

# © COPYRIGHT

and Content  
Licensing

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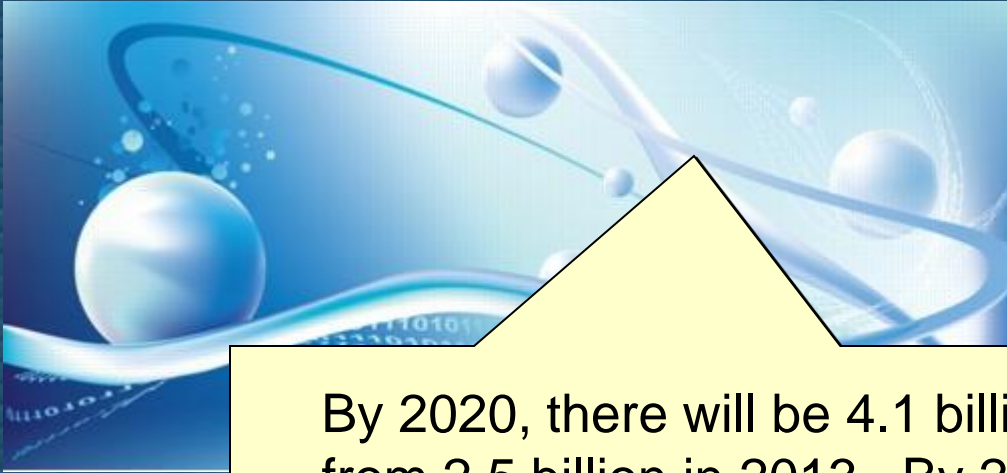
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# Introduction

## The New York Times

“Thanks to the Internet and the rapid global expansion of computing, humans and their machines will create more information in the next three years than in the 300,000 years of history dating to the earliest cave paintings and beyond.” (UC Berkeley School of Information Management and Systems forecast)

# Introduction



## Cisco® Visual Networking Index (2016)

By 2020, there will be 4.1 billion global Internet users, up from 2.5 billion in 2013. By 2020, there will be 26.3 billion networked devices and connections globally, up from 12 million in 2013. Globally, Internet video traffic will represent 82 percent of all IP traffic by 2020, up from 70 percent in 2015. Global IP traffic will increase nearly threefold from 2015 to 2020. WiFi and mobile devices will account for 66 percent of total IP traffic in 2020, up from 48 percent in 2015.



# Introduction

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- Convergence of Technologies
  - Computer, Entertainment, Communications
- Convergence of Business Models
- Legal Issues
- Legal Specialties



# Current Market Trends and the Impact of Digital Media

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- Rights in Content and in Software
- Interactive vs. Static
- Perfect Digital Copies
  - Increased Risk of Piracy
  - First-Generation vs. Second-Generation
- Scalable
- Territorial vs. Non-Territorial
  - Impact on Licensing and Distribution
- Durable
- Searchable

# Current Market Trends and the Impact of Digital Media

- Users vs. Publishers
  - Any User Can Become a Publisher
  - Web Site Operator or Blogger = Publisher
- Emergence of Social Media Platforms
- User-Generated Content
- Short-Form Video
- Impact of DVR's
- Rethinking of Roles of "Gatekeepers"
  - Software Publishers, Book Publishers, Record Companies, Television Networks, Newspaper Publishers
    - Open-Source Software, Blogs, Wikis



# Current Market Trends and the Impact of Digital Media

- Enhanced Importance of Intellectual Property Protection
- Licensing and Administration of Rights
  - Public Performance, Reproduction, Distribution
  - Territorial Restrictions
- Migration from Linear to On-Demand
- Migration to Online and Mobile Platforms
- Emergence of Cloud Computing
- New Digital Rights
  - “TV Everywhere”
  - OTT (“Over the Top”)
- Rapid Evolution of Business, Monetization and Advertising Models
  - Rethinking of Traditional Models of Content Creation and Distribution
  - CPM (cost per thousand) vs. CPC (cost per click)
- Hybrid Agreements



# Current Market Trends and the Impact of Digital Media

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- Aggregation of Content and Distribution
  - AOL/Time Warner
  - Google/YouTube
  - Comcast/NBC Universal
  - Disney/Maker Studios
  - AT&T/Time Warner (proposed)
  - Perceived Strategic Advantages
- Public Policy Issues
  - Net Neutrality
- Technology vs. Law

# Current Market Trends and the Impact of Digital Media

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- Questioning of Traditional Principles of Copyright Law
  - Challenge to Sonny Bono Copyright Term Extension Act (1998)
    - *Eldred v. Ashcroft* (2003)
    - *Kahle v. Gonzales* (9<sup>th</sup> Cir. 2007)

# Emerging Solutions

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- Legal
- Business
- Technological
- Legislative/Regulatory



# Rights in Preexisting Content

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- Post-1977 vs. Pre-1978 Works
- Post-1972 vs. Pre-1972 Sound Recordings

# Exclusive Rights of Copyright Owners

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- Reproduction in Copies or Phonorecords
- Preparation of Derivative Works
- Distribution of Copies or Phonorecords

# Exclusive Rights of Copyright Owners

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- Public Performance (for Certain Works)
- Public Display (for Certain Works)
- Public Performance of Sound Recordings By Means of Digital Audio Transmissions
  - Digital Performance Right in Sound Recordings Act of 1995
  - Digital Millennium Copyright Act (1998)



# Structuring the Acquisition of Rights in Content

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- License
  - Exclusive
  - Nonexclusive
- Assignment
- Work Made for Hire

# Structuring the Acquisition of Rights in Content

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- License
  - Exclusive
    - Must be in writing to be enforceable (under U.S. copyright law)
  - Nonexclusive

# Structuring the Acquisition of Rights in Content

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- Assignment
  - vs.
- Work Made for Hire



