# GENERAL CONSIDERATIONS IN EVALUATING COPYRIGHT MATTERS FOR ENTERTAINMENT CLIENTS

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**CHAPTER 1**

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**ONE. OVERALL STRUCTURE: Does the matter involve a license, assignment, or work for hire?**

Copyright transfers fall into two general categories: licenses and assignments. The former tend to be temporary and/or limited in some fashion, while the latter convey an outright transfer of ownership, with the creator often retaining very few rights or none at all. For example, permission to use a pre-existing photograph in a new work likely will involve a license because the photograph's owner is consenting to the licensee's use of the work, not permanently assigning it to her. Additionally, the photographer will likely want the ability to license the photograph to others concurrently or in the future. However, a music promoter engaging a photographer to shoot concert photos may insist on a complete rights assignment under a work-made-for-hire arrangement. The promoter will want to exclusively own and control all rights in those photos and prevent the photographer from licensing them to third parties. Similarly, a studio commissioning a screenplay from a writer will want a full assignment of all rights; the screenwriter will not retain any.[1]

*Tip:* Many copyright transfers will contain "work-for-hire" language. Some federal Circuits have ruled that timing of this designation is important.[2] If the contract is being signed prior to services starting, then using that designation will work. However, if the materials to be assigned have been created already, then the contract also should contain a broad assignment clause stating that all rights, interest, and title in the material in question are hereby being assigned to the purchaser.

**TWO. WHICH COPYRIGHT ACT APPLIES?**

This question matters most when investigating potential ownership and licensing of older works, since they may have lapsed into the public domain depending on when they were created and published. Works may fall under earlier versions of the Copyright Act if they were created prior to 1978.[3] If so, then factors such as whether renewals were filed, and whether the copyright symbol (©) was used when the work was published may affect the work's copyright status. Additionally, the work may be subject to a right of termination under applicable copyright laws.[4] Copyright termination rights are complex, often confusing, and best left to the experts in this particular doctrine. As such, they are outside the scope of this article.

*Tip*: A work published before 1923 in the United States is in the public domain. After that, additional information is needed to determine whether the work is still subject to copyright protection and thus whether permission to use the work is needed. The digital copyright slider, available at

[1] However, if the screenwriter's services are subject to the jurisdiction of the Writers Guild of America (the "WGA"), which secured certain separable rights for professional writers in the Theatrical and Television Basic Agreement (derived from the Copyright Act of 1976 §106 and applicable to all original material written under WGA jurisdiction), then the screenwriter may be entitled to those privileges.. Certain rights usually held by the copyright holder in an assignment are separated out and transferred back to the original writer. For example, a screenwriter who transfers an original script (or in some cases a script based on assigned material) to a production company may retain the right to publish the script or books based on the script as well as the right to produce a stage version of the script, both subject to a waiting period. Even if the writer does not wish to exploit these rights, the copyright holder must compensate the writer if it exploits these rights. See WGA, Understanding Separable Rights, *available at* http://www.wga.org/subpage_writersresources.aspx?id=114 (in-depth discussion). See also WGA, Creative Rights for Writers of Theatrical and Long-Form Television Motion Pictures, *available at* http://www.wga.org/subpage_writersresources.aspx?id=81#1 (brief overview).

[2] There is a Circuit split as to when an agreement must be executed to properly qualify as a work-made-for-hire under the Copyright Act. *Compare* Playboy Enters., Inc. v. Dumas, 53 F.3d 549, 559 (2d Cir. 1995), which states an agreement must be signed prior to creation of the work, with Capital Concepts, Inc. d/b/a bCreative, Inc. v. The Mountain Corp., No. 3:11-cv-00036, *10-11 (W.D. Va. Dec. 30, 2012), which asserts that the agreement may post postdate creation of the work.

[3] The Copyright Act has been revised multiple times. Generally, works are governed by the version of the Copyright Act in effect at the time of work's creation. The trend over time has been to expand the duration of copyright with each revision. See Copyright Act of 1790 § 1 (14 years with 14-year renewal), Copyright Act of 1831 §§ 1-2 (28 years with 14-year renewal), Copyright Act of 1909 § 23 (28 years with 28-year renewal), Copyright Act of 1976 §302 (life of author plus 50 years or 75 years for corporate authored works), and Sonny Bono Copyright Term Extension Act of 1998 § 102 (amending §302 of the 1976 Act to life of author plus 70 years, 95 years for corporate authored published works, or 120 years after creation for corporate authored unpublished works, whichever is earlier).

[4] Copyright Act of 1976 §§ 203(a), 303(c)-(d).

http://librarycopyright.net/resources/digitalslider/ is a useful tool to evaluate whether a work may be in the public domain.

