Kluwer Copyright Blog

The case law of the German Federal Court of Justice and other German courts in 2022 – Part II

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Part I of this annual post reporting on the copyright case law of the German Bundesgerichtshof covered decisions in the areas of copyright protection and exploitation rights, as well as exceptions and limitations. Part II will focus on copyright contract law and claims under copyright law.

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IV. Copyright contract law (Sections 31 et seqq. UrhG)

1. Adequate remuneration

German copyright law stipulates that authors are entitled to appropriate remuneration for every use of their work (Section 32 UrhG). These rights cannot be waived in advance. In order to determine whether a particular level of remuneration is appropriate or not, associations of authors agree Joint Remuneration Rules (JRR) with associations of work users or individual work users (Section 36 UrhG). In the event of the work being successful, the author may even become entitled to a retroactive claim for additional remuneration (Section 32a UrhG, so-called bestseller provision). In the new DSM Copyright Directive (Directive 2019/790/EU – DSMCD), these provisions served, among other things, as models for Article 18 of the DSMCD (Section 32 UrhG) and Article 20 of the DSMCD (Section 32a UrhG).

In the course of the reform implementing Art. 20 DSMCD, the legislature reworded the requirement for additional remuneration claims under the bestseller provisions of Section 32a UrhG from a conspicuous disproportion between the remuneration and exploitation of the work to the existence of a disproportionately low remuneration. The BGH left the question as to whether this amounts to a lowering of the threshold for claims for additional remuneration open in its decision in *Porsche 911*. In Das Boot III, the BGH clarified that bestseller claims under Section 32a UrhG can only be considered in relation to uses within the scope of the exploitation rights

granted to the contractual partner. A use of the work outside of this scope may give rise to a claim for damages or to compensation for enrichment but not to a claim for additional appropriate participation under Section 32a UrhG.

The case *Das Boot III* also concerned bestseller claims by a cameraman against film distributors. Under the old law before Germany's bestseller Section 32a UrhG was changed due to Article 20 of the DSMCD, the BGH had to interpret when there would be a striking imbalance between the remuneration paid to the author and an adequate remuneration. The BGH emphasised the need to compare the hypothetical, appropriate remuneration of the author, determined on the basis of the revenues and benefits earned, to the remuneration actually paid. This case law should also be helpful for interpreting the new law which refers to a remuneration "disproportionately low compared to all the subsequent relevant revenues derived from the exploitation of the works" (Article 20(1) DSMCD).

2. Joint Remuneration Rules (JRRs)

To make it easier for courts to determine the level of appropriate remuneration, German copyright law tries to foster the adoption of joint renumeration rules (JRRs). These may be concluded by representative associations of authors on the one hand and associations of work users or individual work users on the other hand (Section 36 UrhG). If the JRRs do apply to the author, the price set out therein is assumed to be appropriate with no rebuttal possible. If the JRRs do not directly apply (because e.g., the copyright licence was granted before the JRRs came into effect) it will at least be helpful as prima facie evidence that a particular remuneration level is appropriate. According to Section 36a UrhG, it is possible to set up JRRs through arbitration proceedings. Pursuant to Section 36a(3) subparagraph 1 No. 3 UrhG, a German Court of Appeal decides, upon request, on the prerequisites for arbitration proceedings, which may be conducted for the drafting of JRRs. It was in relation to such proceedings that the BGH had to decide whether the prerequisites were met in *Werknutzer*. Specifically, the BGH had firstly to assess the capacity of a broadcasting company to be a party, where this company did not conclude usage agreements directly with the authors but rather engaged a production company from which it later only acquired comprehensive exploitation rights in the commissioned work.

3. Contractual grant of rights

According to the second sentence of Section 31(1) UrhG, an author can grant a third party an exploitation right with content-related restrictions. This aspect of copyright contract law has so far not been harmonised by EU law. The BGH reiterated in its decision in *YouTube II* that the term "type of use" in Section 31(1) UrhG means every normal, technically and commercially independent and thus clearly differentiable form of use of a work. According to the BGH, the right to add images to musical works (so-called synchronisation right) is thus an independent type of use which can be granted separately. Moreover, in *Elektronischer Pressespiegel II* the BGH held that exploitation rights for intranet and internet use can also be granted separately from one another.