# Structuring the Acquisition of Rights in Content

- Work Made For Hire: Employer or Commissioning Party is Considered Author
- Duration of Copyright (for works created in 1978 or later)
  - Most Works: Life of Author Plus 70 Years
  - Works Made for Hire, Anonymous and Pseudonymous Works: 95 Years from First Publication or 120 Years from Creation, Whichever is Earlier
- Duration/Terminability of Grant
  - Termination of Transfers and Licenses
- WMFH Must Be Created As Such
  - Applies to newly created content

# Structuring the Acquisition of Rights in Content

- Requirements for WMFH
  - Employee
    - Prepared by an employee within the scope of his or her employment
    - *Community for Creative Nonviolence v. Reid* (1989)
    - *Siniouguine v. Mediachase Ltd.* (C.D. Cal. 2012) (Attachment 4 in Course Handbook)



# Structuring the Acquisition of Rights in Content

- Requirements for WMFH
  - Independent Contractor
    - Specially Ordered or Commissioned
    - For Use in One of Nine Categories
      - Collective Work, Audiovisual Work, Compilation, Translation, Supplementary Work, Instructional Text, Test, Answers for a Test, Atlas
    - 10<sup>th</sup> Category (Sound Recordings) Added in 1999, Repealed in 2000
    - *Lulirama Ltd., Inc. v. Axxess Broadcast Services, Inc.* (5<sup>th</sup> Cir. 1997)



# Structuring the Acquisition of Rights in Content

## Requirements for WMFH

- Written Instrument
  - *Schiller & Schmidt, Inc. v. Nordisco Corp.* (7<sup>th</sup> Cir. 1992)
    - Written instrument must be executed prior to creation of work
  - *Playboy Enterprises, Inc. v. Dumas* (2<sup>nd</sup> Cir. 1995)
    - Written instrument may be executed after creation of work if it memorializes verbal agreement prior to creation of work
- Pre-1978 Grants: Instance and Expense
  - *Marvel Characters, Inc. v. Kirby* (2d Cir. 2013)
  - *Lewin v. Richard Avedon Foundation* (S.D.N.Y. 2015)
- California Issues
  - Cal. Lab. Code § 3351.5(c); Cal. Unemp. Ins. Code §§ 621(d) and 686
- Back-Up Assignment
- International Treatment

# Termination of Transfers and Licenses

- 17 U.S.C. §§ 203, 304(c) and 304(d)
- 17 U.S.C. § 203: For a work other than a work made for hire, “the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination” under specified conditions
- Termination may be effected during a 5-year period beginning 35 years from the date of execution of the grant; or, “if the grant covers the right of publication of the work,” beginning 35 years from the date of publication of the work under the grant, or 40 years from the date of execution of the grant, whichever is earlier
- If grant executed by one author, that author may terminate
- If grant executed by two or more authors of joint work, majority of authors who executed it may terminate



# Termination of Transfers and Licenses

- 17 U.S.C. § 304(c): For a copyright in its first or renewal term as of January 1, 1978, other than a copyright in a work made for hire, “the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978,” by the author or specified heirs or executors, other than by will, is subject to termination under specified conditions
- Termination may be effected during a 5-year period beginning 56 years from the date copyright was originally secured
- If grant executed by one author, that author may terminate
- If grant executed by two or more authors, each author may terminate as to that author’s share in ownership of renewal copyright



# Termination of Transfers and Licenses

- 17 U.S.C. §§ 203(b) and 304(c): A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination
  - However, this privilege does not extend to the preparation of other derivative works post-termination
- “Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant”
- Written notice 2-10 years prior to effective date of termination
  - Copy of notice recorded in Copyright Office
  - Must comply in form, content, and manner of service with Copyright Office regulations
- Applicable under U.S. law
- Applies to transfers and licenses by individual creators

# Termination of Transfers and Licenses

- *Siegel v. Warner Bros. Entertainment Inc.* (C.D. Cal. 2008 and 2009)
  - Jerome Siegel and Joseph Shuster created the Superman character and assigned all rights to DC Comics in 1938
  - In 1997, Siegel's widow and daughter served notices of termination under § 304(c), with effective date in April 1999
  - Backdating 61 years (the statutory reach of the termination notices), defendants would retain copyright in all Superman material secured before April 16, 1938, while copyright in material secured thereafter would be subject to termination
  - First issue of *Action Comics* to feature Superman appeared in June 1938, but promotional materials depicting a super-strong man in a black-and-white leotard appeared before April 16, 1938
  - Court held that defendant "may continue to exploit the image of a person with extraordinary strength who wears a black and white leotard and cape," but that plaintiffs had successfully terminated defendant's copyright in the rest of the elements of the Superman character that appeared in *Action Comics*, Vol. 1, including the entire storyline, Superman's distinctive blue leotard with red cape and boots, and his superhuman ability to run faster than a locomotive, leap tall buildings, and repel bullets, none of which is apparent from the promotional material
- *DC Comics v. Pacific Pictures Corp.* (C.D. Cal. 2012)
- *Larson v. Warner Bros. Entertainment, Inc.* (9<sup>th</sup> Cir. 2016)



# Termination of Transfers and Licenses

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- *Scorpio Music S.A. v. Willis* (S.D. Cal. 2012)
  - Where joint author signs separate grant, he can terminate that grant without other co-authors



# Termination of Transfers and Licenses

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- “Gap” in termination provisions
  - Grants entered into before 1978 where work created after 1977
  - U.S. Copyright Office Final Rule (2011)
    - “[T]here are legitimate grounds to assert that, with respect to a grant signed (or, in the case of an oral license, agreed to) before January 1, 1978 regarding rights in a work not created until January 1, 1978 or later, such a grant cannot be ‘executed’ until the work exists”

# Termination of Transfers and Licenses

- “Gap” in termination provisions
  - U.S. Copyright Office Final Rule (2011)
    - “[T]he Copyright Office does recognize that terminations effected under section 203 are only now ripe, meaning that they are possible for the first time as of January 1, 2013. . . . [S]takeholders are now focused on this issue to an increasing degree, as the actual effective dates for section 203 begin to loom.”