**THREE. EXCLUSIVITY: What kind of restrictions are being sought, and how will those affect the potential for other deals?**

Many copyright transactions require exclusivity, which may impact the ability of the rights holder to enter into other deals with respect to her copyrighted work(s). Such exclusivity may relate to, *inter alia*, a period of time, a particular territory/territories, certain media, or a combination thereof. Not surprisingly, it is typically in the interest of the rights holders to limit the scope of exclusivity because she must turn down or obtain an exclusivity waiver for any additional opportunities that arise with respect to further exploitation of her creative works to avoid conflicts. On the other hand, prospective licensees prefer exclusivity because exclusive deals reduce possible competition with respect to the exclusive territory, medium/format, time period, etc. (as applicable), thereby increasing potential profit.

*Tip*: A common way to limit the impact of an exclusive grant of rights is to have the rights holder reserve all rights not expressly transferred in the agreement. The licensee may then request what's known as a "hold-back" period such that the licensor agrees not to exercise any of those "reserved rights" until a certain event has occurred and/or time period has passed (e.g., a film composer agrees not to release any recordings from the soundtrack until 18 months after a film has been commercially released). Another approach is to have an exclusive period, followed by a non-exclusive period during which the rights holder can seek additional exploitation opportunities. Limiting a licensee's overall term of exclusivity is generally advisable, particularly if the prospective licensee is inexperienced or a new entity (e.g., a new distributor).

**FOUR. OWNERSHIP/CONTROL: Who owns what? Do multiple parties need to be involved in the discussion?**

Except for employer-employee situations, unless a copyrightable work is created as a "work made for hire," the person who creates it owns the copyright in such work and is sometimes referred to as having "title" to the copyright. As with a person who has a title to real or personal property such as a house or car, the "title" owner is authorized to sell, transfer, or otherwise dispose of the rights in and to the copyrighted work. Therefore, you may need to research who is the current owner of a work that you want to use to verify (a) that he/she still controls the rights you are seeking or (b) if you represent a copyright owner, that he/she still has the rights to give. This process is called researching the chain of title, a step that is particularly crucial in the motion picture industry.

Complications often arise when a copyright is owned by two or more persons/companies (i.e., the "split copyright" scenario) because you may discover that more than two parties are needed at the negotiating table. Co-ownership can result from many circumstances, but perhaps most commonly when (a) a copyright was initially created by multiple people (joint works) or (b) a copyright owner later subdivided his interest by transferring some or all of the ownership or rights associated with the copyright to another person/company (e.g., copyright owner entered into a co-publishing deal with a publisher whereby he assigned undivided 50% interest in the copyright to the publisher).

*Tip*: Absent a written agreement to the contrary that has been executed by all of the copyright owners, all joint copyright owners are required to sign an exclusive license or 100% assignment. In the United States[5], however, any copyright owner can grant a non-exclusive license to a third party without a co-owner's consent, provided that an accounting is given to the non-granting co-owner for the co-owner's share of the licensee fee collected.[6]

**FIVE. TERM: How long will your client be bound by the terms of the contract?**

Properly advising a client about a potential copyright transaction includes assessing the length of commitment contemplated.

*Tip*: Note that an agreement may have a specified term for its effectiveness but may grant a longer term of rights for the copyright transfer it contains. The applicable document should therefore be carefully reviewed to ensure the proper term is being granted. For example, a screenwriter agreement may state that the writer is to render writing services for a period of one year, but that a license or assignment of the rights in any underlying works conveyed last longer than that.

[5] The United Kingdom, France, and many other countries require all co-owners to consent to a license agreement. Therefore, you are well advised to receive the written permission of all co-owners of the work if the territory of the license is worldwide.

[6] Some courts have held that a co-owner may not unilaterally grant a license that will effectively destroy the value of the copyright. *See* Shapiro, Bernstein & Co. v. Jerry Vogel Music Co., 73 F. Supp. 165, 168 (S.D.N.Y. 1947). However, the type of license that would be interpreted as so destroying the value is not clear.

Additionally, an agreement may contain an option clause. As used in entertainment contracts, an option is an exclusive right to acquire rights in the future; it essentially takes the work in question off the market and prevents the owner from transferring some or all of the rights, subject to the option agreement's terms. An option arrangement is typically used in the early stages of a project's development. A theater producer may not yet have the money to buy outright the necessary dramatic and ancillary rights required to produce a play, but by acquiring an option on those rights, the producer can demonstrate that she has effectively secured an exclusive reservation on them. The option's existence can then be used to incentivize potential investors to provide funds to be used for the play's production, including the later acquisition (i.e., the "exercise" of the option) of the optioned rights.

*Tip*: Be aware of what needs to be done to extend the option (i.e., continue the effective term of the option) and what triggers exercise of the option (i.e., the actual acquisition of all rights described in the applicable agreement), so that the rights conveyed in the option do not accidentally lapse at the end of the first option period.

**SIX. TERRITORY: Where is the agreement applicable?**

Copyright transfers often divide rights into territories, such as "the U.S. and all territories and possessions thereof" or "all countries excluding North America," so that a licensor can execute more than one license for her work. This parsing of rights via multiple licenses may increase revenues because cross-collateralization of territories is mitigated.[7] Additionally, a licensor who can obtain different deals for the same work in different territories may benefit from multiple advances and less reliance on one distributor for successful marketing efforts. Less often, a licensee may be willing to accept non-exclusive rights in certain territories, say in conjunction with exclusive rights in others.

