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A study on the copyright disputes of musical works used in films - Supreme Court Decision 2014Da202110, decided January 14, 2016

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1. Introduction

This case is the first one in Korea to deal with the issue of rights to performances of musical works used in film production.[1] The use of music in movies involves various copyright-related legal issues such as reproduction, distribution, broadcasting, and transmission of musical works. This case is meaningful in that it establishes an objective standard regarding the use of music in the movie industry and seeks an appropriate balance of protection and use of the creation.[2]

In this study, I will discuss the copyright issues related to musical works used in films and examine their implications and limitations.

2. Facts

The plaintiff, KOMCA, is a nonprofit corporation that has obtained permission from the government[3] for a copyright trust management

1) Seohee Jang, *Exceptional Clauses for Audiovisual Works in Copyright Law – On the case of KOCCA v. CGV.*, Film Studies Association of Korea, Vol. 59: 283 (2014)

2) Chul Nam Lee, *The Research on the Music Copyright Issue in the Film Industry*, The Korean Academic Society of Business Administration and Law, Vol.27(3): 566 (2017)

3) The Ministry of Culture, Sports and Tourism

business under the law. It permits the use of musical works for users who need them on behalf of the music copyright holders, and collects the royalties from the users and distributes them to the copyright holders. The defendant, CJ CGV, is a corporation that operates the largest number of movie screens in the Republic of Korea.

A person who intends to use musical works in the movie that are managed by the plaintiff shall submit an application for permission to use the musical work in accordance with the usage application form provided by the plaintiff. Next, the plaintiff issues an approval of use based on the contents of the aforementioned application. The approval of use statement states that "the user must pay the royalties and the copyright license agreement is established. If the royalties are not paid, the copyright will be infringed."

The usage application form formerly used by the plaintiff was supposed to list the applicant, the producer of the film, the distributor, the title of the movie, the name of the song used, the name of the author, etc., and, based on Article 34 of the copyright fee collection rule in the royalty fee calculation sheet of the approval document, it noted that "the reproduction fee for the purpose of screening in a movie theater etc. is determined by consultation with the user." The rate or amount of royalties for copyrighted works owed to the plaintiff were calculated in accordance with copyright fee collection rules approved by the government. In the past, no provisions were made in the case of using musical works in movies. For these reasons, in the past the plaintiff had collected only the reproduction fee for the musical works used, and did not collect any separate fee for use in a movie.

In October 2010, the plaintiff requested the producers of cinematographic works to use a new application form. The new form was almost identical to the previous form, but an additional clause was added: "Approved only for the initial replication for screening and secondary use. Right of Public Performance, Right of Reproduction (secondary reproduction such as DVDs, etc.), and the right to public transmission should be handled in accordance with another provision.[4)]"

The plaintiff requested the defendant, Lotte Cinema, and Megabox,

4) In some usage application forms, the term 'Copyright Law' is used instead of another provision.

which are leading theater companies in South Korea, to pay the fee for the performance of the musical works when included in their films based on the new clause, but they refused the plaintiff's request. At first the filmmakers ignored the plaintiff's demands altogether, but later formed a Countermeasure Committee to negotiate with the plaintiff to prevent criminal charges. They began negotiations with the plaintiff in June 2011, but negotiations broke down when the plaintiff sued Lotte Cinema for copyright infringement.

The plaintiff submitted an amendment to the fee collection rule for the use of musical works in film production, and the Ministry of Culture, Sports and Tourism approved it on March 15, 2012. The plaintiff filed a civil lawsuit against the defendant and Megabox in April 2012, based on the revision of the fee collection rule. In September 2012, the agreement called 'memorandum on royalties for movie music' between the Countermeasure Committee and the plaintiff was drawn up by the government, and the plaintiff dropped the lawsuit against Megabox.