# Termination of Transfers and Licenses

- Hot-button issues
  - Is the work a work made for hire?
  - Who is the “author”?
  - Is the work a joint work?
    - “A work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole”
    - If so, and the grant was executed by two or more authors of the joint work, a majority of the authors who executed it is required to terminate the grant of the transfer or license (or, if any of such authors is dead, the termination interest of such author may be exercised as a unit by the statutory heirs who own, and are entitled to exercise, a total of more than one-half of that author’s interest)



# Termination of Transfers and Licenses

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- Hot-button issues
  - When is a grant of a transfer or license considered to have been “executed”?
  - “Termination of the grant may be effected notwithstanding any agreement to the contrary”
    - Validity and enforceability of rights of first negotiation, first refusal, last refusal

# License vs. Sale in Digital Media

- *F.B.T. Productions, LLC v. Aftermath Recordings* (9<sup>th</sup> Cir. 2010)
  - Whether royalties for permanent digital downloads of Eminem recordings were payable at 12-20% rate for sales or 50%-of-net-receipts rate for licenses
  - Court held that rate applicable to licenses was payable
  - “[A] license is an authorization by the copyright owner to enable another party to engage in behavior that would otherwise be the exclusive right of the copyright owner, but without transferring title in those rights. The permission can be granted for the copyright itself, for the physical media containing the copyrighted work, or for both the copyright and the physical media.”



# Licensing for Social Media and User-Generated Content

- Social Media: How to Minimize Risk and Maximize Protection
- Copyright Issues and the Impact of the Digital Millennium Copyright Act (DMCA)
- The Impact of the Communications Decency Act (CDA)
- Considerations in Preparing Terms of Use/Terms of Service for Social Media Sites
- Best Practices in Risk Management





# Social Media and User-Generated Content

- Social media and user-generated content sites dominate the top 10 fastest-growing Web brands
- User-generated videos are predicted to constitute more than half of all online video content in the U.S. (*Screen Digest*)
- Not necessarily just a youth phenomenon
  - Nielsen/NetRatings data show that as much as 60% of the YouTube audience may be 35 and older
- Characteristics of social media include:
  - Collaborative content/wikis
  - Interactive/two-way communication
  - Derivative works/mashups
  - Ownership/licensing issues

# DMCA Safe Harbor

- Digital Millennium Copyright Act (1998)
- DMCA Section 512(c) provides a limited safe harbor (limitation of liability) against copyright infringement liability for service providers





# DMCA Safe Harbor

- Section 512(k)(1) defines service provider as:
  - “(A) an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user’s choosing, without modification to the content of the material as sent or received.
  - “(B) . . . a provider of online services or network access, or the operator of facilities therefor . . . .”

# DMCA Safe Harbor

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- Section 512(c)(1):
- “A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material . . . if the service provider -



# DMCA Safe Harbor

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- (A)(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
- (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
- (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

# DMCA Safe Harbor

- (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
- (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.



# DMCA Safe Harbor

- No actual knowledge/awareness of infringing activity
  - “Red flag” test: if the service provider becomes aware of a “red flag” from which infringing activity is apparent, it will lose the limitation of liability if it takes no action
  - Infringing nature must not be obvious from a cursory review of the service provider's site
- Upon obtaining awareness or notification of claimed infringement, acts expeditiously to remove/disable access to infringing material
  - A service provider need not monitor its service or affirmatively seek facts indicating infringing activity (H.R. Rep. 105-551 (Pt. 2))

# DMCA Safe Harbor

- *UMG Recordings, Inc. v. Shelter Capital Partners LLC* (9<sup>th</sup> Cir. 2011)
  - To be eligible for the safe harbor provisions of the DMCA, a service provider must take action when presented with a “red flag” suggesting the occurrence of infringement
  - Court found that Veoh offered evidence to show that it acted quickly to take down material upon receiving notice of infringement, and rejected argument that hosting content itself constituted a “red flag” that would force Veoh to investigate all content hosted even without notice of infringement from a copyright owner



# DMCA Safe Harbor

- *UMG Recordings, Inc. v. Shelter Capital Partners LLC* (9<sup>th</sup> Cir. 2011)
  - “[W]e hold that the ‘right and ability to control’ under § 512(c) requires control over specific infringing activity the provider knows about.”
  - While “a service provider cannot willfully bury its head in the sand to avoid obtaining such specific knowledge . . . the evidence demonstrates that Veoh promptly removed infringing material when it became aware of specific instances of infringement. Although . . . at times there was infringing material available on Veoh’s services, the DMCA recognizes that service providers who are not able to locate and remove infringing materials they do not specifically know of should not suffer the loss of safe harbor protection.”

# DMCA Safe Harbor

- *Viacom International Inc. v. YouTube, Inc.* (2d Cir. 2012)
  - District Court granted YouTube's motion for summary judgment and held that it is protected by safe harbor provisions of DMCA
  - District Court held that online service provider has a duty to take down infringing content when it has "knowledge of specific and identifiable infringements of particular individual items. . . . Mere knowledge of prevalence of such activity, in general" is not enough
  - 9<sup>th</sup> Circuit agreed that "actual knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement will disqualify a service provider from the safe harbor"



# DMCA Safe Harbor

- *Viacom International Inc. v. YouTube, Inc.* (2d Cir. 2012)
  - However, 2<sup>nd</sup> Circuit vacated grant of summary judgment because a reasonable jury could conclude that YouTube had knowledge or awareness with respect to at least some video clips, and remanded for such determination
  - Also remanded for consideration of whether the “willful blindness” doctrine could be applied to demonstrate knowledge or awareness of specific instances of infringement
  - Further, 2<sup>nd</sup> Circuit held that District Court erred by requiring “item-specific knowledge” of infringement in its interpretation of the “right and ability to control” infringing conduct, and remanded for further fact-finding on the issues of control and financial benefit
    - Rejected *Shelter Partners*’ holding that a service provider cannot control infringing activity until it becomes aware of specific unauthorized material

