965 (Federal Law Gazette Part I, p. 1273), as last amended by Article 8 of the Act of 1 Oct. 2013 (Federal Law Gazette Part I, p. 3714), art. 32a.

¹⁵Dutch Copyright Contract Act art. 25c(6).

¹⁶*Id.* art 25e.

¹⁷*Id.* art 25g.

B. French Law Limitations on the Scope of Authors' Contracts

The French Code of Intellectual Property safeguards authors against leonine transfers in a variety of ways. In addition to mandating that publishing contracts, performance rights contracts, and audiovisual production contracts be in writing,¹⁸ the law further requires that each right granted be distinctly specified in the contract, and that the scope of the grant be defined with respect to its purpose, its geographic extent, and its duration.¹⁹ As a general rule, authors are to receive royalties, rather than a lump sum payment; the law lists limited instances in which a flat fee is permitted.²⁰ Amendments to the statutory provisions on publishing contracts, introduced at the end of 2014, further detail authors' rights in print and digital editions of literary works.²¹ These modifications seek to ensure that publishers will in fact exercise the rights that authors grant them, and will fairly account to authors for the fruits of those exploitations. Failure to publish the work within a certain time, or to pursue the exploitation of the rights in a consistent manner ("exploitation permanente et suivie"), or to reissue a book that has gone out of print, will result in reversion of print or electronic rights to the author.

The new provisions require the grant to distinguish print from digital editions (any contract that grants digital rights but fails to include a distinct section regarding their exploitation will be void), and impose additional author protections with respect to the latter.²² Notably, the contract must guarantee authors "just and fair remuneration" for all the revenues deriving from the commercialization and dissemination of digital editions.²³ The law acknowledges the possibility of flat fee payments, but significantly constrains the circumstances under which publishers may avail themselves of that form of remuneration: the law expressly prohibits grants of all digital rights and over all forms of exploitation. Rather, flat fee payments "are allowed only for a specific operation, and every new operation for which a flat fee is permitted requires a renegotiation of the fee."²⁴ In addition, contracts granting electronic rights must include a clause providing for periodic review of the economic conditions of the grant;²⁵ an accord between associations of authors and of publishers will determine the frequency of the reviews and

¹⁸French Code of Intellectual Property art. L131-2. U.S. Copyright law requires that the grant of any exclusive right must be in writing and signed by the grantor. 17 U.S.C. § 204(a).

¹⁹French Code of Intellectual Property art. L131-3. The author may grant rights for future modes of exploitation unknown at the time of the contract, but such a grant must be explicit, and must provide for a share in the profits of the new form of exploitation. *Id.* art. L131-6.

²⁰*Id.* art. L131-4; L132-6.

²¹*Id.* art. L132-17-1 et seq.

²²*Id.* art. L132-17-1: « Lorsque le contrat d'édition a pour objet l'édition d'un livre à la fois sous une forme imprimée et sous une forme numérique, les conditions relatives à la cession des droits d'exploitation sous une forme numérique sont déterminées dans une partie distincte du contrat, à peine de nullité de la cession de ces droits. »

²³*Id.* art. L132-17-6.

²⁴*Id.* « Dans les cas prévus de recours à un forfait, ce dernier ne saurait être versé à l'auteur en contrepartie de la cession de l'ensemble de ses droits d'exploitation sous une forme numérique et pour tous les modes d'exploitation numérique du livre. Dans les cas de contributions à caractère accessoire ou non essentiel mentionnés au 4° de l'article L. 131-4, une telle cession est possible.

Le forfait ne peut être justifié que pour une opération déterminée et toute nouvelle opération permettant le recours à un forfait s'accompagne de sa renégociation. »

²⁵*Id.* art. L132-17-7.

will provide guidelines for dispute resolution.²⁶ The law also promotes the development of digital editions: a grantee that fails to disseminate a digital edition within the time set out in an accord between associations of authors and of publishers will lose those rights back to the author.²⁷ Moreover, and rather unusually, the law applies even to contracts concluded before the law's effective date: for two years after the law's entry into force, the law empowers authors to demand that the publisher produce a digital edition; the publisher's failure to do within three months following proper notification results in reversion of the digital rights to the author.²⁸

II. Private International Law Consequences of the Dutch and French laws on Authors' Contracts

A. Application of Statutory and General PIL Rules

Before we examine the specific cases of the Dutch and French laws, we recall some general rules of private international law and copyright contracts. The determination of applicable law first turns on the characterization of the issue. Matters of substantive copyright law, including the rights conveyed by the contract, are governed by the *lex protectionis*, or law of the country for which protection is sought, i.e., where the work is exploited.²⁹ Matters of contract are submitted to the law chosen by the parties to the contract (if the contract includes a choice of law provision) or to the law of the country in which the contractual relationship is localized. In the EU, the Rome I Regulation, establishes criteria for identifying the law governing the contract (*lex contractus*).³⁰

In the case of copyright contracts, defining which matters come within the domain of a national copyright law and which fall within the domain of the law of the contract is an exercise fraught with controversy. The respective rights of the parties to the contract may resolve differently depending on which law applies. In particular, if national law prohibits the transfer of certain rights—such as moral rights or rights to modes of exploitation unknown at the time of the contract's conclusion—may an author nonetheless grant the right in full for all territories if she and her co-contractant choose the law of a country that permits such transfers?³¹ Or, suppose the national copyright law conditions the validity of a transfer of rights on compliance with obligations respecting the mode of payment or of execution of the contract. For example, the new French law

²⁶*Id.* art. L132-17-8(8).

²⁷*Id.* art. L132-17-5 .

²⁸Ordonnance n° 2014-1348 of 2 Novembre 2014, JOURNAL OFFICIEL DE LA REPUBLIQUE FRANÇAISE [J.O.], Nov. 13, 2014, p. 19101, art. 9. Arts. 11 and 12 provide for application of other author protections to contracts concluded before the law's effective date.

²⁹ALI Principles of Intellectual Property § 301 (2008); European Max Planck Group on Conflict of Laws in Intellectual Property, Principles on Conflict of Laws in Intellectual Property art. 3:102 (2011) [hereinafter CLIP].

³⁰REGULATION (EC) No 593/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 June 2008 on the law applicable to contractual obligations [hereinafter Rome I].

