All Her Trouble Seemed So Far Away: USA v. Japan Before the WTO

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I. YESTERDAY

Ah, yesterday, it was all good day sunshine, but now it looks as though it isn't here to stay: In February 1996, the U.S. has accused Japan of not properly complying with the GATT/TRIPS Agreement and brought the case before a panel of the newly set up World Trade Organisation (WTO).

When on 15th April, 1994, after eight years of negotiations, the "Uruguay-Round" on the General Agreement on Tariffs and Trades (GATT) was concluded in Marrakesh, Morocco, a new chapter for world trade had begun: First, disputes on the implementation and interpretation of rules covered by the GATT could be brought before a compulsory arbitration panel with rulings binding to both parties. Second, intellectual property protection was included into the framework of GATT via a side-Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). This TRIPS Agreement requires all signatory states to comply with certain minimum standards of protection for a number of intellectual property rights. Apart from patents, trademarks, designs, and trade secrets, minimum levels of protection have also been introduced for "copyright and related rights". The rights of phonogram producers that are in dispute between Japan and the U.S. belong to the category of related rights, also and more commonly called *neighbouring rights*. Copyright specialists, a sophisticated-thinking bunch of people, have made a distinction between the rights of creators of works (authors, painters, composers, etc.), that is, *copyright*, and the rights of persons performing or commercially exploiting such works by technical means. It is easy to see that the performers of Beethoven's Ninth Symphony are not its authors. The author is undoubtedly Beethoven, and for this reason, orchestras and conductors cannot obtain any *copyright*. Nevertheless, they should have the right to exploit their *performance*. In a similar fashion, phonogram producers help to spread recorded performances by technical means. But certainly, phonogram producers are not the authors of the works on the CD. Yet, because of their financial commitment, they may have a vital commercial interest in that their records are not produced without permission, put in CD-rental shops, etc. In short, performers and phonogram producers, although unable to obtain copyright protection because they do not qualify as authors, need something just like copyright protection. For this reason, modern copyright laws have introduced a category of *related rights* or *neighbouring rights*.

Commercially, such protection of neighbouring rights makes a big difference. While the copyright fees paid to the authors amount to about six percent of a CD's price, additional neighbouring rights for performers and phonogram producers would account for a hefty 8-30 percent of a CD's price, depending on the popularity. Such money must be funny not only in a rich man's world.

Art. 14 of the TRIPS Agreement now obliges Member States to endow phonogram producers with the right to authorise or prohibit the direct or indirect reproduction of their phonograms. So far, so good. But hasn't Japan properly done so?

II. MAGICAL MYSTERY TOUR

Trying to find out the relevant Japanese laws applicable to the protection of foreign phonogram producers is almost a magical mystery tour, that, when only reading the present Copyright Act, very soon makes you look like the fool on the hill.

The first Japanese Copyright Act dates back to 1899. The law provided copyright protection to authors of creative works, but certainly not performers and phonogram producers (not many phonograms around at that time). Such protection was only introduced by a change in the law in 1934. The newly introduced provision of Art. 22-6 gave performers the right to authorise or prohibit a recording of their performances by technical means. Art. 26-7 declared phonogram producers as the authors of the phonograms they had produced by technical means. Since at that time, the

difference between copyright and neighbouring rights were not all too clear, both performers and phonogram producers were treated as authors in their performances or in their phonograms. As a result, phonogram producers had the right to authorise or prohibit a reproduction of their phonograms. This approach changed when the new Copyright Act was introduced in 1970 (in force since January 1st, 1971). Here, both performers and phonogram producers were given neighbouring rights' protection (Art. 91-95bis for performers, 96-97bis for phonogram producers). Arts. 2(3) and 15 of the Supplementary Provisions 1971 made sure that rights acquired under Arts. 22-6 and 22-7 of the old Copyright Act continue to be protected under the neighbouring rights' provisions of the new law. In 1992, the protection period for neighbouring rights was increased from 30 years to 50 years after performance or publication. Thus, don't worry, be happy?

Hardly. The above provisions apply to *Japanese* phonogram producers and phonograms the first fixation of which has taken place in Japan. The protection of foreigners, however, is a completely different story. Under the old Copyright Act, foreigners and foreign works were protected only insofar as required by international conventions Japan was a member to, Art. 28 of the old Copyright Act. In order to get a revision of the so-called unequal treaties that exempted foreigners from Japanese jurisdiction, Japan not only had to modernise its legal system, but also to swallow the bait and join two international conventions for the protection of intellectual property rights: the Paris Convention of 1883 that protects patents, trademarks and designs, and the venerable Berne Convention of 1886 that protects copyrights. However, since the Berne Convention did not require the protection of foreign phonogram producers or phonograms produced abroad, the protection of phonogram producers introduced in 1934 did not extend to foreigners, either. In a similar fashion, the Copyright Act introduced in 1971 did not protect foreign phonogram producers or phonograms produced abroad. The first International Convention on the Production of Performers and Phonogram Producers was signed in 1961 in Rome. Unfortunately, the Japanese delegation only enjoyed the Dolce Vita as observers, but did not sign up as a member. In 1978, however, Japan did sign the International Agreement on the Protection of Phonogram Producers 1971 that for the first time extended protection to foreign phonogram producers. The Agreement came into force on October 14, 1978. Yet, it did not apply to phonograms composed of sounds first fixed before that date (Art. 2 of the Supplementary Provisions 1978). Thus, there was no retroactive protection. Finally, in 1989, Japan became a member of the above-mentioned Rome Convention. Again, no retroactive protection was introduced. Only the latest revision of copyright law, in force since January 1, 1996, has brought a change in that respect. Art. 2 of the Supplementary Provisions of 1995 repealed all the former provisions that had denied retroactivity and, in an act of utmost generosity, extended neighbouring rights' protection to phonograms composed of sounds first fixed after the enforcement of a new Copyright Act, that is, 1971. Thus, for recordings made before 1971, the authors are paid via the Japanese collecting society JASRAC and their national collecting societies, but phonogram producers and performers are rather left in the cold. At least, until today.