The agreement between the Countermeasure Committee and the plaintiff only achieved consensus on how to calculate the royalties for the performance of musical works included in films after the agreement. However, they did not agree on the royalties owed between October 2010 and March 15, 2012. In addition, they agreed on royalties for pre-existing musical works, but they did not agree to them for creative musical works for being used in the new movies.

The plaintiff filed a lawsuit against the defendant for the royalties owed between October 2010, when the plaintiff requested the producers of cinematographic works to use a new application form, and March 15, 2012, when the government approved the amendment to the fee collection rule for the use of musical works in film production.

3. Issue

The plaintiff asserted that the defendant screened movies without permission of the music copyright holders from between October 2010 and March 14, 2012, thus infringing on the rights of the music copyright holders. The plaintiffs requested 1% of the movie screening revenues as

compensation for this infringement. The defendant argued that the copyright license agreement was established for movies. No special agreement on the performance of the musical works had been established, he argued, and therefore he had no obligation to pay the fee for the performance. His reasoning was based on Article 99, Paragraph 1, Item 2 of the Copyright Act[5], which notes that if the plaintiff permitted the filmmakers to utilize the musical works by means of cinematization, such permissions should be presumed to include public presentation of a cinematographic work.

The plaintiff's assertions against the defendant are as follows.

[1] Article 99 (1) of the Copyright Act applies only to the cinematization of literary works and does not apply to musical works.

[2] Even if Article 99 (1) of the Copyright Act applies to musical works, it applies only to secondary use such as their arrangement, and does not apply to the use of background music or theme songs without modification.

[3] Since the statement 'Approved only for the initial replication for screening and secondary use' was added on the revised usage application and approval form in October 2010, the assumption of Article 99 (1) is excluded.

[4] Since only the plaintiff has the right to grant the use of the new musical works for use in new movies, the section concerning copyrights in the music supervision contract between the filmmaker and the music director is invalid. Therefore, the copyrights were infringed because the defendant had no permission to use them.

4. Judgement of the court

4.1 Application of Article 99 (1) of the Copyright Act to musical works

Article 99, Paragraph 1, Item 2 of the Copyright Act states that "If the holder of the author's economic right authorizes another person to exploit

5) Jeojaggwon-beop [COPYRIGHT ACT], Act No. 14634, Mar. 21, 2017

his/her work by means of cinematization, such authorization shall be presumed to include the following rights, unless otherwise expressly stipulated to publicly screen a cinematographic work aiming at a public screening." According to this article, the defendant has no obligation to pay the fee for the performance because the agreement on the usage of musical works was established for the purposes of the movies, with no special agreement related to the performance of the musical works.

[1] Article 2 (1) of the Copyright Act stipulates that 'a work' is a 'work that expresses human thoughts or feelings.' According to the above provision, there is no reason to interpret that only literary works are included in the work of Article 99 (1).

Article 100 (1) of the Copyright Act stipulates that where a producer of a cinematographic work and a person who agreed to cooperate in the production of a cinematographic work have obtained a copyright to said cinematographic work, the rights necessary for the exploitation of such cinematographic work shall, unless otherwise expressly stipulated, be presumed to have been transferred to the producer of the cinematographic work. Article 100 (2) stipulates that "The copyright to a novel, play, work of art, or musical work used for the production of a cinematographic work shall not be affected by the provisions of paragraph (1)". If so, it should be assumed that musical works may be subject to cinematization, as well as literary works such as novels and scripts.

If the scope of the work under Article 99 (1) of the Copyright Act should be limited to literary works and musical works should be excluded, even if one is granted permission from individual copyright holders at the film production stage, he or she must obtain permission from all copyright holders again. In this case, the purpose of the legislation of the above clause, which aims to enhance the characteristics of the cinematographic work as a comprehensive art and to facilitate its use, is greatly damaged.

Considering the above points, Article 99 (1) of the Copyright Act applies to not only literary works but also musical works.