Section 31(5) UrhG contains an author-friendly interpretation rule for the granting of rights by authors. If the types of use were not specifically designated when a right of use was granted, the types of use to which the right extends is determined in accordance with the purpose envisaged by

both parties to the respective contract. This is the so-called “purpose of the parties” doctrine or theory.

Regarding this interpretation rule, the BGH emphasised once more in *YouTube II* that the purpose thereof was to ensure that the author of a work can participate to the greatest extent possible in the commercial exploitation of his or her work and to help protect the author as the party usually in a weaker position. By way of continuation of its prior case law, the BGH reinforced the fact that in the case of doubt, it shall be deemed that authors have only granted exploitation rights in the scope absolutely required by the purpose of the respective contract, or “indispensable” to the achievement of the contractual purpose.

The application of this “purpose of the parties” interpretation rule is not limited to grants between authors and exploiters. It may also be applied to grants or rights transfers between exploiters. Further, according to the BGH, the principle of purpose-oriented grant or transfer is also applicable to the granting of exploitation rights for neighbouring rights of the phonogram producer pursuant to the second and third sentences of Section 85(2) UrhG and of the performing artist pursuant to Section 79(2)(a) UrhG.

V. Remedies under copyright law

In Germany, in the case of copyright infringements, claims for injunctive relief and damages may be asserted under Section 97(1) and (2) UrhG. While a claim for damages requires intent or negligence, claims for injunctive relief can be established independent of both. The German provisions are in line with the relevant provisions in the EU Enforcement Directive (2004/48). For non-fault injunctions pursuant to Article 8(3) of the InfoSoc Directive, the German implementation is the so-called principle of *Stoererhaftung* (breach of duty of care) with the exception of access providers where Article 8(3) has been implemented through Section 7(4) German Telemedia Act (Telemediengesetz – TMG).

1. Liability of internet intermediaries

a) Platforms and other hosting providers

The liability of a particular group of hosting providers has been regulated in Germany since August 2021 specifically in the German Copyright Service Providers Act (Urheberrechts-Diensteanbieter-Gesetz – UrhDaG). The UrhDaG is the implementation of Article 17 DSMCD.

For hosting providers not covered by the UrhDaG (i.e. by Article 17 DSMCD), the general liability rules apply, which are also subject to the influence of Union law (Article 3 of the InfoSoc Directive). This applies, in particular, to the question of when hosting providers can be liable as perpetrators for infringements of the right of communication to the public, due to their being indirect causers of infringements by their users. The CJEU case law in *YouTube/Cyando* from 2021 was implemented by the BGH in *YouTube II*, *uploaded II a*nd *uploaded III* into German law. The duties of care outlined by the CJEU have been specified by the BGH:

- Upon receipt of a specific notification from the rightholder that a piece of protected content is

being illegally made available to the public via a provider's platform, a duty to immediately take the necessary measures arises. In this respect, there is a duty to prevent access to the specific file that is objected to, by blocking or deleting it (takedown) and preventing the future upload of identical files (staydown); secondly, the platform has to prevent further similar infringements occurring in the future. The important thing is, according to the BGH, that there is a specific notice of a "clear" rights infringement. The party concerned is deemed not to have met their obligations expeditiously enough if the rights infringing content remains available two days after receipt of the respective notification.

- Another duty also arises if the platform operator at least ought to know generally that users are making copyright protected content available to the public via its platform. The platform operator then has to put in place technological measures that can be expected from a reasonably diligent operator in its situation, to counter copyright infringements credibly and effectively on that platform. According to the BGH, to meet this obligation the platform operator has to take action even without receiving a notification.
- Finally, according to the BGH, there is a further obligation not knowingly to promote any rights-infringing conduct by users. One example of such promotion was if the operator has adopted a financial model that encourages users of its platform to communicate protected content to the public illegally via that platform, as the BGH assumed to be the case for the financial model chosen by the cloud service "uploaded" which rewarded uploaders financially where the upload was downloaded in high numbers. This fostered the upload of commercially valuable content.

See in more detail my earlier Kluwer Copyright Blog article: Liability of hosting providers under copyright law if they have breached a duty of care – The German BGH ends mere 'Stoererhaftung'.

b). Access providers

In relation to access providers, the BGH confirmed, in *DNS-Sperre*, that Section 7(4) TMG (by analogy) is the correct basis for claims from authors and other rightholders whose rights have been infringed, seeking to have access providers block certain websites. According to the BGH, possible blocking measures include, in particular, DNS blocks.