# Digital Millennium Copyright Act

- *UMG Recordings, Inc. v. Shelter Capital Partners LLC* (9<sup>th</sup> Cir. 2013)
  - 9<sup>th</sup> Circuit withdrew its Dec. 2011 opinion, granted appellant's petition for panel rehearing, and filed a superseding opinion
  - Court noted that, until filing lawsuit, UMG had not identified to Veoh any specific infringing video available on Veoh's system
  - Court held that merely hosting material that is capable of copyright protection, with general knowledge that one's services could be used to share unauthorized copies of copyrighted material, is not sufficient to impute knowledge to service providers



# Digital Millennium Copyright Act

- *UMG Recordings, Inc. v. Shelter Capital Partners LLC* (9<sup>th</sup> Cir. 2013)
  - 9<sup>th</sup> Circuit agreed with the 2<sup>nd</sup> Circuit's decision in *Viacom* and held that, in order to have the "right and ability to control," a service provider must "exert substantial influence on the activities of others"
  - Court concluded that even under the standard used by the 2<sup>nd</sup> Circuit in *Viacom*, Veoh's interactions with and conduct toward its users did not rise to such a level, and thereby affirmed that Veoh was entitled to the safe harbor

# DMCA Safe Harbor

- *Viacom International Inc. v. YouTube, Inc.* (S.D.N.Y. 2013)
  - On remand, district court granted YouTube's motion for summary judgment
- *Lenz v. Universal Music Corp.* (9<sup>th</sup> Cir. 2016)
  - 9<sup>th</sup> Circuit held that under DMCA, a copyright owner must consider whether use of potentially infringing material is a fair use before issuing takedown notice
  - Court interpreted DMCA provision that a takedown notice must include a "statement that the complaining party has a good faith belief that the use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law" to require that "a copyright holder must consider the existence of fair use before sending a takedown notification"



# DMCA Safe Harbor

- To be eligible for safe harbor, service provider must also:
  - Adopt, reasonably implement and inform users of a policy that provides for termination in appropriate circumstances of repeat infringers
  - Accommodate, and not interfere with, standard technical measures used by copyright owners to protect their works (Section 512(i))
  - Designate an agent to receive notifications of claimed copyright infringement (Section 512(c))

# CDA Immunity

- Communications Decency Act of 1996 (CDA)
  - Section 230 of the Telecommunications Act, 47 U.S.C. § 230
    - “No provider or user of an interactive computer service”
    - (1) “shall be treated as the publisher or speaker of any information provided by another information content provider”; or
    - (2) “shall be held liable on account of—(A) any action voluntarily taken in good faith to restrict access to or availability of material that the provider or user considers to be obscene, lewd, lascivious, filthy, excessively violent, harassing, or otherwise objectionable . . .; or (B) any action taken to enable or make available to information content providers or others the technical means to restrict access to material described in paragraph (1).”





# *CDA Immunity*

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- Congress passed CDA so that an online service provider would no longer be liable for monitoring third-party content
- CDA provides federal immunity from state-law causes of action that would hold interactive computer service providers liable for information or material originating with a third-party user of the service, with certain exceptions
- Exceptions: CDA has no effect on:
  - Intellectual property law
  - Criminal law
  - Communications privacy law

# *CDA Immunity*

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- CDA has been applied to bar various state tort claims
  - Defamation
  - Invasion of privacy
  - Negligence
  - Tortious interference with business relations
  - Intentional infliction of emotional distress



# CDA Immunity

- Courts are split, however, as to whether the CDA bars a claim for violation of the right of publicity
  - Ninth Circuit has held that the exception for “intellectual property” applies only to federal intellectual property, and accordingly that state right-of-publicity claims are barred (*Perfect 10, Inc. v. CCBill LLC*, 2007)
  - D.N.H. has held that right-of-publicity claims are not precluded (*Doe v. Friendfinder Network, Inc.*, 2008)

# *CDA Immunity*

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- CDA only provides protection for content that originates with a third party
- A service provider is potentially liable for content it creates or that it is deemed to have created or co-authored



# CDA Immunity

- *Fair Housing Council of San Fernando Valley v. Roommates.com, LLC* (9<sup>th</sup> Cir. 2008) (en banc)
  - CDA did not immunize website from liability for discrimination claims brought under Fair Housing Act, where website operator created and developed questionnaire forms and answer choices for its online roommate matching service
  - Roommates.com held to be the content provider of the questionnaires (in the form of drop-down menus to solicit information about users looking for a room to rent)
  - Roommates.com not liable for comments posted by users in “Additional Comments” section

# CDA Immunity

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- Note that one effect of the CDA is that a company's online activities may be subject to a different set of rules (and potentially broader protection/immunity) than the same activities offline
- By the same token, a company's remedies against an online service provider that publishes defamatory statements about it may be limited



# Risk Management – Best Practices

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- Seek to Protect Against Claims by
  - Users of Service
  - Targets of Offensive or Defamatory Material
  - Copyright and Trademark Owners
- Comply with Requirements for DMCA Safe Harbor
- Terms of Use/Terms of Service/End-User License Agreements (EULAs) on Company Site
- Contract with Service Provider
- Moderation/Monitoring
- Insurance

# Digital Media Licenses: Terms of Use/End-User License Agreements

- Rights in Content
- Scope of License
- Representations and Warranties
- Use of Site
- Monitoring of Content
  - Rights to Remove or Edit
  - Communications Decency Act
- Indemnification
- Compliance with COPPA (Children's Online Privacy Protection Act)
  - Will not knowingly collect personal information from child under the age of 13 without parent's consent
- User-Generated Content



# Terms of Use

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- Proprietary rights in content posted by users
  - User grants to site a worldwide, nonexclusive, sublicensable and transferable, royalty-free license to use, modify, publicly display, publicly perform, reproduce, distribute, adapt and translate content through the site's services

# Terms of Use

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- Representations and Warranties by Users
  - User owns the content posted or otherwise has the right to grant the license to the site
  - The posting of content and the site's use of it will not violate the intellectual property or other personal or proprietary rights of any third party
  - The content posted does not contain any virus, Trojan horse, etc.



