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CHAIN OF TITLE BASICS: OWNING YOUR MOVIE AND AVOIDING PROBLEMS

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Chain of Title Basics: Owning Your Movie and Avoiding Problems

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Purpose of Copyright:

Rather than walk through every clause in every rights acquisition agreement, we should take a look at international requirements for the ownership of a copyrighted work. These are industry standards ultimately based on treaties, dispute resolution mechanisms and WIPO treaties. Ultimately this is about being able to generate revenue from your work without being sued or accused of stealing someone else’s creative work. Each country may have variations in their copyright regimes including the length of time a work is protected (before it enters the “public domain”) and ways to resolve disputes. The US is a very litigious place and people will often sue or threaten to sue, whereas in Japan, lawsuits are rarer. In France it is impossible for an artist to cede 100% of their copyright to someone (there is an ongoing obligation to the artist not just to pay them but also to respect the integrity of the creative work) whereas in many places such protections don’t exist. I am not here to take a position on the validity of long copyright terms (though I am against them) or artists rights (mostly for them, but within a reasonable business framework), but to discuss the international norms that allow people to know what they own or what they are buying.

In Nigeria I see signs saying “This Property Not for Sale” and I understand that there are people who will sell houses they don’t own. There are mechanisms for determining ownership of real property, and there are similar processes for determining ownership of copyright. We’ll quickly look at these documents. As you’ll see, they often contain many similar clauses, then we will look at ways to avoid problems and protect your rights.

Chain-of-Title Basic Documents

The basic documents that potential financiers, overseas partners, distributors, etc. will look for are:

Underlying Material/Script – This usually takes the form of an Option Agreement since at the point in time when this agreement is signed, there is still a strong chance that the film will not be produced. The Option Agreement will state that the owner of the underlying work (the script, book, article, short story, etc.) agrees to grant the right to the producer for a limited period of time to produce a film and that if the film is made (if the option is exercised) then the owner will be paid a certain amount of money for the ongoing rights to their work for use in the picture.

Some of the basic terms you see in this and other rights acquisitions agreements (the US Writers Guild has some good examples at www.wga.org):

- Parties to the agreement (make sure that you are sure the other party has the rights they are claiming to own – check their claim)
- Description of the work being optioned – be very clear and as inclusive as possible (if it is a script, then is the script original or based on other material by the same writer – if so, you should get rights to both)
- Compensation – in an option there is sometimes an initial payment and then a payment when the film starts production and then royalty payments, additional payments for
sequels, TV programs based on the film, merchandising, etc. (and potentially residuals depending on guild contracts)
- Term – When will the option expire (six to eighteen months is common) and how long will the term continue if the picture is made (usually in perpetuity)?
- Rights Granted – If the film is made does the option cover just the right to make that film or does it also include sequels, merchandising, etc.? A producer will try to get all rights and a rights owner will try to keep as many rights as possible.
- Dispute Resolution – Where? Limits to damages? Arbitration?
- Warranties – both sides will warrant that they have the right and capacity to enter into the agreement.

Music Clearances

EVERY bit of music in a film must be licensed both for performance rights (the right to the actual performance of the music by the musicians) and publishing – also called recording and synch rights (ownership of the underlying music itself – obtained from the publisher or directly from the writer). That means that music blaring from a car stereo as it drives through a scene, the music on a TV program playing in the background, a bit of a song that one of the actors sings, etc. Believe it or not, if you sing “Happy Birthday” in a movie, those rights must be licensed. This can be one of the biggest problems faced by producers around the world and one of the first things that buyers look at when considering a film. It can be very expensive to change out music and given the nature of the film industry the chance of being sued for not clearing music is nearly 100%. Buyers will request a “music cue sheet” listing every bit of music, how long it is used, etc. They will also want to see the license agreements for each piece of music. In terms of the rights granted, these agreements get very specific and will state for how long (down to the second) the music can be used, whether it can be used as a theme song, whether it can be included in a soundtrack album, on the trailer, etc. There are legal specialists in this area and this is something where a small mistake can be very costly.

Film Clips

This related to scenes with a TV playing in the background, a scene in a movie theatre, or if you insert a clip shot by someone else (stock footage) in your film. The license is very similar to music licenses and specifies the length of the clip and uses. Make sure that the person licensing the clip to you has all of the underlying rights AND the right to license the clip.