Section 7(4) TMG provides for a so-called subsidiarity principle. According to the BGH, blocking claims against access providers are accordingly always only the "last resort". The BGH decided that a blocking claim can only be considered if reasonable efforts against parties more closely involved in the infringement have failed or there is a lack of any reasonable prospect of success. Parties more closely involved in the infringement were said to be (1) the direct infringer and (2) those who have contributed to the infringement by providing services, such as the hosting provider. In the BGH's view, the subsidiarity requirement is in line with Article 8(3) of the InfoSoc Directive, although other EU Member States do not have a subsidiarity requirement for their blocking claims. However, the BGH took the view that Article 8(3) of the InfoSoc Directive did not stipulate a harmonised approach in this regard. The CJEU decision in *Google*, in which a comparable subsidiarity principle was, following referral by a different BGH Senate (Panel), generally rejected in terms of data protection law, was only published after the BGH decision. Against this background, the BGH case law remains doubtful under EU law.

According to the BGH's subsidiarity principle, attempts must be made to identify the parties who

are more closely involved in the infringement. In the view of the BGH, efforts in this regard could include the involvement of state investigatory authorities by way of a criminal complaint, the extrajudicial assertion of a claim for third-party information against the hosting provider, as well as private investigations. In addition to out-of-court measures, court proceedings for information about data to identify the infringing customer against hosting providers based within the European Union generally had to be initiated. Secondly, the party bringing the claim has to take legal steps, to the extent as can be reasonably expected, against the operator of the website to be blocked (if known) or their hosting provider seeking removal of the copyright infringing content. Court action against the hosting provider seeking injunctive relief is apparently not required by the BGH, however.

2. Claim for information

In its decision in *YouTube II*, the BGH clarified that disclosure of information about a user's bank details was not covered by Section 101(3) UrhG. In the event of an infringement, there is thus no possibility of obtaining the bank details or even the IP address of the infringer from platform operators such as YouTube.

3. Warning letters (Section 97a UrhG)

In Germany, before court proceedings are initiated against a rights infringer, the alleged infringer must be formally notified with a warning letter in accordance with Section 97a UrhG. It is a special feature of German law (in contrast to some other EU Member States) that sending a formal warning notice affords the infringed party a claim for reimbursement of lawyer fees under Section 97a UrhG. This claim is calculated according to the value of the case. In accordance with Section 97(3) UrhG the value in dispute is capped in certain cases of private copyright infringement (e.g., in P2P networks) at EUR 1,000. The CJEU has decided in in *Koch Media vs. FU* that this cap on the value in dispute is compatible with Article 14 of the Enforcement Directive. The BGH has already implemented this CJEU case law into German law through its judgment in *Riptide II*. That case concerned the making available to the public of a computer game on a P2P (file sharing) network in violation of copyright. According to the BGH there is no principle which requires the infringer always to bear a considerable part of the costs incurred by the rightholder. The BGH therefore did not object to the fact that the rightholder, upon application of the cap on the value in dispute, had to bear around 87% of the costs it had incurred. Rather, this was justified because the computer game at issue had already been published for a year at the time of the infringement and therefore there was no longer any direct temporal connection to the first publication of the computer game and thus to the initial exploitation phase of a computer game, namely the especially lucrative stage.

4. Damages (Section 97(2) UrhG)

In its decision in *Elektronischer Pressespiegel II*, the BGH granted an amount of EUR 19,800 plus interest as the appropriate licence fee for 198 newspaper articles that had accidentally been made available to the public, although a volume discount was taken into account due to the high number

of articles.

VI. Summary and Outlook

In 2022, the case law of the BGH included a number of decisions which significantly developed German copyright law. In *Porsche 911,* the BGH gave answers to the question of how non-infringing adaptions are to be distinguished from adaptations which need to be authorised. In *Elektronischer Pressespiegel*, the BGH emphasised once more that the interpretation rule relating to the purpose of the parties in Section 31(5) UrhG is to ensure that the author can participate to the greatest extent possible in the commercial exploitation of his work. Of utmost importance are the decisions *Youtube II, uploaded II,* and *uploaded III* that implement the CJEU decision *YouTube/Cyando* into German law. In these decisions, the BGH specified the duties of care that hosting providers have to abide by in order to not be held accountable for content that has been uploaded by users. Last but not least, in *Riptide II* the court made very relevant remarks on the refund of expenses for warning letters prior to court proceedings.

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