³¹*See, e.g.*, Law on Copyright and Neighboring Rights of June 30, 1994, art. 3(1)(6) (Belg.) (only the clause is void, not the contract as a whole); French Code of Intellectual Property art. L121-1(3) (moral rights are inalienable).

on publishing contracts provides for a reversion of rights if the grantee fails to exercise them within a given period.³² Moreover, as seen in both the Dutch and the French laws, national copyright laws may permit the grant of rights in new modes of exploitation, but require additional payment in return.³³ Or suppose the national law conditions the validity of the transfer on compliance with certain formal prerequisites, such as the contract being in writing and signed by the author, or that the contract distinctly identify each mode of exploitation for which it transfers rights.³⁴ Or suppose the national copyright law sets out a rule of interpretation calling for strict construction of copyright contracts, as we have seen in the Dutch law.³⁵

Outcomes may be more predictable if it is clear from the outset whether the issue is characterized as one of substantive copyright law, or instead as one of contract law. But, in addition to the difficulties of distinguishing the respective domains, general rules of private international law inject a further complication: characterization typically comes within the judicial competence of the forum,³⁶ and different national courts may adopt different characterizations of the same issue (with consequently different results). One can anticipate that, as the stronger party, the exploiter might avoid the application of author-protective copyright laws by imposing a choice of forum clause that will ensure the competence of a court likely to characterize the dispute as one of contract rather than of substantive copyright law. By the same token, the choice of forum clause might select a country unlikely to find that the law of the contract (assuming the national law of the forum is different) violates its fundamental public policies.

National copyright laws, however, might remove this layer of analysis by anticipating the international dimension of copyright transfers and articulating when the national law will nonetheless apply, in effect designating the national author-protective rules as of overriding mandatory application. This technique will instruct local courts as to which law governs. If the question of the scope of the contract comes before another jurisdiction, those courts' application of the foreign rule will depend on whether the

³²French Code of Intellectual Property art. L132-17-2 (III) (“III.-La cession des droits d'exploitation sous une forme numérique est résiliée de plein droit lorsque, après une mise en demeure de l'auteur adressée par lettre recommandée avec demande d'avis de réception, l'éditeur ne satisfait pas dans un délai de six mois à compter de cette réception, aux obligations qui lui incombent à ce titre.”); art. L132-17-5 (“Lorsque l'éditeur n'a pas procédé à cette réalisation, la cession des droits d'exploitation sous une forme numérique est résiliée de plein droit.”).

³³Dutch Copyright Act art. 25c(6); French Code of Intellectual Property art. L131-6 (“La clause d'une cession qui tend à conférer le droit d'exploiter l'oeuvre sous une forme non prévisible ou non prévue à la date du contrat doit être expresse et stipuler une participation corrélative aux profits d'exploitation”)

³⁴*See, e.g.*, 17 U.S.C § 204(a) (transfer of exclusive rights, to be valid requires a writing signed by author or copyright owner); French Code of Intellectual Property arts. L. 131-3(1).

³⁵Dutch Copyright Act art. 2(3): (“Whole or partial assignment, as well as the grant of an exclusive licence, may only be effected by means of a deed executed for that purpose. The assignment or the grant of an exclusive licence shall comprise only the rights that are stated in the deed or that necessarily derive from the nature and purpose of the title or the grant of the licence.”)

³⁶*See, e.g.*, ALI Principles of Intellectual Property, Introduction (2008) (“The Principles . . . leave to the forum general issues of private international and procedural law, such as those concerning standing, characterization . . .”). In the E.U., the Court of Justice has ruled that the characterization of a dispute as in contract or in tort is a matter of E.U. law. *See* Case C-548/12, *Brogstetter v. Fabrication de Montres Normandes*, 2014 E.C.R. 148.

relevant jurisdiction acknowledges another state's mandatory rules.³⁷ The new Dutch copyright law and the 2002 German copyright amendments that inspired it offer examples of this approach. As we will see, the answers to the questions whether local authors (or indeed foreign authors as well) will obtain the protections of local law when their works are exploited within a given territory may differ based on those countries' (and foreign fora's) approaches to identifying the applicable law.

1. *Territorial Application of the Dutch Law on Authors' Contracts*

The Dutch law specifies the circumstances under which its author-protective provisions will apply, in the event that the contract contains a choice of law clause designating the governance of the contract by a law other than that of the Netherlands, or in the event that the contract does not contain a choice of law clause.³⁸ The law thus follows neither the *lex contractus* approach that leaves to the parties' choice the law applicable to the modalities of the transfer, nor a full *lex protectionis* approach through which the law of each country for which rights are granted determines both the scope of the grant of rights and the conditions on their transfer.

Article 25h

...

2. Regardless of the law that governs the contract, the provisions of this chapter shall apply if:

- a. the contract would have been governed by Dutch law when no applicable law had been chosen; or
- b. the acts of exploitation take place or should take place wholly or predominantly in the Netherlands.³⁹

This text prompts many questions. The opening text of subsection 2 appears to assume that the law that governs the contract would otherwise govern the obligations of the exploiter and the rights of the author, i.e., that the law of the contract would determine questions of substantive copyright scope. Such an assumption is in some tension with the

³⁷On giving effect to a third country's mandatory rules, see, e.g., ALI Principles of Intellectual Property § 323 (2008); CLIP art. 3:901(1) (2011).

³⁸The Dutch law appears to be inspired by art. 32(b) of the German Copyright Act of 9 September 1965 (Federal Law Gazette Part I, p. 1273), as last amended by Article 8 of the Act of 1 October 2013 (Federal Law Gazette Part I, p. 3714), which provides:

Article 32b

Compulsory application

The application of Articles 32 and 32a [on equitable remuneration and redress of "conspicuous disproportion" in authors' remuneration] shall be compulsory

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

According to one of the leading commentators on the German copyright law, the purpose of this provision "was to protect the remuneration rights in section 32a against circumvention by resort to foreign laws." Paul Katzenberger, sec. 32b, No. 3, in URHEBERRECHT KOMMENTAR (Gerhardt Schrickler & Ulrich Loewenheim, eds., 4th ed. 2010).

³⁹Dutch Copyright Law art. 25h.

general proposition that the law chosen by the parties to the contract governs matters of contract, not of substantive copyright law; at least, by conflating the domain of the law of the contract and the domain of the law of the substantive right, the preamble to subsection 2 demonstrates the uncertainty surrounding the delimitation of the respective domains.

The text goes on to provide that the Dutch rules for authors' copyright contracts will apply if "the contract would have been governed by Dutch law when no applicable law had been chosen," i.e., if the contract were localized in the Netherlands.⁴⁰ The text implicitly refers to article 4 of the European Union's Rome I Regulation on the law applicable to contractual obligations.⁴¹ Article 4 of the Rome I Regulation provides in relevant part:

Article 4: Applicable law in the absence of choice

1. To the extent that the law applicable to the contract has not been chosen in accordance with Article 3 . . . , the law governing the contract shall be determined as follows:
 - (a) a contract for the sale of goods shall be governed by the law of the country where the seller has his habitual residence;
 - (b) a contract for the provision of services shall be governed by the law of the country where the service provider has his habitual residence;
2. Where the contract is not covered by paragraph 1 or where the elements of the contract would be covered by more than one of points (a) to (h) of paragraph 1, the contract shall be governed by the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence.
3. Where the law applicable cannot be determined pursuant to paragraphs 1 or 2, the contract shall be governed by the law of the country with which it is most closely connected.⁴²

As a first step, it is necessary to ascertain what kind of contract a grant of copyright is. Is it a contract for sale of goods? If so, the Rome I Regulation localizes the contract at the author's residence. But, transfer of exploitation rights from the author to an exploiter might be considered a "contract for the provision of services," since the exploiter is supposed to publish, broadcast, etc. the work. In that event, the contract is localized at the residence of the exploiter, leading to the opposite result from the law that would be applicable were the contract considered one for the sale of goods. If neither of these characterizations applies, art. 4 of the Rome I Regulation provides a residual point of attachment: the law of the member State of the party owing the characteristic performance.⁴³ But who is that, as between the author or the exploiter? One might say "the exploiter" (for example, the publisher), but were that so, the contract would not be subject to Dutch law if the publisher is not habitually resident in the Netherlands, even if

⁴⁰*Id.*

⁴¹Rome I.