Product/Trademark Clearance

We will get into this topic in more detail, but the agreements are different and often involve compensation to the producers in the form of payments for product placement. In exchange the producers will agree to feature a product in a positive light and must make sure that they adhere to their obligations or they could be sued. Usually the agreements will be very specific about each side’s obligations and buried in the agreement will be permission to use the logos, packaging, etc. of the brand (which are all covered by intellectual property protections).
Name and Likeness

This can be very complex. In theory, anything that happens in the public domain is fair game. However, if you portray someone in a slanderous way (or would that be libelous?) then you could run afoul of the law. If you use someone’s name, phone number, picture, etc. it is always best to get their permission, however, this is a very complex area and laws actually differ between countries so I’ll defer to the experts in the area. You also need to worry about this in your actor agreements. How the actors agree to be portrayed in posters, paid ads, publicity photos, etc. is another area where producers can get into significant trouble.

Character Licenses

These agreements are very similar to licenses for scripts and underlying property. However, they usually only confer very limited usage rights and do not include rights for sequels, merchandising, etc. The problem with these agreements often stems from determining the actual ownership of the characters and whether or not the purported owners actually have the right to grant you the right to use the characters in alternative media (a film for instance). Some characters were just licensed for comic books, cartoon, video games, etc. and the publishers of those don’t really have the right to make a movie from the character. Also, over the years certain characters may have changed and each change may have produced a new copyright claim. Most people avoid using characters they did not create in their work.

The other agreements you will need for the picture are obviously the talent agreements. The complexity of these makes it impossible for me to cover them in this paper, but there are excellent examples available on the web sites for the US Guilds. I am not necessarily recommending that you use the terms in them, but they do address all of the necessary elements – what is expected of the talent, how much they are paid. Almost inevitably you are acquiring all rights to do anything you want with their performance or work. The obligation to respect a director’s work is often included but a true “final cut” provision is rare. It is important to be extremely specific with the agreements and base the agreement on a final script and schedule. If any changes need to be made in those elements it can be extremely difficult and may result in full compensation being paid to the talent with no work performed (pay or play provisions).

Actor Agreements – www.sag.com
Director Agreements – www.dga.org
Writer Agreements – www.wga.org

Errors & Omissions Insurance

We will discuss E&O insurance again, but it is a type of insurance that covers any problems with rights acquisition. To help keep all those elements straight I have appended a checklist to this paper that is similar to what these insurers will use to make sure you have all the documentation you need. Potential buyers and overseas TV companies will require an E&O policy. These usually cover up to three million in liability and if you have all of your paperwork in order don’t have to be expensive.
Problems and Pitfalls

Now let’s look at some of the things that can go wrong with these situations and ways to avoid those. Again, I want to make the point that I could just as well be giving this talk in front of the graduating master class at the UCLA or USC Film Schools. These are things that filmmakers are often not told. Directors hope that their producer is taking care of these things and financiers expect bond companies or lawyers to address them. Yes, it is the producer’s responsibility, but they have a lot of things they are dealing with and it should be everyone’s responsibility to ask questions. If you see an actor you don’t remember on set, it is not inappropriate to see if they have signed a contract or a release. If there is music playing in a scene ask if it has been properly licensed. If someone is wearing an Adidas t-shirt has the trademarked logo been licensed? Better yet, is there a deal with Adidas to have them pay you to have the lead actor wear the shirt?

Make sure you acquire rights from the owner

This is one of the biggest problems, particularly in the area of scripts and music. You have to make sure that you check the chain of title on any copyrighted material you license. Screenwriters might forget that their screenplay was based on a book or on someone else’s work. If it is a life story then you have to make sure that all of the details in your work are either in the public domain or that the work they are contained in (a biography for example) has been licensed. If someone claims to own the publishing rights to music being performed, make sure they can prove it. As the producer and the potential owner of the film, it is your responsibility to make sure that you are acquiring these rights from the proper owners.

I’ll cite two examples where this became a serious problem for me:

A client had completed a documentary of a hard rock concert tour and been assured by the tour promoter that all of the bands had signed releases for the music being performed and that she was free to shoot anything and include it in the documentary. When the film was finished and about to be acquired for distribution, the distributors asked for the contracts for the publishing rights. Well, the agreements the bands had signed were only for performance (synchronization) rights. In many cases the bands did not own or control the publishing rights to the music performed. The film has still not been released and never will be. Negotiating for those rights after completion of the film was too costly.

On another film, I had been informed that the writer/director was probably not the actual writer of the material. I brought this up to the producers and they didn’t really care until a few weeks before production when the real writer appeared and demanded significant compensation. That time the production was lucky. If the writer had appeared after shooting they could have demanded significantly more.

In both those cases the films had lawyers, producers, and other professionals who should have caught the problems early but didn’t.

Make sure you acquire as many rights as possible and understand which rights you don’t have

When you license a book to make it into a movie that doesn’t mean you have the right to make a sequel, TV show, novelization (yes, people will create “books” of movies that are
actually based on books) or anything else, UNLESS, you acquired those rights in the agreement with the copyright holder. Always try to get as many rights as possible, but make sure you don’t start selling toys or selling t-shirts without confirming you have the right to do so.

