

**There is probably no more protective law of authors' rights over their work than French law.**

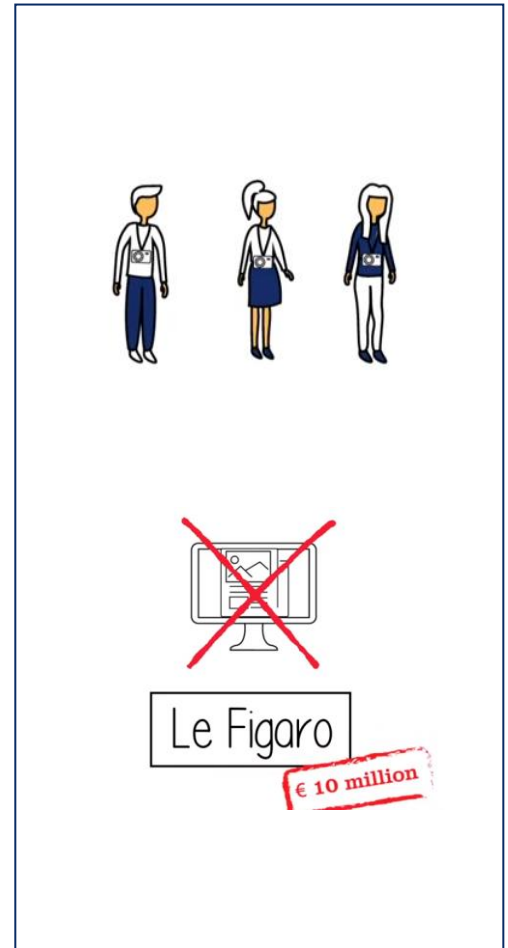


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If it is an advantage for authors, it is also a headache for businesses on a daily basis, and it is imperative to be vigilant when acquiring or assigning rights regarding a work, from or to a third party or for the creations and inventions of an employee.

In fact, the conditions for assigning copyrights (“droit d’auteur”) regarding works are subject to heavy formalism. In case of a failure to comply with this formalism in the assignment contracts, there is a significant risk that the assignment of rights is declared invalid or non-existent.

As an example of this formalism, it is interesting to mention a recent decision rendered in the context of a dispute opposing several photographers against the publishing company of the newspaper “Le Figaro” (the oldest French daily newspaper) which had made available on its website, in a section called “archives” with a pay per view access, the entire paper archives of the newspaper and periodicals. This publication has been made in the form of reproduction, by way of digitalisation in PDF format, of the entire pages of these publications including illustrated articles by photographs. The authors considered that this use was not authorized in the assignment contract signed with the press institution and they have filed a claim against the publishing company based on copyright infringement.



The Court of Appeal has decided that "the archiving and the online publication of the newspapers in PDF format could not have been foreseen at the time of the assignment of rights, however that this online publication fits in the continuity of the first work and does not constitute a use of the photographs other than that contractually foreseen". •

The French Supreme Court (Cour de Cassation) quashed the decision of the Paris Court of Appeal on the basis of Articles L.111-1, L.122-1 and L.131-6 of the French Intellectual Property Code and held that the reasons articulated by the Court of Appeal were insufficient to characterize that the consented assignment of rights necessarily extended to the use mentioned above. The French Supreme Court thus recalls the principle according to which, under French law only the rights actually listed in the assignment contract are assigned from the author to the assignee.

This rule only applies to acquisitions of rights directly from the author - natural person - of the work. It does not apply to assignment contracts between two legal entities in which a general assignment clause is possible. This is due to the fact that, under French law, only a natural person can be "author" of a work. However, even with a general assignment clause, it is important to ensure that the ceding company has validly acquired from the author the rights that it assigns, otherwise the risk is that the entire chain of rights may be corrupted and that the assignment between the two companies only pertains to an empty shell.

Therefore, it is essential to be well advised and assisted during the acquisition and assignment of copyrights (this can occur during the acquisition of a goodwill, or at the end of complex and crossed licenses). Indeed, in case of invalid assignment of intellectual property rights, in addition to the risks of conviction for infringement to which the company is exposed, the value of the acquired goodwill can be strongly impacted.

•Court of Appeal of Paris, Div. 5, Chamber 2, February 16, 2018, n°16/26.056

•Court of Cassation (French Supreme Court), 1st Civil Chamber, July 4, 2019, n°18-17.155

Indeed, all experts agree that the valuation of a company is neither a simple exercise nor an exact science and that the evaluation requires a good knowledge of the target entity, its commitments, particularly those off-balance sheet, its past, its products, its strengths and its weaknesses, as well as its environment.

Today, among the essential elements to be analysed, allowing a strong upward or downward valuation of a goodwill, the company's intellectual property assets are increasingly identified as strategic because they allow the company to benefit of a monopoly, a competitive advantage in the market. While buyers and sellers naturally think of industrial property assets (patent, trademark and design portfolios), literary and artistic property assets (copyright) play a key role in many areas such as fashion, perfumes, furniture, or audio-visual.

It is therefore imperative that (i) employment contracts with employees of the company having a creative mission, (ii) those with third party authors, or (iii) between companies, comply with the legal formalism and contain the guarantee clauses in order to secure the companies in their day-to-day business, and also during the acquisition and assignment phases of goodwill.