⁴²*Id.* art. 4.

⁴³*Id.* Subsection (4) offers another residual point of attachment, but if the contract is between residents of different States and provides for multiterritorial exploitation, with which country will the contract be "most closely connected"?

the author is. (For reasons explored below, art. 25h(2)(b) does not necessarily save the situation for “Dutch” authors, i.e. authors who are habitually resident in the Netherlands.) By contrast, if the publisher resides in the Netherlands, then the Dutch law conditions on the author’s grant of rights would appear to apply even if the author does not reside in the Netherlands and even with respect to exploitations taking place outside the Netherlands. The last observation stems from the structure of art. 25h, which prefaces (2)(b) with “or,” which would mean that it is not necessary that the exploitation take place wholly or predominantly in the Netherlands so long as the contract is localized in the Netherlands. Subsection (2)(b) applies if the contract is not localized in the Netherlands.

If, on the other hand, the debtor of the characteristic performance is the author, then authors having their habitual residence in the Netherlands will get the benefit of the law’s unwaivable (art. 25h(1)) protections. It appears that those protections apply to multiterritorial grants as well, so that the author could, for example, claim from the co-contractant publisher the benefits of the best seller clause if the book is a great and unanticipated success in Portugal, or the author could reclaim the rights if the co-contractant publisher (wherever resident), having received rights for Italy, failed to exploit them there. These outcomes—which seem consistent with the specifications in 25(d) and 25(c)(6) (unknown uses) that the author’s right may be enforced against the original grantee’s successors—would follow from application of the Dutch law rules, regardless of whether Portuguese copyright law includes a “best seller clause,” or whether Italian law includes a “use-it-or-lose-it” condition on authors’ grants to exploiters. This localization of the contract therefore produces an extraterritorial application of substantive Dutch copyright law.⁴⁴

Article 4(3) establishes another residual point of attachment, which, given the difficulty of determining which party, author or exploiter, renders the “characteristic performance,”⁴⁵ might prove the best adapted: the country with which the contract is most closely connected. When author and exploiter reside in the same country, that country would seem to have the closest nexus, particularly if the exploitation comprehends the country of common residence. When one party resides in the same country as one of the countries of exploitation, that country would have a good claim to close connection. When the parties’ residence does not converge with a country of exploitation, the country where the work is first exploited might qualify as the nexus state.

Article 25h(2)(b) sets out an alternative point of attachment that largely avoids applying Dutch rules to exploitations occurring outside the Netherlands (but gives rise to other problems): if the contract is not localized in the Netherlands, the new Dutch law

⁴⁴The problem of extraterritoriality persists even if both the author and the exploiter are residents of the Netherlands (which might make the Netherlands the country with which the contract is most closely connected under Rome I art 4(3)), because Dutch law would still apply to exploitations in other countries for which the contract grants rights.

⁴⁵Dutch Copyright Law Art. 4(3). Regarding the difficulty of determining whose performance is “characteristic” when an author grants exploitation rights, see, e.g., André Lucas, *comment on Cour d’Appel Paris*, 2 Apr. 2003, *Martinelli v. Gallimard*, 198 RIDA 413, 9 PROPRIÉTÉS INTELLECTUELLES 392 (Oct. 2003).

will still apply if “the acts of exploitation take place or should take place wholly or predominantly in the Netherlands.”⁴⁶ The law does not, however, define “predominantly.” It is not clear therefore whether the law will apply if somewhat over half the exploitation occurs in the Netherlands, or only if considerably more than half (a proportion closer to “wholly”), or instead if the country in which the greatest proportion of exploitation, even if less than half, occurs. Whatever the meaning of “predominantly,” it follows that if the contract is neither localized in nor wholly or predominantly carried out in the Netherlands, the author (whether or not residing in the Netherlands) will not enjoy the protections of the Dutch copyright law even with respect to those exploitations that do take place in the Netherlands. For example, if the localization of the contract in the Netherlands turns on the publisher’s being resident in the Netherlands, then Dutch resident authors will not get the benefit of the Dutch law even as to exploitations in the Netherlands if their contracts grant multiterritorial rights to non-Netherlands publishers. Yet, if the Dutch resident author is contracting with a non-Netherlands publisher, the chances seem strong that the exploitation contracted-for will not be wholly or principally limited to exploitations in the Netherlands.⁴⁷

Putting the pieces together, it seems that the law does not fully ensure that Dutch resident authors get the benefit of the new law, even with respect to exploitations occurring in the Netherlands.⁴⁸ It is unlikely such an outcome was intended, but even the best possible construction (for authors), which would make the author the debtor of the characteristic performance, is problematic, since it would give authors residing in the Netherlands the benefit of the new law not only for exploitations in the Netherlands but also in other countries covered by the contract and thus would have an extraterritorial effect not sought by the parties to the contract (since, if the statutory criteria are met, Dutch law will apply “Regardless of the law that governs the contract”).

2. Territorial Application of the French Law on Author’s Contracts

Unlike the new Dutch law, the 2014 French law on authors’ contracts does not include a provision on territorial application, but the subsisting general law on copyright, which derives from the 1957 copyright law, specially exempts certain international contracts from the obligation to pay proportional remuneration. Code of intellectual property, article L 132-6 derogates from the general rule requiring proportional remuneration (art. L 131-3-4), by providing that “grants of right by or to a person or enterprise established abroad may be the objects of a flat sum remuneration.”⁴⁹

⁴⁶Dutch Copyright Law art. 25h(2)(B). It seems, however, unlikely that a contract granting exploitation rights solely or predominantly for the Netherlands would not also be localized there. But one might at least hypothesize a contract between an author and publisher resident in the same foreign country, and that the parties’ common residence might result in localizing the contract in a country other than the one of exploitation.

⁴⁷On the other hand, non-Dutch resident authors would get the benefit of the new Dutch law in the (probably unlikely) event that the non-Dutch resident author’s contract with the non-Netherlands publisher grants rights only or predominantly for the Netherlands.

⁴⁸By contrast, art. 32b2 of the German copyright law on which the Dutch law is based does not require that the exploitation take place “wholly or predominantly” in Germany; any exploitation in Germany will entitle the author to the benefits of German law as to those exploitations.