# Terms of Use

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- Use of Site

- Except for their own posted content, users may not copy, modify, translate, adapt, publish, broadcast, transmit, distribute, perform, display, or sell any content appearing on or through the site
  - Exception for wiki or open-source sites
- Users are not to promote the illegal or unauthorized copying or distribution of another's copyrighted work

# Terms of Use

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- Monitoring of Content

- The site assumes no responsibility for monitoring content posted
- However, the site retains the right to review, monitor, screen, refuse, edit, adapt, and/or delete any content that is made available



# Terms of Use

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- Indemnity
  - User agrees to indemnify and hold the site harmless from any loss, liability, claim, action, or demand by any third party due to or arising out of the user's use of the site in violation of the terms of use, or the site's use of content or material supplied by the user

# Contract with Service Provider

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- Terms of Use and Privacy Policy consistent
- Compliance with laws including COPPA (Children's Online Privacy Protection Act)
- Services, functionality and specifications
- Ownership, control and use of content and data
- Authorized use and disclosure (confidentiality)
- Advertising
- Syndication/distribution
- DMCA compliance
- Representations, warranties and indemnities
- Disclaimers/limitations of liability



# Moderation and Insurance

- Moderation/Monitoring
  - Potential copyright or trademark infringement
  - Disclosure of trade secrets
  - Potential violations of rights of privacy and publicity
  - Offensive content or postings
    - If delete or edit, don't replace with something that could lead to liability
  - Use of personal information about children or images of children
  - Promissory estoppel
  - Software tools to monitor content
- Insurance coverage
  - Errors and omissions (E&O)
  - Cyber liability

# Contract Issues and Negotiating Points -- Content and Entertainment License Agreements

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# Contract Issues and Negotiating Points

- Parties
- Media Covered by the Grant
  - Par. 4(a) of Underlying Rights Option Agreement (Attachment 2): “Any and all motion picture, television, radio and allied rights of every kind, nature and description (whether or not such rights are now recognized or contemplated) . . . .”
  - Par. 4(c): “The right to exploit all ancillary rights in the Productions . . . including merchandising and commercial tie-in rights . . . .”

# Contract Issues and Negotiating Points

- **Formats/Platforms/Devices Covered by the Grant**
  - Par. 2.1 of Subscription Video on Demand (SVOD) License Agreement (Attachment 3): “Distributor hereby grants to Licensee with respect to each Title a limited, non-assignable, nonexclusive license to distribute such Title by the Permitted Means to Authorized Users within the Territory during its Title License Period on an SVOD basis via the Licensee Service for receipt and viewing on Approved Devices”
  - Broadcast, cable, satellite
  - IPTV, VOD, electronic sell-through, Internet streaming/”over-the-top”, mobile/wireless, “TV Everywhere”
- **Specific Rights Granted**
  - Par. 2.1(a) of Content License Agreement (Attachment 1): “To use, reproduce, copy, distribute, transmit, advertise, market, publicly display and publicly perform the Licensor Content in the Licensee Online Services as set forth in this Agreement.”
  - Par. 2.1(b): Authorization for end users to download content for personal use
- **Services to Be Provided**



# Contract Issues and Negotiating Points

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- Term of License
  - Fixed
  - Options/Milestones
    - Underlying Rights Option Agreement Pars. 1 and 2: one-year option and one-year extension
  - Initial Term with Renewals/Extensions
  - Conditions Precedent or Subsequent
  - Reversion
  - Windows

# Contract Issues and Negotiating Points

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- Post-Term Rights
  - First Negotiation
  - First Refusal
  - Last Refusal
- Exclusivity
  - Media
  - Platforms/Channels of Distribution
  - Territory



# Contract Issues and Negotiating Points

- Exclusivity
  - Par. 6 of Content License form: “Licensor shall not provide any Licensor Content to any third-party provider of online services whose primary focus is providing entertainment, news and information about \_\_\_\_\_. Nothing herein shall prohibit Licensor from providing Licensor Content on Licensor’s website.”
- Territory/Languages
  - Geofiltering
    - Par. 8.1 of Subscription Video on Demand (SVOD) form: “Licensee represents and warrants that . . . it shall employ geofiltering technology”
- Security
  - Digital Rights Management (DRM)
  - Encryption
  - Authentication
  - Filtering/Content ID

# Contract Issues and Negotiating Points

- Security

- Par. 2.3 of Subscription Video on Demand (SVOD) form:  
“Licensee represents and warrants that . . . it will maintain on such Licensee Service throughout the Term, industry-standard encoding, encryption, DRM, digital and physical security systems and technologies (“Security Measures”) to prevent theft, pirating and unauthorized exhibition (including, without limitation, exhibition to unauthorized recipients and/or exhibition outside the Territory), and unauthorized copying of a Title or any part thereof and that such Security Measures shall be no less stringent or robust than the Security Measures that Licensee employs on such Licensee Service with respect to comparable programs distributed in comparable media that are licensed from any other distributor or provider of programming. “



# Contract Issues and Negotiating Points

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- Compensation/Consideration
  - Up-Front Payments
    - Fees
    - Advances
    - Option Payments
    - Purchase Price
    - Budget Contribution