[2] The plaintiff's next assertion (Even if Article 99 (1) of the Copyright Act is applied to musical works, it applies only to secondary use such as arrangement of musical works, and does not apply to the use of background music or theme songs without modification) is also not acceptable.

There is no legal basis to interpret that 'cinematization of musical work' has the same meaning as the 'act of writing secondary work,' which is a work created by arranging, cinematographic producing, or otherwise producing a musical work. Among the forms in which musical works are used in movies, in many more cases musical works are used for theme or background music in a movie without any special modification. If 'cinematization of musical works' in Article 99 (1) of the Copyright Act does not apply to such cases, the legislative intent of Article 99 (1) of the Copyright Act will be undermined as described above.

Therefore, the court cannot accept the plaintiff's assertion that Article 99 (1) of the Copyright Act does not apply to the use of background music or theme songs without modification.

For these reasons, Article 99 (1) of the Copyright Act should be applied when a musical work is used in the form of a theme song, background music, or any other form in a movie.

4.2 Whether the added phrase of the application can be assumed to be special agreement

[3] The plaintiff asserts that because in October 2010 the application form was changed to include the clause 'Approval only for initial reproduction for screening and secondary use,' Article 99 (1) should be excluded from that point onward and therefore the plaintiff has the right to charge for the performance fee.

However, the plaintiffs did not specify in the use application form that they would exclude Section 99 (1) of the Copyright Act. In addition, even if the new phrase "Approved only for initial replication for screening and secondary use" was added on the changed application form for usage, the added phrase should not be interpreted to mean prohibiting the public screening as requested by the applicant, but to restrict the scope of reproduction to the purposes of production and screening of the film, and not for reproduction for other purposes such as making music albums and sell them separately. It is correct to interpret the added phrase as such because it includes the next phrase: "Right of reproduction (secondary reproduction such as DVDs, etc.), and the right to public transmission should be handled in accordance with another provision." Furthermore,

since both the former application form and the revised application form require listing the distribution area of the movie, the release date, and the screen to be used, it can be considered that the application for use includes reproduction of the movie as well as public screening.

The plaintiff asserts that the added phrase means that movie producers or film producers must pay an additional fee for the performance. However, when considering the statement above, the plaintiff did not notify filmmakers or film producers of the fact that they would need to pay the additional performance fee in the future. Furthermore, there seems to be no substantive agreement between the plaintiff and the filmmakers or film producers regarding the fee for the performance.

Neither the plaintiffs nor the filmmakers, nor the plaintiffs or the filmmakers, seem to have had any substantive consultations on the use of performance fees. Therefore, it is difficult to say that there was a special agreement between them, as stipulated in Article 99 (1) of the Copyright Act.

4.3. Validity of the music supervision contract between the filmmaker and the music director

[4] The plaintiff asserts that since only the plaintiff has the right to grant the use of creative musical works in new movies, the music supervision contract between the filmmaker and the music director is invalid, and the copyrights were infringed because the defendant had no permission to use them.

However, in the case of creative music, it is also reasonable to conclude that the copyright had been transferred from the director of music to the filmmaker through a music supervision contract. Even if it is true that the plaintiff would receive the copyright from the music director, it is reasonable to say that, in this case, the plaintiff cannot assert a claim to the defendant without the registration requirement of Article 54, Paragraph 1 of the Copyright Act. Therefore, the defendant did not infringe the copyright.

5. Study of this case

5.1 Background

In the process of formulating Korea's Free Trade Agreement(FTA) with the US and Europe, one of the issues discussed was the recognition of the right to claim the performance fees for use in the movies. At that time, Korea did not recognize the right to demand remuneration for such performances, and was urged by Europe to do so.[6] Filmmakers in France and the UK are paying 1% of their sales in return for the use of music in movies, and in Japan, the producers as well as the theaters collectively pay for the performance fee.[7] Under these circumstances, the plaintiffs' attempt to revise the collection rule and the filing of a civil dispute seem to be aimed at acquiring the right to claim performance compensation in Korea.