⁴⁹French Code of Intellectual Property art. L132-6: « Peuvent également faire l’objet d’une rémunération forfaitaire les cessions de droits à ou par une personne ou une entreprise établie à l’étranger. »

A few observations about the scope of this exception: it is not a general derogation from the obligations of French copyright-contract law when one of the parties does not reside in France; art. L 132-6 addresses only remuneration, and then only if the contract specifies flat fee payment. Its terms do not purport to extend to the legally imposed contractual obligations such as those set out in art. L 131-3 requiring specific mention of the rights granted, their scope and purpose, and their geographic extent and duration. By the same token, while the 2014 law on authors' contracts does not repeal art. L 132-6, so the 2014 provisions on proportional remuneration will not apply if the contract to which one of the parties is a non-French resident provides for flat fee payment, neither does article L 132-6 affect the 2014 law's other provisions, for example, those articulating the scope of flat fee payments,⁵⁰ and those regarding the publisher's duties of timely exploitation of the work. These would continue to apply (at least when French law governs the contract) even when one of the parties to the contract does not reside in France. Similarly, if the contract with a non-French-resident party provides for proportional remuneration, but the basis of that remuneration does not conform to the provisions of the 2014 law,⁵¹ art. L 132-6 does not provide a basis for exempting the contract from the obligations of the 2014 law.

Article L 132-6, it should be noted, does not designate the application of another law to govern the mode of remuneration when one of the parties to the contract does not reside in France. The law assumes the contract will be governed by French law, and simply allows the parties to choose between a regime of proportional remuneration and one of flat-payment remuneration. In either event, French law will determine the contours of the regime. Thus, for example, if the parties choose a flat-payment regime, they will remain subject to art. L 131-5, which provides that "in the event of a grant of rights of exploitation, when the author has incurred a prejudice of more than 7/12 as a result of a harmful act or insufficient anticipation of the economic results of the work, the author may demand a revision of the conditions of the price of the contract. This demand may be made only if the [rights in the] work were granted against a flat sum payment."⁵² In sum, the international contracts to which art. L 132-6 pertains are international with respect to the parties, but French with respect to the governing law.⁵³ Accordingly all provisions of the French copyright law concerning authors' contracts remain applicable.

⁵⁰While art. L132-6 sets out exceptions to the rule of proportional remuneration, it does not entitle the publisher to pay a single lump sum for an undifferentiated grant of all rights. Other provisions of the law prohibit all-rights grants. *See, e.g.*, art. L131-1 (global grant of rights in future works is void); 131-3 (3) (grant of audiovisual rights must be distinct). The reference in art. L132-5 and 132-6 to "une remuneration forfaitaire" does not mean a single payment for all forms of exploitation, any more than does art. L132-5's reference to "une remuneration proportionnelle" mean a single royalty for all forms of exploitation.

⁵¹For example, art. L132-17-3(2) requires that royalties for the sale of ebooks be calculated on the basis of the sale price of the book.

⁵²French Code of Intellectual Property art. L131-5 : « En cas de cession du droit d'exploitation, lorsque l'auteur aura subi un préjudice de plus de sept douzièmes dû à une lésion ou à une prévision insuffisante des produits de l'œuvre, il pourra provoquer la révision des conditions de prix du contrat. Cette demande ne pourra être formée que dans le cas où l'œuvre aura été cédée moyennant une rémunération forfaitaire.»

⁵³*See, e.g.*, Cour d'appel [CA] [regional court of appeal] Paris, 1^e ch., Nov. 3, 2010, 38 PROPRIÉTÉS INTELLECTUELLES 192 (2011) obs. A. Lucas (authorization in art. L132-6 to remunerate by flat fee instead of by royalties when one of the parties does not reside in France does not dispense co-contractants from

French courts have interpreted art. L 132-6 to mean that the obligation to pay royalties does not implicate a French public policy so important that the obligation must be imposed on contracts not otherwise governed by French law. In 1989, the Paris Court of Appeals in *Anne Bragance v. Michel de Grèce*, a controversy arising out of a New York law contract between a French ghost writer and a New York resident nominal author regarding the publication of a French-language book in France, held that, whatever the law otherwise applicable to the contract, French law prohibited assignment of the ghostwriter's moral right of "paternity" to be recognized as the author of the book.⁵⁴ By contrast, the court further held that, in light of then-article 36(2), as enumerated in the 1957 French Copyright Law, French law did not bar flat fee remuneration when one of the parties did not reside in France.⁵⁵ Since the option to forego royalties was already available under French law if one of the co-contractants resides abroad, it could not be said that the obligation to pay royalties expressed a French public policy of such importance that it must be imposed on contracts governed by other national laws when one of the parties does not reside in France.⁵⁶

The different outcomes of the moral and economic rights claims in *Anne Bragance v. Michel de Grèce* suggest a greater intensity of public policy with respect to rights under copyright that French law declares inalienable. The waivability of certain economic rights in certain circumstances denotes as to those rights a relatively weak domestic policy that does not warrant imposition on foreign law contracts. By contrast, the strength of the domestic inalienability rule regarding moral rights indicates that the parties to a contract may not elude that prohibition by subjecting their contract to another law, at least not with respect to exploitations taking place in France.

The highest civil law court, the Cour de cassation, shortly thereafter confirmed this result in *Huston v. Turner Entertainment*, involving the broadcast in France of a colorized black and white motion picture, against the wishes of the U.S. director and screenwriter.⁵⁷ Under the law of their contract, however, they had no rights under U.S.

other obligations imposed by art. L132-6, such as the requirement that, in the case of translations, the agreement on flat fee remuneration must be express and in writing).

⁵⁴Cour d'appel [CA] Paris 1e ch., Apr. 19, 1989, RIDA 1989, 360, obs. Sirinelli.

⁵⁵*Id.*

⁵⁶See also Cour d'appel Paris, 4e ch., Apr. 2, 2003, RIDA 2003, 413, 9 PROPRIETES INTELLECTUELLES 392 (Oct. 2003), obs. A. Lucas. The court rejected a claim brought by two Italian-resident photographers for additional remuneration for distribution of French translation of illustrated guidebooks when photographers entered into a flat fee all-rights publishing contract with a Hong King publisher. The court held the contract was governed by English law, and that the scope of the grant was valid under that law. The court did not address whether application of English law would violate French public policy. By contrast, and without discussing the basis for its choice of law, the court applied French law to the photographers' moral rights claims against the publication of certain photographs without proper attribution. Arguably, the court implicitly ranged issues of transmission of economic rights as matters falling within the scope of the law of the contract, and issues of moral rights as either coming within the substantive copyright law of the country of exploitation (France) or as covered by French mandatory rules overriding the otherwise applicable law, with respects to exploitations in France.