# Contract Issues and Negotiating Points

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- Compensation/Consideration
  - Backend Payments
    - Guarantees
    - Royalties
    - Gross or Adjusted Gross Participation
    - Net Revenue or Net Profit Participation
  - Advertising Avails/Units
- Collection, Ownership and Use of User Data
- Ownership and Use of User-Generated Content
- Most Favored Nations (MFN)



# Contract Issues and Negotiating Points

- Underlying Rights Option Agreement:
  - Pars. 1 and 2: Option Payment(s)
  - Par. 7(a): Purchase Price
  - Par. 7(b): Television Series Payments
  - Par. 7(c): Additional Payment for Theatrical Motion Picture
  - Par. 7(d): Additional Payment for Theatrical Sequel (1/2) or Remake (1/3)

# Contract Issues and Negotiating Points

- Underlying Rights Option Agreement:
  - Par. 7(e) (Producer's standard form): Net Profit Participation: "An amount equal to \_\_\_\_ percent (\_% ) of Producer's share of Net Profits, if any . . . . 'Net Profits', as used herein, shall be defined, computed, paid and accounted for in accordance with Producer's or Producer's financier's customary definition of net profits (including provisions for distribution fees customary in the U.S. entertainment business, recoupment of distribution expenses and production costs, overhead and interest), and the 'Producer's share' of Net Profits shall be the amount remaining to Producer after deducting all profit participations and other contingent compensation payable to third parties."



# Contract Issues and Negotiating Points

- Underlying Rights Option Agreement:
  - Par. 7(e) (negotiated – more favorable to licensor/assignor): “An amount equal to \_\_\_ percent (\_%) of one hundred percent (100%) of the Net Profits, if any . . . . ‘Net Profits’, as used herein, shall be defined, computed, paid and accounted for in the same manner as “Net Profits” is defined in Producer’s agreement with Producer’s financier or distributor.”

# Contract Issues and Negotiating Points

- Representations, Warranties and Indemnities
  - Underlying Rights Option Agreement
    - Par. 9: (a) Owner is sole author; (b) sole owner; (d) no prior production based on Property; (e) original; (f) “nothing contained in the Property shall infringe upon or in any way violate the copyright, right of privacy, right of publicity, right against defamation, trademark or trade name rights, or any other personal or proprietary right of any Person”; (g) no conflicting grants; (h) “neither the exercise of the Option nor the exploitation of any of the rights granted to Producer herein will infringe upon or violate the rights of any Person whatsoever”; (i) Property is not in public domain; (j) fictional; (k) registered for copyright; also, survive expiration.



# Contract Issues and Negotiating Points

- Representations, Warranties and Indemnities
  - Underlying Rights Option Agreement
    - Par. 10 (Indemnity): “Owner will indemnify and hold harmless
    - (Whom?) “Producer and Producer’s licensees, representatives, successors and assigns, and the employees, officers, directors, agents, representatives, attorneys and shareholders of each of them
    - (From What?) “from and against any and all claims, actions, damages, losses, liabilities, costs and expenses (including reasonable attorneys’ fees)
    - (Relating to What?) “arising from or in connection with any claim of breach of any warranty, representation, covenant, undertaking or agreement made by Owner in this Agreement.”

# Contract Issues and Negotiating Points

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- Representations, Warranties and Indemnities
  - Underlying Rights Option Agreement
    - Par. 10 (Indemnity) – What's missing?



# Contract Issues and Negotiating Points

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- Representations, Warranties and Indemnities
  - Underlying Rights Option Agreement
    - Par. 10 (Indemnity) – What’s missing?
      - Limitation-of-Liability Clause

# Contract Issues and Negotiating Points

- Scope of Rights Originally Granted to Licensor
  - Entertainment Law Precedents
    - *Bartsch v. Metro-Goldwyn-Mayer, Inc.* (2<sup>nd</sup> Cir. 1968)
      - Grant of Motion Picture Rights in Musical Play (1930)
      - Include Right to Exhibit Motion Picture on Television?
    - *Cohen v. Paramount Pictures Corp.* (9<sup>th</sup> Cir. 1988)
      - Grant of Motion Picture and Television Rights in Song (1969)
      - Include Home Video Rights?



# Contract Issues and Negotiating Points

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- Approval Rights
  - Business
  - Creative
  - Technology

# Contract Issues and Negotiating Points

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- Changes in Licensed Material
  - Editing/Alteration
  - Moral Rights (“Droit Moral”)
  - Par. 4(d) of Underlying Rights Option Agreement: “The right to make any and all changes in and adaptations of the Property and/or any elements thereof . . . .”



# Contract Issues and Negotiating Points

- Derivative Works
  - Works Based on Preexisting Works
    - Translation, Musical Arrangement, Screenplay Based on Novel, Sound Recording
    - Sequels/Remakes
  - Ownership
- Rights in Technology
- Ancillary and Subsidiary Rights
  - Merchandising, Motion Picture (for Literary Work), Literary Publishing and Soundtrack (for Motion Picture)

# Contract Issues and Negotiating Points

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- Reserved Rights
  - Par. 5 of Underlying Rights Option Agreement:
    - Print Publication (Other than Novelization)
    - Live Stage
      - Subject to Holdback



# Contract Issues and Negotiating Points

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- Credit/Billing
  - Par. 2.2 of Content License form: “As a condition of the licenses granted, . . . Licensee shall require that all such use . . . of Licensor Content include the Licensor logo and a Licensor copyright notice, and, if applicable, links back to Licensor’s website . . . .”

# Contract Issues and Negotiating Points

- Credit/Billing
  - Par. 8 of Underlying Rights Option Agreement: “Owner shall be accorded credit on all positive prints of any television series or other Production(s) . . . in substantially the following form: ‘Based on the book “The Book” by John Q. Owner.’ All aspects of the aforesaid credit, including, without limitation, the size, style and placement thereof, shall be determined by Producer in its sole discretion. No casual or inadvertent failure . . . to comply with the provisions of this paragraph shall constitute a breach of this Agreement.”