5.2 Whether Article 99 (1) of Copyright Act applies to musical works

Cinematographic works[8] are rarely created from a completely blank slate, and most of them are produced based on existing works. "Cinematization of Works" in Article 99 (1) of the Copyright Act refers to the use of existing works in the production of cinematographic works. There is an opinion that the subject of cinematization of works is limited to literary works such as novels, but the majority opinion reflects the view that musical works or art works can be included.[9]

In consideration of the provisions of Article 100 (2) of the Copyright Act,

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6) Daehee Lee, *Major issues of intellectual property rights in the Korea-EU FTA*, Korea Law Review Vol.53: 251-255 (2009)

7) Daehee Lee, Jonglok Pyo, *Study on problems and countermeasures of the KOMCA's amendment to the fee collection rule for the use of musical works*, The sourcebook of urgent discussion forum for collection of movie music usage fees by the music copyright trust organization, Korean Film Producers Association & Producers Guild of Korea: 38-52 (2012)

8) The term "cinematographic work" means a creative production in which a series of images (regardless of whether accompanied by sound) are recorded, and which may be seen or concurrently seen and heard through a reproduction by mechanical or electronic devices. (Article 2, No. 13 of the Copyright Act)

9) Seung Jong Oh, COPYRIGHT ACT, Pakyoungsa: 984-986 (3rd ed, 2013)

it is reasonable to interpret that the object of cinematization includes not only literary works but also musical works and art works.[10] Since Article 99 of the Copyright Act stipulates the copyright of 'an existing work' in the process of its cinematization, and Article 100 stipulates the copyright of an existing work after its cinematization, each phrase 'an existing work' in both Articles should be interpreted with the same meaning. According to Article 100 (2), existing works include musical works and art works, therefore, the 'existing work' of Article 99 (1) should be interpreted as including musical works and art works.

5.3 Whether Article 99 (1) of the Copyright Act applies to secondary use of musical works

The plaintiff asserts that even if Article 99 (1) of the Copyright Act applies to musical works, it applies only to secondary use such as the arrangement of musical works, and does not apply to the use of background music or theme songs without modification.

However, as the court judged, the plaintiff's assertion has no legal grounds. In addition, if interpretation was to be based on the plaintiff's argument, the active distribution of cinema works would be seriously harmed, and thus the legislative intent of Article 99 (1) of the Copyright Act would be undermined.[11]

5.4 Discussion regarding the added text 'Approval only for the initial reproduction for screening and secondary use'

The plaintiff asserts that because in October 2010 the text of the

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10) Article 100 (Rights in Cinematographic Works) of Copyright Act

(1) Where a producer of a cinematographic work and a person who agreed to cooperate in the production of a cinematographic work have obtained a copyright to the said cinematographic work, the rights necessary for the exploitation of such cinematographic work shall, unless otherwise expressly stipulated, be presumed to have been transferred to the producer of the cinematographic work.
(2) The copyright to a novel, play, work of art or musical work used to produce a cinematographic work shall not be affected by the provisions of paragraph (1).

11) Seoul Central District Court, 2012Ga-hap512054, May 23, 2013.

application form was changed to include the clause 'Approval only for initial reproduction for screening and secondary use,' Article 99 (1) should be excluded from that point onward and therefore the plaintiff has the right to charge for the performance fee. In other words, the plaintiff asserts that the above-mentioned phrase corresponds to "otherwise expressly stipulated" in Article 99 (1) of the Copyright Act.

The Court held that the clause 'Approval only for the initial reproduction for screening and secondary use' did not correspond to "otherwise expressly stipulate" under Article 99 (1) of the Copyright Act.