⁵⁷Cour de Cassation [Cass.] [Supreme Court for Judicial Matters], May 28, 1991, IIC 1992, 702 (English translation). See also Jane C. Ginsburg & Pierre Sirinelli, *Authors and Exploitations in International*

copyright and further assigned any economic and moral rights they might have had for other countries. The Court of cassation disregarded the law of the contract and directly applied the French law prohibition on assignment of moral rights. Significantly, the Court of cassation addressed only the French broadcast; the court did not rule that French law overrode the assignment with respect to the other territories for which the authors had granted rights. It appears, therefore, that the inalienability of moral rights is a “loi de police,” or overriding mandatory rule requiring territorial application of the national norm without regard for (or inquiry into) the otherwise applicable law.⁵⁸

Neither *Bragance* nor *Huston* squarely address the question of the application of French law norms to contracts governed by foreign law when the French norms concern the scope of the grant of *economic* rights (other than the statutory option in international contracts to elect a flat payment form of remuneration). Nor do they distinguish between French-resident authors’ and non French-resident authors’ entitlement to the protection of those norms in France when a foreign law governs the contract. Similarly, neither do these authorities consider different applicable law outcomes, when French law does govern the contract, between exploitations in or outside of France. In general, most French authorities, including most scholars, assume or affirm that the foreign law designated in an international contract will govern the scope of the grant and the modes of its transfer unless the French courts deem the local norm to express a domestic public policy so significant that the local norm should displace the otherwise applicable foreign law.⁵⁹ It also appears that French authorities do not consider domestic rules dictating the form of the contract (for example, the requirement that the grant be in writing or manifest a particular level of specificity) to be overriding mandatory rules or to meet the standards of *ordre public international*;⁶⁰ as a result, a contract governed by foreign law need not conform to French rules of formal validity.⁶¹

Several aspects of the 2014 amendments nonetheless suggest that the law implements public policies that the French legislator would not have wished the parties to evade by submitting the contract to a foreign law. As an initial matter, foreign contract law cannot displace substantive French copyright rules; one might therefore endeavor to ascertain which aspects of the 2014 law are substantive copyright rules, and which fall within the domain of contract law, for only the latter features are at risk of avoidance through application of a foreign contract law. As suggested earlier, however, separating substantive from contractual obligations is a difficult and uncertain exercise, and one we will not undertake here.

Private Law: The French Supreme Court and the Huston Film Colorization Controversy, 15 COLUM.-VLA J. LAW & THE ARTS 135 (1991).

⁵⁸See, e.g., Ginsburg & Sirinelli, *supra* note 57.

⁵⁹See, e.g., Tristan Azzi, *Les contrats d'exploitation des droits de propriété littéraire et artistique en DIP: Etat des questions* 214 RIDA 3, 53 (Oct 2007); Conseil Supérieur de la propriété littéraire et artistique, *Rapport de la commission spécialisée portant sur la loi applicable en matière de propriété littéraire et artistique* p. 11 (2003). Cf. Rome I art 12(1)(a); CLIP 3:506(1)(a) (law of contract covers interpretation).

⁶⁰See, e.g., Lucas, *supra* note 56, at 394, nn. 70-71.

⁶¹Unless these are characterized as matters of substantive copyright law, see discussion *infra*.

Even as to features of the 2014 law properly classified as contractual, most of the dispositions are mandatory as a matter of domestic law; that is, the parties may not contract out of the new obligations. Moreover, in its search to ensure that authors receive “just and equitable” remuneration for digital exploitations, the 2014 law details a variety of means to that end, particularly where the traditional economic model of royalties based on sales of copies of books no longer represents the online economic model. The legislature further expressed its strong intent to ensure effective author protections by extending the 2014 law’s application to contracts concluded before the new law’s entry into force.

While the French law does not specify its territorial application, it is reasonable to infer a legislative intent to retain control over some extraterritorial effects of the contract. For example, foreign exploitations undertaken by the original French publisher, such as making available ebook downloads or online consultations of text to customers located outside of France, would remain within the ambit of the 2014 amendments in light of their close connection to France. Indeed, given the 2014 law’s focus on digital exploitations, it would be self-defeating were the parties able to invoke the inherently multinational nature of digital exploitations as the basis for avoiding the application of French law. But the territorial ambitions of the 2014 reforms are not so bold as to reach all extraterritorial transactions, as the following scenario demonstrates. Suppose the publishing contract granted worldwide rights to a French publisher. The publisher then grants foreign publishers exploitation rights for their separate territories. These contracts provide for a single payment from each foreign publisher. The French publisher may have a duty to account to the French author for these transactions, but even were the subgrants to foreign publishers governed by French law, the author would have no claims against the foreign publishers because the author is not a party to those contracts.

The best interpretation of the international application of the 2014 French reforms (to the extent they are characterized as contractual rather than substantive) would deem them rules of mandatory application (*lois de police*) to exploitations of works taking place in (or in the case of digital exploitations, originating from) France. Even without the explicit provision found in the new Dutch law, it is possible to infer from the law’s detailed and unwaivable obligations a legislative intent to preserve the benefits of the author-protective reforms in France when the transaction has a substantial connection to France.

B. *What Law Should Apply to Mandatory Author-Protective Provisions of Domestic Copyright Law?*⁶²

Our analysis of the Dutch and French laws shows that some ambiguity remains whether the author-protective provisions of these laws will in fact entitle authors (whether or not resident in those states) to the benefits of the legislature’s recalibration of the power

⁶²Proposals for specific prescriptive provisions on the territorial application of author-protective copyright contract laws have been inspired by the deliberations of the International Law Association Committee on Intellectual Property and Private International Law, of which one of the authors is a member.

relationship between creators and exploiters, at least for exploitations in those states, when the contract covers multiple territories and designates a different national law. We now address what law we believe *should* apply in such situations.⁶³

As a starting point, one might observe that where domestic law does not permit the parties to contract out of local author protections, it seems problematic to achieve the prohibited objective by selecting as the contract's governing law a national law that either lacks those protections or allows the parties to contract out of them. Because many publishers may demand multiterritorial rights either to exploit themselves, for example, over the Internet, or to be exercised by foreign branches of the same publisher, or to grant to foreign publishers, it is likely that most publishing contracts will cover more than one country. Moreover, given its international character, the contract may well choose a law other than that of the author's residence. If all that is needed to elude local author protections is to select a different country's law to govern the contract, then only purely local (and accordingly, probably small) publishers will have to abide by local author-protective rules. That the biggest economic actors prove the least subject to the obligations of the author's local law, while the smallest actors bear most of the burden of compliance, also seems undesirable.