# Contract Issues and Negotiating Points

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- Co-Branding/Joint Activities
  - Co-Branding
  - Co-Marketing
  - Promotion
  - Joint projects

# Contract Issues and Negotiating Points

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- Relationship to Other Agreements
  - Hosting Agreement
  - Employment Agreement
  - Marketing Agreement
  - Cross-Termination
  - Cross-Collateralization
- “Key Person” Provision



# Contract Issues and Negotiating Points

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- Name and Likeness Rights
  - Right of Publicity
- Accountings and Audit Rights
- Remedies
  - Waiver of Injunctive Relief
- Responsibility for Music and Other Content Clearances
- Union and Guild Payments and Residuals
- Use of Trademarks

# Contract Issues and Negotiating Points

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- Enforcement of Intellectual Property Rights
- Assignability and Change of Control
- Buyout/Exit Provisions
- Ability to Sublicense or Syndicate
- Termination
- Governing Law
- Dispute Resolution
- Confidentiality



# Music Licensing in Digital Media

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- Musical Works vs. Sound Recordings
- Public Performance License (Musical Works)
- Public Performance License (Sound Recordings)
- Mechanical License (Musical Works)
- Synchronization License
- Master Use License
- Compulsory (Statutory) Licenses (Copyright Royalty Board)

# Music Licensing

- Public Performance License (Musical Works)
  - Performing Rights Societies (ASCAP, BMI, SESAC)
  - Blanket vs. Source License
  - Blanket vs. Per-Program License
  - *In Re Petition of Pandora Media, Inc.* (S.D.N.Y. 2014)
  - *Pandora Media, Inc. v. ASCAP* (2<sup>nd</sup> Cir. 2015)
- Public Performance License (Sound Recordings)
  - Digital Performance Right in Sound Recordings Act (1995)
  - Digital Millennium Copyright Act (1998)
  - Digital Audio Transmissions



# Music Licensing

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- Statutory (Compulsory) License for Webcasting (Section 114)
  - Rates and Terms Set by Agreement or by Copyright Royalty Board
  - Copyright Royalty Board Decision (*Digital Performance Right in Sound Recordings and Ephemeral Recordings*), 2014
    - 0.19 cent per song per listener in 2011 increasing to 0.23 cent in 2014-2015

# Music Licensing

- Compulsory Mechanical License (to Make and Distribute Phonorecords) (Section 115)
  - Copyright Royalty Board (2009)
    - Physical Phonorecords and Permanent Digital Downloads
      - 9.1 Cents for Song of Up to 5 Minutes in Length
      - 1.75 Cents Per Minute of Playing Time for Longer Song
    - Late Payment Fee: 1.5% per Month
    - Interactive (On-Demand) Streams and Limited Downloads
      - 10.5% of Revenue, Less Any Amounts Owed for Performance Royalties
    - Permits Certain Royalty-Free Promotional Streaming and Limited Downloads
  - Copyright Royalty Board (2016)



# Music Licensing

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- Download vs. Public Performance
  - *United States v. ASCAP* (2<sup>nd</sup> Cir. 2010)
- Synchronization License
- Derivative Work License
- Public Display License
- Master Use License

# Name and Likeness Rights

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- Rights of Privacy and Publicity
  - Applicable Statutes
    - N.Y. Civ. Rights Law §§ 50 and 51; Cal. Civ. Code §§ 990 and 3344
  - Descendibility



# Fair Use

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- Purpose and Character of the Use
- Nature of the Copyrighted Work
- Amount and Substantiality of Portion Used
- Effect on Potential Market for Underlying Work

# Fair Use

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- *Sony Corp. v. Universal City Studios, Inc.* (1984)
  - Despite certain infringing uses of video tape recorders by consumers, sellers of VTR's not liable for contributory infringement because VTR's were "capable of substantial" or "commercially significant" non-infringing uses
    - Time-Shifting



# Fair Use

- *Campbell v. Acuff-Rose Music, Inc.* (1994)
  - Roy Orbison “Oh Pretty Woman”
  - 2 Live Crew “Pretty Woman”
  - Fair Use Defense
    - Parody
    - Transformative Use
      - In evaluating a defense of fair use, courts should ask whether an allegedly infringing work “adds something new, with a further purpose or different character . . . . [T]he more transformative the new work, the less will be the significance of other factors, like commercialism that may weigh against a finding of fair use.”

# Fair Use

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- *Cariou v. Prince* (2d Cir. 2013)
  - Defendant is “appropriation artist” who purchased prints of photographs and painted over them to create new works of art



# Fair Use

- *Cariou v. Prince* (2d Cir. 2013)
  - District Court: Artist's use of photographs was not fair use
    - Commercial use
    - Only minimally transformative; new work did not comment on or criticize existing works
    - Demonstrated harm to market for preexisting works
  - Circuit Court: Artist's use of 25 of 30 photographs was fair use
    - Defendant's use of photographs was transformative
    - Fair use defense does not require the allegedly infringing work to "comment on" the original work in order for it to be transformative, as long as the new work adds expression, meaning or message to the original work

# Fair Use

- *Authors Guild, Inc. v. Google Inc.* (2nd Cir. 2015)
  - Google launched book search project to scan the collections of several large libraries
  - Various plaintiffs including Authors Guild filed class-action lawsuits challenging Google's plan
  - District Court certified class of authors residing in the United States and holding copyright interests
  - Circuit court vacated the certification of the class without prejudice and remanded the matter for proceedings on the fair use question



# Fair Use



- *Authors Guild, Inc. v. Google Inc.* (S.D.N.Y. 2013)
  - On remand, District Court held that Google engaged in fair use in digitally reproducing millions of copyrighted books, making them available to the libraries, and displaying “snippets” to the public
  - As to the first fair-use factor, court held that “Google’s use of the copyrighted works is highly transformative. Google Books digitizes books and transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others find books.”
  - As to the third factor, court concluded that even though Google scans the entire text of the books, “as one of the keys to Google Books is its offering of full-text search of books, full-work reproduction is critical to the functioning of Google Books. Significantly, Google limits the amount of text it displays in response to a search.”
  - On the fourth factor, the court concluded that “a reasonable factfinder could only find that Google Books enhances the sales of books to the benefit of copyright holders.”