III. WHO FORGOT TO REMEMBER TO FORGET

Japan now certainly had hoped for everyone to try to remember to forget. But it was not to be. The U.S. were not satisfied with the protection of phonogram producers only starting from 1971. In Japan, the sale of older recordings is estimated at 7 percent of the total sales of recordings and thereby amount to about 40 billion Yen each year. Not a trifle. The U.S. have now argued that Japan has to grant *retroactive* protection to phonograms composed of sounds fixed before 1971 as well. The arguments are based on Art. 14(6) TRIPS Agreement that requires Art. 18 of the Berne Convention be applied to rights of phonogram producers. Art. 18 of the Berne Convention, in turn, requires protection for all works whose copyright has not expired at the date of accession. Thus, if a country were to join the Berne Convention now, all foreign works whose protection period had not already expired would have to be protected, and not only those written or published after the date of accession. A sort of retroactive protection, that is. However, according to Art. 18(3) Berne Convention, the application of the principle of retroactivity is subject to the provisions of domestic law. But domestic Japanese law, say the Japanese, excludes retroactive application.

IV. ROLL OVER BEETHOVEN

Yet, although Japan may be correct in its interpretation of the law, she does not really feel happy in legally rolling over the Beatles, if not Beethoven and Bach. For several reasons.

1. If word spread among developing countries that neighbouring rights' protection under the TRIPS Agreement would only have to be granted from yesterday (rather than for Yesterday), Japan would be hailed as the champion in how to cleverly flout international obligations on intellectual property rights. Not really a position Japan would like to be portrayed in, apart from the fact that Japan - hitherto quite vainly - tries to portray itself as a role model for developing countries.

2. To boot, a conflict on copyright protection would highlight once more Japan's, well, flexibility in complying with international obligations under copyright law. The fuss about *rental* and *lending* of foreign CDs until 1992 has not yet been forgotten. Only starting from 1992, Japan allowed foreign phonogram producers to authorise or prohibit commercial lending of phonograms for the first year after publication. Although this was not directly mandated by the Rome Convention, it was quite evident that by lending out phonograms, namely CDs, there was a wonderful opportunity to copy them during the long, dark tea-time of the soul at home, thus interfering with the exclusive *reproduction* rights of phonogram producers. However, grandfather rights for those rental shops already in business significantly weakens the effects of such prohibition, as these shops can continue to lend CDs to happy customers.

3. Another friction with international obligations that in the future may also be brought before a WTO panel, concerns the exclusive right of copyright owners to public performances of their works. This includes performances by electronic means such as CD players, tape recorders, etc. (Art. 11 Berne Convention). Under normal circumstances, copyright owners do not want to interfere with the public performance of their work (loving does give them a thrill), but it is money they want. In the 1930s, a certain (and certainly aptly so named) Dr. Plage on behalf of collecting societies came to Japan. When he demanded royalties for public performances of copyrighted works, the Japanese Ministry of Culture was less than pleased. It had nothing better to do than to introduce a law that limited such remuneration right to *broadcast* and *wire transmission*, plus performance in places other than "coffeeshops and restaurants..., cabarets, nightclubs, dance halls, and ... enterprises giving public entertainment accompanied with music, such as theatrical performances, variety shows and stage dances". These limitations are still in force by Art. 14 of the Supplementary Provisions (entitled "Transitory Measures" - a long transit, apparently), and Art. 3 Cabinet Order 1970. Thus, while authors do receive a remuneration for public performances in *karaoke* bars (not mentioned in the Cabinet Order, but finally decided only by a Supreme Court decision in 1988), they do not for places where background music is played. This certainly means a significant financial loss to authors, let alone phonogram producers and performers, whose rights in this respect are protected by Art. 12 Rome Convention. But since Art. 16 Rome Convention allowed Member States to make a reservation in regard to Art. 12, and Japan has done so in order to limit remuneration rights to broadcasting and wire transmission. Still, problems can occur as regards remuneration rights of authors: Don't dream it's over.

V. A HARD DAY'S NIGHT

For once, Japan has now agreed to change its copyright law and extend retroactive protection to phonogram producers for the full protection period of 50 years. Thus, *Toscanini* may be out, but *Bill Haley*, *Buddy Holly*, *Elvis Presley*, the *Beatles* and such like golden oldies are in. As almost always in the case of Japan, only after a hard day's night of negotiations, that is.