The strongest argument in favor of allowing the law that is chosen to govern the contract to cover all issues of scope, interpretation, and form of the grant emphasizes the simplification of multinational copyright exploitation. If the work has multiple authors, all from different countries, and/or the publisher (or other intermediary exploiter) anticipates exploiting the work in multiple territories, each of whose author-protective measures applied, the publisher's actual acquisition of rights may depend on compliance with multiple local and possibly inconsistent obligations, or may be curtailed by local limitations on the scope of the grant. In theory, it is advantageous to the parties to the contract (or to the stronger party to the contract, most likely the exploiter rather than the author) to select a single law to govern the extent of the transfer of rights and the means by which the transfer is effectuated. Thus, local law obligations to state the nature and scope of the rights with specificity, or to provide additional remuneration for the transfer of certain kinds of rights, or to provide proportional remuneration, or to exercise the rights granted within a certain period, all yield to the law of the contract's resolution of those issues. The resulting simplification promotes the efficient multinational exploitation of works of authorship.

On closer reflection, however, privileging the law of the contract may not in fact significantly reduce complexity. First, objections to the application of multiple national laws are overstated. Even if the law of the contract governs issues that fall within the domain of contract law, that law does not trump substantive national copyright norms. For example, it is clear that an author cannot grant rights that do not exist in the territories for which the rights are granted, even if the rights exist under the law chosen to govern

⁶³We acknowledge that the most direct and consistent way to protect authors as the weaker parties to contracts for the exploitation of their works would be through international harmonization of the substantive rules of authors' contracts. Since a multilateral instrument seems unlikely in the near-term, a second-best approach is to harmonize the conflict of law rules.

the contract; the contract cannot effectively create new rights in those countries.⁶⁴ By the same token, if the duration of copyright in the country whose law governs the contract is longer than the duration of copyright in some of the countries for which rights are granted, the contract cannot effectively extend the copyright term for those countries.

Thus, to the extent that the matter concerns substantive rights under copyright, the exploiter will have to take into account many local incursions into the transaction, whatever the law that governs the contract. Admittedly, construing the domains of contract law and copyright law to allocate most issues of scope to the former will help simplify the transaction by submitting those issues to the single law of the contract. Uncertainty may nonetheless persist so long as characterization of the issue as one of contract or of copyright remains a matter for the law of the forum, although a forum selection clause may direct litigation to a forum whose characterizations favor the party urging the application of exploiter-friendly contract rules.⁶⁵

Second, the prospect that local mandatory rules may override the chosen contract law both reintroduces complexity and adds further uncertainty to the mix. The simplification that results from vesting the law of the contract with competence to determine issues of scope and means is therefore misleading, because one cannot always anticipate when local authorities will deem the author-protective rule to be of overriding mandatory application in a given territory. Parties planning an international exploitation of the work therefore cannot count on the application of the law of the contract and thus ignore the provisions of local laws regulating authors' contracts. Rather, they will need to take these into account in order to assess the likelihood that in a given jurisdiction the copyright law or local authorities will privilege the local norm over the contractual norm. Thus, business planning remains complex, with the added risks flowing from the unpredictability of the imposition of other national norms. A forum-selection clause may diminish this risk as well, but may not eliminate it entirely;⁶⁶ even if the forum would not find the author-oppressive law of the contract to violate the forum's own mandatory rules, it might apply another country's mandatory rules with respect to exploitations occurring in that territory.⁶⁷

⁶⁴See, e.g., ALI Principles of Intellectual Property § 301 (2008); CLIP art. 3:102 (2011) (law of country for which protection is sought governs existence of rights in that country).

⁶⁵Of course, ensuring both favorable characterization rules and favorable contract rules may require designating one country for purposes of the contract's choice of law clause, and another for purposes of the forum selection clause.

⁶⁶Such clauses, albeit having the effect of "deactivating" one country's mandatory rules, may well be enforceable. See, e.g., Edouard Treppoz, *La loi applicable à la titularité - Quelle place pour l'universalisme après le repli territorialiste de la Cour de cassation?*, in *L'ENTREPRISE ET LA TITULARITE DES DROITS DE PROPRIETE INTELLECTUELLE* 15 (Dir. J.-M. Bruguière, Dalloz, coll) (2015).

⁶⁷See Rome I art. 9.3 ("Effect may be given to the overriding mandatory provisions of the law of the country where the obligations arising out of the contract have to be or have been performed, in so far as those overriding mandatory provisions render the performance of the contract unlawful. In considering whether to give effect to those provisions, regard shall be had to their nature and purpose and to the consequences of their application or non-application."). The threshold of incompatibility between the chosen law and the "overriding mandatory provisions," however, is very high; it does not suffice that the local provision cannot be derogated from by agreement. See, e.g., Symeon C. Symeonides, *The Hague Principles on Choice of Law for International Contracts: Some Preliminary Comments*, 61 *Am. J. Comp.*

A truly simpler approach would treat issues of scope and mode (form as well as substance of contract) as part of the substantive right transferred, and therefore would subject all of them to local copyright law, rather than the chosen contract law. Arguably, this approach leaves little room for party autonomy. The observation may be true, but it also misses the point: the purpose of author-protective laws is to override party “autonomy.” On the other hand, national legislatures may be most solicitous of their own resident authors; they may be less concerned to tamper with the “freedom” of non-resident authors to enter into leonine contracts with non resident exploiters. An approach that classed all issues of scope and mode with substantive rights would entitle non resident as well as resident authors to local protections, even when the center of gravity of the contract might lie elsewhere. Admittedly, a national legislature might well intend such a result; indeed that appears to be the case, for example, under the US Copyright Act’s termination right, which allows all authors of works protected in the US to terminate grants of U.S. rights (but not foreign rights), regardless of the law that governs the contract of transfer of rights.⁶⁸ Even where the legislature has trained on local authors, it still might intend for local protections to apply to all, lest foreign authors compete unfairly with local authors by contracting out of the application of burdensome obligations on publishers.⁶⁹

Characterization, however, is a two-edged sword: classing all questions of scope and mode as going to the substance of the copyright law would limit the effect of author-protective legislation to the territory of that country, so that the scope of a contract between parties both resident in that country but granting foreign as well as domestic rights would depend on the law of each country of exploitation. For example, a French publisher would have no duty to account to the author for exploitations the publisher undertakes abroad if the copyright laws of the countries of exploitation impose no similar

L. 873, 882–889 (2013). *See also* HAGUE CONFERENCE ON PRIVATE INTERNATIONAL LAW, HAGUE PRINCIPLES ON CHOICE OF LAW IN INTERNATIONAL COMMERCIAL CONTRACTS (Mar. 19, 2015):

Article 11

Overriding mandatory rules and public policy (*ordre public*)

1. These Principles shall not prevent a court from applying overriding mandatory provisions of the law of the forum which apply irrespective of the law chosen by the parties.
2. The law of the forum determines when a court may or must apply or take into account overriding mandatory provisions of another law

See generally Symeonides, *supra* at 889:

the [Hague] Principles adopt a fairly high threshold for the mandatory-rules exception, which, combined with the traditionally high threshold for the **order-public** exception, produces a very liberal party-autonomy regime. Such a regime is acceptable, indeed welcome, in international commercial contracts between parties with relatively equal bargaining power. However, in contracts such as those involving the afore-mentioned franchisees and other small business owners, this regime will worsen the existing inequalities by enabling the stronger parties to impose well-calculated combinations of choice-of-law-and-forum clauses that will deprive the weaker parties of any meaningful protection. This is a regrettable feature of the Principles.