- *Authors Guild, Inc. v. Google Inc.* (2d Cir. 2015)
  - On appeal, Second Circuit upheld determination of fair use
  - Court held that the “fragmentary and scattered nature of the snippets revealed . . . results in a revelation that is not ‘substantial’ even if it includes an aggregate 16% of the text of the book.”
  - Court further held that “the possibility, or even the probability or certainty, of some loss of sales does not suffice to make the copy an effectively competing substitute that would tilt the weighty fourth factor in favor of the rights holder in the original. There must be a meaningful or significant effect ‘upon the potential market for or value of the copyrighted work.’”
  - Court concluded that “[i]n these circumstances, Google’s creation for each library of a digital copy of that library’s already owned book in order to permit that library to make fair use through provision of digital searches is not an infringement.”



# Public Domain



- *Klinger v. Conan Doyle Estate, Ltd.* (7th Cir. 2014) (Attachment 9)
  - Editor of anthology of Sherlock Holmes-inspired stories sought declaratory judgment that he was free to use characters first introduced in Arthur Conan Doyle’s works that are in the public domain
  - Conan Doyle Estate argued that “complex” characters remain under copyright until the later published stories fall into the public domain
  - Seventh Circuit disagreed, affirming lower court’s conclusion that copyright in a character cannot be extended in perpetuity
  - Court held that later versions of characters are derivative works of the original, and thus only the additional creative features revealed in later stories are protected by the unexpired copyrights in the later stories

# Online Copyright Infringement Actions

- *Cartoon Network LP, LLLP v. CSC Holdings, Inc.* (2nd Cir. 2008)
  - Defendant Cablevision launched “new Remote-Storage DVR System” permitting customers to record programs on central servers at cable operator’s facilities and play them back for viewing at home
  - District Court granted plaintiff copyright owners’ motion for summary judgment, holding that defendant made unauthorized copies and public performances of plaintiffs’ works
  - Second Circuit reversed, holding that data residing in buffer for no more than 1.2 seconds did not create copies, and that since transmissions were to only one subscriber at a time the public performance right was not violated
  - Plaintiffs only alleged direct infringement, not contributory or vicarious infringement
  - Defendants did not assert fair use





# Online Copyright Infringement Actions

- *WNET, Thirteen v. Aereo, Inc.* (2d Cir. 2013)
  - Aereo transmits to its subscribers broadcast television programs over the Internet for monthly fee
  - Aereo uses thousands of dime-sized antennas
  - A subscriber can “Watch” or “Record” a program and can pause or rewind it while watching
  - Court (Judges Droney and Gleeson) held that as in *Cablevision*, the performances were private as opposed to public
  - Court noted that “Aereo’s system creates a unique copy of that program on a portion of a hard drive assigned only to that Aereo user. . . . Thus, just as in *Cablevision*, the potential audience of each Aereo transmission is the single user who requested that a program be recorded.”

# Online Copyright Infringement Actions

- *WNET, Thirteen v. Aereo, Inc.* (2d Cir. 2013)
  - Court emphasized that each copy of a program “is generated from a unique antenna assigned only to the user who requested that the copy be made.”
  - Court concluded that “Aereo’s transmissions of unique copies of broadcast television programs created at its users’ requests . . . are not ‘public performances’ of the Plaintiffs’ copyrighted works under *Cablevision*.”
  - Judge Chin, dissenting, concluded that Aereo’s system is “a sham”, and that the use of thousands of small antennas “is a Rube Goldberg-like contrivance, over-engineered in an attempt to avoid the reach of the Copyright Act.”
  - He also noted that *Cablevision* “involved a cable company that paid statutory licensing and retransmission consent fees for the content it retransmitted, while Aereo pays no such fees.”



# Online Copyright Infringement Actions

- *WNET, Thirteen v. Aereo, Inc.* (2d Cir. 2013)
  - Judge Chin also noted that “it is telling that Aereo declines to offer its subscribers channels broadcast from New Jersey . . . for fear of being subject to suit outside the Second Circuit, *i.e.*, outside the reach of *Cablevision*.”
  - He concluded that Aereo’s transmissions are unlicensed public performances which should be enjoined.
  - Rehearing *en banc* denied (2013)

# Online Copyright Infringement Actions

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# Online Copyright Infringement Actions

- *American Broadcasting Companies, Inc. v. Aereo*, (U.S. 2014)
  - Court held that Aereo engaged in unlicensed public performances that infringed broadcasters' exclusive right to transmit performances of their programs to the public



# Online Copyright Infringement Actions

- *American Broadcasting Companies, Inc. v. Aereo*, (U.S. 2014)
  - Court (Breyer, J.) characterized Aereo as “a system that is for all practical purposes a traditional cable system”
  - Court concluded that Aereo “is not simply an equipment provider”, and that “when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it “transmit[s] . . . a performance ‘ to them, irrespective of the number of discrete communications it makes and irrespective of whether it transmits using a single copy of the work or, as Aereo does, using an individual personal copy for each viewer.”
  - Court disagreed with dissent’s (Scalia, J.) characterization of Aereo as analogous to “a copy shop that provides its patrons with a library c





# Previous “New” Media

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- Radio
- Movies
- Television
- VCR's
  - *Sony Corporation v. Universal City Studios, Inc.*
- P2P File-Sharing
  - *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*