*Tip*: If a licensee insists on having worldwide rights, it may be possible for a licensor to negotiate for the reversion of rights to certain territories if the licensed rights are not exploited there within a particular time frame.

**SEVEN. REVERSION OF RIGHTS & CONTRACT TERMINATION ISSUES: Under what circumstances can your client get its creative property back?**

Once a contract terminates, make sure that your client is aware of what is happening to the rights licensed and/or assigned. And as mentioned above, the contract's term may be over, but certain rights granted may survive termination.

*Tip*: If representing a licensee and if applicable to the deal, it may be wise to include a survival clause that makes clear that notwithstanding the termination of the contract, the license grant and the rights conferred by it survive termination.

Contracts may contain provisions to return original materials to the author, but the details of the reversion process should be spelled out. Is it automatic? Does anything need to be signed by the licensee who originally received the rights to transfer the rights back? Does the reversion include all improvement and derivatives of the originally transferred works? (Note that this issue is separate from termination of transfers under the Copyright Act.)

**EIGHT. SCOPE: Are they requesting only the rights they need?**

Pursuant to section 106 of the U.S. Copyright act, recall that there are six exclusive rights (the so-called "bundle of rights") as follows:

- To reproduce the copyrighted work in copies or phonorecords
- To distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending
- To publicly perform the copyrighted work (applies to literary, musical, dramatic and choreographic works, pantomimes, motion pictures and other audiovisual works)
- To publicly display the copyrighted work (applies to literary, musical, dramatic and

[7] Cross-collateralization refers to the combining of revenues and expenses from different territories and/or media. For example, if a film distributor with worldwide rights to a licensor's film has spent $30,000 in the U.S. and $20,000 outside the U.S. on distribution expenses, and the distributor earns $35,000 in the U.S. and $10,000 outside the U.S. from exploiting the film, then the distributor will claim it is $5,000 "in the red" if all territories are cross-collateralized (i.e., $45,000 in revenues less $50,000 in expenses), resulting in no potential revenue share for the licensor from those revenues. However, if the licensor has succeeded in having U.S. and foreign territories accounted for separately (i.e., no cross-collateralization), then the licensor may be entitled to its share of $5,000 from the U.S. revenues (i.e., $35,000 in revenues less $30,000 in expenses), assuming no other factors (e.g., recoupment of advances) affect the accounting.

choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including individual images of a motion pictures or other audiovisual work)
- To prepare derivative works based upon the copyrighted work
- To publicly perform by digital audio transmission (applies to sound recordings only)

These six rights are distinct and may be licensed or transferred in whole or in part. For example, one could license the right to publicly display a painting, but not the right to make and distribute copies of such painting.

*Tip*: To clarify the scope of the grant of rights, use the actual terms of the Copyright Act in drafting whenever possible – e.g., I hereby grant to you the right to reproduce, distribute, and publicly perform the work.

Another important element of negotiating the scope of the license grant in entertainment transactions involves the media/formats because there is often value for entertainment properties in multiple media. Are rights being granted to use the work in home video only? Non-downloadable streaming only (live or on-demand)? Digital and/or physical configurations? All media?

*Tip*: While most licensees will generally want the broadest media grant ("all media now known or hereinafter devised"), it is important to protect licensors from putting all their eggs in one basket by first evaluating whether the prospective licensee has the resources and experience to effectively exploit the work in all media. For example, one may find that while the licensee would like to make and distribute physical copies of the work ("if things go well"), they currently operate a home-based business and don't do the volume or have the support staff to offer a competitive pressing and fulfillment service for physical goods. There may also be compelling reasons to do split-media deals if there are additional advances or marketing resources available by entering into separate deals.

**NINE. MONEY: Who gets what?**

Most entertainment transactions involve the payment of an upfront fee, royalty, percentage of revenue, or a combination thereof to the holder of a copyrighted work in exchange for the other party's opportunity to exploit the work. However, as previously mentioned, some rights holders (e.g., co-authors) may not be at the negotiating table when that monetary amount is determined despite the fact that they are legally entitled to part of the revenue from the transaction.

As a result, it is imperative that a copyright licensor that has co-authors be advised of her duty to account to her co-authors for such co-author's respective share of the proceeds (absent an agreement to the contrary). Similarly, when representing the licensee in a copyright transaction, one is well advised to include payment language that provides that the licensor is not only representing and warranting that she owns or controls 100% of the work, but that she (and not the licensee) is responsible for paying any third parties entitled to compensation for the rights granted therein.

*Tip*: A "letter of direction" (or LOD) is sometimes used when a third party is entitled to compensation from an entertainment transaction, generally when it is a royalty or revenue share deal. The LOD is a separate document that allows the licensee to collect money and distribute the third party's share directly to the third party (rather than paying all funds to the party to the contract who is then obligated to pass it along to the third party).