⁶⁸17 U.S.C. § 203(b)(5). *See Corcovado Music Corp. V. Hollis Music, Inc.*, 981 F.2d 679, 682 (2nd Cir. 1993).

⁶⁹This may be a rationale for the German copyright law’s extension of rights of fair compensation to foreign authors with respect to exploitations in Germany; **cite**

obligation. Thus, even though the center of gravity of the author-publisher relationship may be France, under an approach that characterizes questions of scope and mode as going to the substantive copyright law, there is no center of gravity, merely a set of distinct countries of exploitation.

If the principal shortcoming of a fully territorialist approach (expressed by a rule that characterizes all issues of scope and mode as coming within the domain of the substantive copyright law, rather than of the contract) is to render multinational exploitation, particularly over the Internet, excessively complex, then an alternative approach, one that relies on the connecting factor of the author's residence, is simpler to apply (at least where the work is single-authored, or all co-authors reside in the same country), but manifests different troubling consequences. Suppose the rule designated the copyright-contract law of the author's residence to govern the scope of the grant for all countries.⁷⁰ For example, the rule might state:

The law chosen by the parties to a contract of transfer of rights under copyright or neighboring rights shall not have the result of depriving an author or performer of the protection afforded to him or her by the provisions that cannot be derogated from by agreement under the law of his or her State of habitual residence at the time of conclusion of the contract.⁷¹

If the law of the State of habitual residence at the time of conclusion of the contract includes mandatory provisions whose application is not expressly limited to the territory of that State, their prohibition on contracting out of the pertinent protections would apply not only to exploitations in the State of habitual residence, but also to all other territories covered by the contract.⁷² Suppose, for example, a U.K. law contract between a French author and a British publisher transferring worldwide print and digital rights. French law requires separate specification of the print and digital grants, on pain of nullity of the contract;⁷³ U.K. law imposes no similar requirement.⁷⁴ If the protections of the author's home State apply to the full territorial scope of her grant, then the transaction will be void even with respect to States lacking those protections and even if the principal exploitation of the work occurs outside her home State. As discussed in connection with the new Dutch measures, it is not clear why one State's author should enjoy her home State's protections in other States. At least, the author should not enjoy these protections when her publisher resides in a different State. Where author and publisher share a residence, one might imagine that the State of common residence could seek to regulate the grant of rights for the full territorial extent of their dealings. But local publishers might elude that

⁷⁰As noted in Part II.A.1, the new Dutch law may lead to this outcome, if the author is deemed the debtor of the "characteristic performance" and the contract is localized on that basis at the author's residence.

⁷¹Thanks to Marie-Elodie Ancel and to Edouard Treppoz for this formulation.

⁷²Compare Dutch Copyright Contract Act art. 25h(2)(a) (if the contract is localized in the Netherlands, Dutch author-protective rules apply, without apparent distinction as to whether contract covers other territories as well), with art. 25h(2)(b) (contract provides exclusively or predominantly for exploitation in NL).

⁷³French Code of Intellectual Property art. L132-17-1.

⁷⁴See, e.g., Cour d'Appel Paris, 2 Apr. 2003, *Martinelli v. Gallimard*, 198 RIDA 413, 9 PROPRIÉTÉS INTELLECTUELLES 392 (Oct. 2003) obs. A. Lucas.

objective, notably by subcontracting foreign rights to foreign publishers. Unless the law of the State of common residence imposes its author-protective obligations on the publisher's successors in title,⁷⁵ the first publisher's foreign grantee will incur none of those duties under a contract governed by the law of the grantee's State (assuming that State does not impose similar obligations for the benefit of authors not party to the contract between publishers).

Local mandatory rules that specify their territorial application afford one private international law technique to ensure that authors preserve the protections of their countries of residence whatever the law otherwise applicable to a grant of national or international rights. We have seen that the Dutch law takes a step in this direction, but may not go far enough in defining the international situations to which the Dutch law will apply. The following text offers another attempt:

(1) Whatever the law applicable to the contract, all States may require that their courts apply national laws that protect the rights of authors and that cannot be derogated from by agreement.⁷⁶

In that event, States should define the criteria of territorial application of such provisions. The State may take into account and determine what weight to accord, notably:

- the localization within its territory of the habitual residence of the author or of his/her co-contractant, or of both, at the time of the conclusion of the contract;
- the exclusive or predominant exploitation of the work within the territory of the State.

(2) The courts of one State may give effect to similar mandatory provisions of another State when that State would apply its law to a grant that presents a close connection to that State.

In order to determine whether to give effect to foreign mandatory rules regarding authors' contracts, national courts should take into account the consequences of their application or non application.⁷⁷

This approach gives national legislatures the possibility to direct courts to apply their own, or other States', author-protective laws regardless of the law that otherwise applies to the contract. Under this text, the author's habitual residence is one consideration, but it

⁷⁵As the Dutch law does with respect to the obligation to exploit the work, though it is not clear that this provision was intended to bind foreign successors in title. Dutch Copyright Contract Act art. 25e(6) provides: 6. If the other party to the contract has assigned the copyright to a third party, then the maker may also exercise the rights arising from the dissolution against that third party after having notified him, in writing, of the dissolution as soon as possible.

⁷⁶*Cf.* Rome I art. 9.1: ("Overriding mandatory provisions are provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organization, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract under this Regulation"). The proposed rule is less stringent than Rome I, which states in Recital 37 that "The concept of 'overriding mandatory provisions' should be distinguished from the expression 'provisions which cannot be derogated from by agreement' and should be construed more restrictively."

⁷⁷Thanks to Marie-Elodie Ancel for this formulation. *Cf.* the more restrictive standard of Rome I art. 9.3.

is neither determinative (where the forum coincides with the author's residence) nor preclusive (when the author resides in another state). Legislatures can give national courts more or less discretion as to the application of the point (1) criteria. This approach builds in considerable flexibility, but presents the concomitant disadvantage of complexity, since it would appear that each country's mandatory rules would apply only with respect to exploitations occurring within that country's borders. Moreover, complexity augments if various States differently identify or weight the criteria or confer varying levels of discretion on their courts. Finally, the rules risk "deactivation"⁷⁸ by forum-selection clauses designating courts of States that do not apply other States' mandatory rules.

Another approach offers more simplicity, and may more successfully resolve problems of extraterritoriality:

Limitations to the scope of the law applicable to the contract or its formal validity:

(1) (a) Regardless of the law applicable to a contract dealing with intellectual property rights, a creator or a performer can invoke the protection afforded to him by the provisions that cannot be derogated from by agreement under the law of the State where, under the contract, the exclusive or predominant exploitation of the rights is due to take place.