One who opposes the plaintiff's claim might have concerns that the court decision could lead to future situations in which other parties may be able to exclude Article 99 (1) of the Copyright Act. In other words, Article 99 (1) of the Copyright Act was formulated in the public interest, for the purposes of revitalizing the use of cinematization. If it is possible to override this Article by an agreement between parties, the intent of the legislation could be undermined.[12)]

In my opinion, the plaintiff's assertion that the above-mentioned phrase conforms to the phrase "otherwise expressly stipulated" in Article 99, Paragraph 1 of the Copyright Act is not reasonable. This is because the phrase 'approving the reproduction for the screening' should be considered as the parties' agreeing to 'screening.' If the plaintiff's assertion were to be reasonable, it would be expressed as 'approving the reproduction' rather than 'approving the reproduction for the screening.'

On the other hand, the concern that there is a risk of excluding Article 99 (1) of the Copyright Act by allowing the parties to exclude the exceptional provision of the cinematographic works cannot be solved without amendment of the law.

5.5 About the case of the creative musical works

The plaintiff asserts that since only he has the right to grant the use of new musical works in new movies, the music supervision contract between

12) Kyungsuk Kim, *Cinematization of Music and the meaning of Special Provisions concerning cinematographic works*, Sport and Law, Vol 19(2), The Korean Association of Sport & entertainment Law: 160-161 (2016)

the filmmaker and the music director concerning the copyright is invalid, and thus the copyrights were infringed because the defendant had no permission to use them. The plaintiff's above assertion is based on Article 3 of the Copyright Trust Contract.[13] In addition, the plaintiff asserts that the music director does not have the right to transfer the copyright to a third party because of the provisions of the contract above, and therefore the provisions of Article 100 (1) of the Copyright Act, which presume that the rights necessary for the use of cinematographic work transfer to the producer of the cinematographic work, do not apply.

The defendant asserts that the invalidation of the contract between the music director and the filmmaker, as the plaintiff asserts, is not appropriate because it excessively restricts the rights of the music copyright holder, and such interpretation violates Article 100 (1) of the Copyright Act.

The court accepts the plaintiff's allegations to some extent and tries to solve the problem under paragraph 1 of Article 54 of the Copyright Act.[14] The Court concludes that the copyright is transferred to the plaintiff, but due to the lack of registration as a requirement for setting up against third party, the rights to the music work still exist for the music director, and he or she can transfer ownership of the rights through individual contracts with the producer.

One opinion criticizes the court's approach of trying to resolve the controversy without directly reviewing the effects of the Copyright Trust

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13) Jeojaggwon sintaggyeyag-yaggwan [Copyright Trust Agreement Terms],

Article 3 (Trust of author's property rights)
(1) The client shall transfer the copyrights that he/she currently owns and the copyright he/she will acquire in future to the trustee as trust assets during the term of this contract; the trustee manages the copyright for the client and distributes the fee for use of the copyright to the client.
(4) The client shall not, under any circumstances, grant permission or exercise rights to a third party for a work entrusted to the trustee in accordance with paragraph (1)

14) Article 54 (Registration and Effect of Changes in Rights, etc.)
The following matters may be registered, and shall not bind third parties without their registration:

1. Transfer by assignment of author's property right (excluding that by inheritance or other successions in general), or restriction on the disposal of author's property right;

Contract.[15] This opinion contends that the clause of the trust contract stating, 'The client shall transfer the copyrights that he/she will acquire in future to the trustee' is invalid because of violation of Article 103 of the Civil Act. There is a possibility that the authors did not fully understand the meaning of such a comprehensive trust at the time of entering into the copyright trust contract, and fundamentally, the contents of this agreement excessively restrain the author's position.

According to Article 6 of the 'Act on the Regulation of terms and conditions'[16], "Any clause in terms and conditions which is not fair in contrary to the principle of trust and good faith shall be null and void." In the 2010Da1272 case, for example, the court held that the clause which excludes the entitlement to terminate the trustee for no good reason in the trust, and in which the trustee enjoys all of the trust profit, is invalid because it violates 'Act on the Regulation of terms and conditions' article 9.[17][18] However, in my opinion, in the field of copyright law, where the principle of private autonomy is more heavily emphasized, it is difficult to conclude that the terms themselves are in violation of Article 103 of the Civil Act.