(b) Where the place of exclusive or predominant exploitation of the rights cannot be determined pursuant to letter (a), a creator or a performer can invoke the protection afforded to him by the provisions that cannot be derogated from by agreement under the law of the State of his habitual residence at the time of conclusion of the contract.

Similarly, where several creators or performers habitually resident in different States contract with another party, they can specify in the contract which law, among the States of their habitual residence, will govern their inalienable rights; otherwise, they can invoke the protection afforded to them by the provisions that cannot be derogated from by agreement by the law of the State with which all of them are most closely connected.⁷⁹

This solution ranks the law of the country of predominant exploitation above the law of the author(s)' country of residence; whichever country's author-protective rules apply, they will control the full territorial extent of the transaction. In the former case, the transaction's center of gravity will be the country of exclusive or predominant exploitation; the simplification gained by applying that country's rules to exploitations occurring other States may well warrant extraterritorial spillover. But that conclusion may turn on the understanding of "predominant": as we have seen in connection with the

⁷⁸See D. Bureau et H. Muir-Watt, *L'impérativité désactivée*, RCDIP, 2009.1, cited in E. Treppoz, *supra*, note 66.

⁷⁹Thanks to Marie-Elodie Ancel for this formulation. Cf. the more restrictive standard of Rome I art. 9.3.

Dutch law,⁸⁰ the term does not define what proportion of the exploitations must take place in the norm-imposing country. The greater the spillover, the more controversial the extraterritorial extension.

The alternative choice of law also depends on the meaning of “predominant,” for the author-protective rules of the author(s)’ residence will apply only in the absence of an exclusive or predominant place of exploitation. The alternative rule helpfully confronts the potential complexity of a residence criterion when a multiplicity of differently-residing authors or performers effects the transfer, by proposing rules to identify a single country for all co-authors. It also reduces complexity by providing for the application of the author-protective provisions of the (designated) country of residence to the whole transaction. We have seen that extraterritorial application of the residence criterion may result in applying a law that does not converge with the transaction’s center of gravity, but this approach avoids that critique because the residence criterion comes into play only in the absence of a contractual center of gravity. Nonetheless, the extraterritorial application of the law of the author’s residence, particularly if that law includes obligations whose non fulfillment voids the contract, may seem exorbitant.

A final example would guarantee authors and performers the benefits of their home States’ protective legislation, but would limit the application of those provisions to the territory of the author’s or performer’s habitual residence.

Notwithstanding the law applicable to a contract of transfer of rights under copyright, a creator may invoke the right of the country where she habitually resided at the time of the work’s creation, for rights that cannot be waived/transferred under the law of that country, but only for the rights under copyright exploited in that territory.

Notwithstanding the law applicable to a contract of transfer of neighboring rights, a performer may invoke the right of the country where she habitually resided at the time of the rendering of the performance, for rights that cannot be waived/transferred under the law of that country, but only for the rights under neighboring rights exploited in that territory.⁸¹

More rigid, but also more simple, this provision may offer the easiest rule to adopt. (As discussed earlier, the rule does not preclude a national legislature from making its author protections available to non resident authors by characterizing particular author-protective rules as substantive copyright rules, and therefore as subject to the law of the country for which protection is sought.) For countries other than the author’s residence, the rule preserves the law chosen by the parties to govern the transaction.

Conclusion

⁸⁰See *supra* text accompanying notes 46–47.

⁸¹Thanks to Mireille van Eechoud for this formulation.

Like other mandatory rules, the rules offered here depart from classic, content-neutral, private international law rules, because they seek to impose a particular outcome. But content-neutral choice of law rules are what create the problem that provoked this examination in the first place: the rule of “party autonomy,” which directs courts to look to the law the parties choose for their contract, enables the stronger party to avoid weaker party protections simply by submitting the contract to a less-constraining national law. In other words, when there is an imbalance in the power of the co-contractants, the rule of party autonomy is “neutral” only in appearance. In fact, it favors the stronger party.⁸² Accordingly, the Rome I Regulation recognizes that where the parties’ bargaining power is unequal, neutral rules should yield to weaker party-protective rules. Recital 23 states: “As regards contracts concluded with parties regarded as being weaker, those parties should be protected by conflict of law rules that are more favourable to their interests than the general rules.”⁸³

In other words, corrective choice of law rules have already assaulted the edifice of private international law;⁸⁴ there is no call to apologize for departures from the supposedly “neutral” default.⁸⁵ The rules proposed here, moreover, remain within the general private international law (non substantive) framework⁸⁶ because they in no way instruct States to adopt author-protective measures. They simply endeavor to ensure, if a State does determine to recalibrate the balance of power between authors and exploiters, that the contract is not set to naught the State’s efforts to protect its resident authors or to regulate transactions primarily focused on that State.

⁸²See, e.g., Symeonides, *supra* note 67, at 889: “[a] liberal party-autonomy regime . . . is acceptable, indeed welcome, in international commercial contracts between parties with relatively equal bargaining power. However, in contracts [between unequal commercial actors], this regime will worsen the existing inequalities by enabling the stronger parties to impose well-calculated combinations of choice-of-law-and-forum clauses that will deprive the weaker parties of any meaningful protection.”

⁸³Rome I art. 9.3, recital 23. Rome I then identifies four types of contracts in which weaker-party rules override party autonomy: contracts of carriage (art. 5), consumer contracts (art. 6), insurance contracts (art. 7), and individual employment contracts (art. 8). Recital 23 notwithstanding, Rome I makes no general provision for weaker parties, outside these four categories, general solicitude for party autonomy would leave imbalanced contractual relations unredressed. See generally Symeon C. Symeonides, *Party Autonomy in Rome I and II: An Outsider’s Perspective*, 28 NIPR 191 (2010) (describing and criticizing scope of party autonomy in Rome I).

⁸⁴For other examples of outcome-promoting choice of law rules, see, e.g., Rome I arts. 5–6.

⁸⁵For a general discussion of outcome-promoting choice of law rules, see Bernard Audit and Louis d’Avout, *DROIT INTERNATIONAL PRIVÉ*, Nos. 168–69 (7th ed. 2013) (conflict of law rules “can never be perfectly neutral,” but to an increasing extent States are “orienting these rules toward a preferred substantive result.” The result may be achieved through alternative points of attachment—the court is to select the one which will validate the legal relationship (e.g., wills, filiation), or, as in Rome I arts. 5–6, by allowing the protected person to select a more favorable law.)

⁸⁶One may nonetheless query whether that framework remains truly non-substantive. See, e.g., Hélène Gaudemet-Tallon, *L’Utilisation de règles de conflit à caractère substantiel dans les conventions internationales (l’exemple des Conventions de la Haye)*, in *MELANGES EN L’HONNEUR D’YVON LOUSSOUARN* 181 (1994).