Article 99 and Article 100 of the Copyright Act shall apply only if the copyright holder agrees to cooperate directly with the movie producer. According to the defendant's claim, the music director performs a comprehensive job of film music. However, if the music director is not the copyright holder of the music and is merely receiving rights from the copyright owner, Article 99 and Article 100 of the Copyright Act are difficult to apply."[19] Therefore, considering the reality of movie industry, it

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15) Kyungsuk Kim, previous paper: 170

16) Yaggwan-ui gyujee gwanhan beoblyul [ACT ON THE REGULATION OF TERMS AND CONDITIONS], Act No. 14141, Mar. 29, 2016.

17) Article 9 (Cancellation or Termination of Contract)

A clause in terms and conditions concerning the cancellation or termination of a contract which falls under any of the following subparagraphs shall be null and void:

1. A clause which excludes the right of customers to cancel or terminate the contract under Acts, or limits the exercise of such right;

18) Supreme Court, 2010Da1272, July 12, 2012.

19) Article 100 (Rights to Cinematographic Works)

(1) Where a producer of a cinematographic work and a person who agreed to cooperate

seems inevitable for the Supreme Court tried to solve the problem through the requirement for setting up against third party.

Some scholars argue that it is not desirable, in light of current music copyright practices, that music copyright holders have such little room to decide the range of trust of rights when they enter into a copyright trust contract with trustees (meaning organizations). In particular, this scholar states, "Concerning the practical strategies for 'the range selection system for trust of rights,' it is not desirable that the government should force 'organizations' by law to institute this system by stipulating it in their copyright trust contracts. Preferably, it is desirable to revise the definition of a trust management business to include the possibility of choosing a trusteeship within it, and to guide 'organizations' to accept 'the range selection system for trust of rights' through supervision of the administrative guidance."[20]

Although Article 3 of the Copyright Trust Contract is not invalid, providing an opportunity to directly and clearly set the scope of the trust can serve as a reasonable way of adjusting legal copyright interests in film music.

6. Conclusion

The court's decisions on the plaintiff's claim are mostly considered

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in the production of a cinematographic work have obtained a copyright to the said cinematographic work, the rights necessary for the exploitation of such cinematographic work shall be presumed to have been transferred to the producer of the cinematographic work unless otherwise expressly stipulated.

(2) The copyright to a novel, play, work of art or musical work used for the production of a cinematographic work shall not be affected by the provision of paragraph (1).

(3) The right to reproduce under Article 69, the right to distribute under Article 70, the right to broadcast under Article 73, and the right to interactively transmit under Article 74 with regard to the use of a cinematographic work of a performer who agreed with the producer of a cinematographic work to cooperate in the production of a cinematographic work shall be presumed to have been transferred to the producer of cinematographic works, unless otherwise expressly stipulated.

20) Seongho Park, *A Study on the Meaning of "Comprehensive Representation" and the Practical Strategies for "Choice in the Extent of Trust of Rights" in Copyright Trust Management Business*, Quarterly Copyright Vol.29(3), Korea Copyright Commission (2016)

appropriate. However, there are a few limitations. Because of the characteristic of the film industry, it is difficult to ascertain the legal relationship between creators, music directors, and filmmakers. Presumably, this is why the court could not directly review the effects of the Copyright Trust Contract in trying to solve the problem under paragraph 1 of Article 54 of the Copyright Act. However, since several scholars concede that reconsideration of the Copyright Trust Contract itself is necessary, more studies are needed in terms of copyright issues about musical works and their usage in cinematographic work.

Despite any limitations, the court's decision is meaningful in that it can be one of the standards in resolving legal conflicts related to copyright of cinematographic works. Also, it could be a starting point for further studies of comprehensive copyright issues in the film industry.

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