Make sure you have not given away any rights that you thought you were keeping

Instead of telling fairy tales to their children, parents in Hollywood tell their kids about what happened in a galaxy far far away when George Lucas made himself one of the richest people in the world by keeping the merchandising and sequel rights to STAR WARS. As you can imagine, the people that did that deal at Fox were not very popular at the studio when the film was a hit and every kid in the world wanted a Luke Skywalker toy and a light saber. Since then creative people have tried to keep as many rights as possible and finance/distribution people have tried to take as many of those away as possible.

Make sure that all documents get signed

The first company I worked for, Troma in New York, had a strict policy – if you got near where they were shooting a film, you had to sign an actors release. Even if there was no chance you would be on screen. They had been sued years before by an actress who had intentionally not signed her release and the day before the premiere demanded a lot of money or she would block the release of the film.

This type of thing happens all the time. There are just a huge number of documents that need to be signed to make a film and inevitably there are documents that should be signed but aren’t. I don’t have a solution for this except being incredibly organized. This is another reason I’m not a producer.

Make sure all guild/government/insurance documents are signed and adhered to

In the US the Screen Actors Guild, the Directors Guild and the Writers Guild can put liens on your film if you don’t pay them their contractual residuals. They can also make a lot of trouble for you if you don’t sign all of their agreements. SAG currently has a rule that if a US union actor works in a film overseas, that actor must still sign a SAG agreement. So make sure you find out exactly what restrictions there are before you start spending money. Certain governments might require that you submit scripts to them for approval, insurance companies might have requirements that need to be met. All of these things could result in giving someone else the right to take your film away from you.

Make sure that you understand your rights and your ability to enforce those rights

I have or will cover this in other areas, but NEVER assume that you have certain rights simply because you are financing the film, directing the film, etc. Contracts grant you rights and certain conventions are there to enforce those rights. You don’t have to understand all of the WIPO treaties, the Berne Convention, etc. but it is crucial that you understand whether or not you own what you think is your property. Just as importantly you need to understand what you can do if someone tries to take your property away.
This happens all the time. Someone will claim ownership of an idea, a story, a character, etc. They might sue you. You might have insurance that can protect you, but you might have to rely on a good lawyer and the documentation you have that proves you are in the right. If you are not in the right, God help you. One of the most common of these issues is when someone claims to have come up with an idea first and then the idea was stolen by someone who may have read the script or otherwise heard the idea. There are famous cases related to this and one of the few times someone won was when Art Buchwald fought for his rights on the Eddy Murphy movie COMING TO AMERICA.

If the idea/script etc. is yours there are ways to register that ownership early on. The copyright is created as soon as you record it “in a fixed medium” – in other words, when you write it down or film it. To prove that you did it first you can record the idea with the Writers Guild of America (on their site – www.wga.org). After that it is clear when the idea originated, but that doesn’t prove that you were the first with the idea.

Trademarked Products:

This is a complicated area, but I recommend that you always play it safe with trademarks – that includes any kind of logo on T-Shirts but not if the logo is simply integral to a product being used (the brand emblem on a car, a Nike swoosh on a tennis shoe, etc.). Of course, if you denigrate a specific product by name you could have trouble (if the driver gets out of a car and says he’ll never buy another Ford then it’s probably not a good idea to have the Ford logo visible). The safest thing to do is to get a release signed by the owner of the trademark. They might want to look at the script or simply receive assurances that their product will not be misused or put down.

I also wanted to say a quick word about a related topic – product placement and sponsorship. This can be a very lucrative side-business – charging companies to use their products in your film. Sometimes they might just pay in goods (everyone on set might be wearing Adidas shoes and eating McDonald’s hamburgers) or they will pay cash. You can see films that have gone overboard – the James Bond films are good examples – Bond will flash his fancy Omega watch while climbing out of his BMW and ordering a Smirnoff martini. When the films are released the distributor benefits from huge commercial tie-ins using footage from the film. These deals have become increasingly complex with stars refusing to lend their images to marketing campaigns for the products unless they receive payment and companies complaining that despite large payment their brands are not featured as prominently as they would like. Directors have been known to rebel by hiding labels in scenes or cutting key product placement scenes entirely.

Sponsorships are similar but are usually a broader type of product placement. Rather than focusing on a product, the sponsor might want to project a type of lifestyle and associate their name with something their potential clients are going to want to see. A bank might want to sponsor a movie that shows the prosperity in Nigeria and the incredible economic activity in order to attract clients from overseas for instance. Having the characters walk into the bank might be too overt and look like a traditional commercial whereas potential bank clients might like to know that the bank is involved with the local creative communities.
Of course, we are getting off-track. The important thing to know is that using trademarked products properly can be a financial boon to a production but using them incorrectly can have dire consequences.

Character Licenses:

In the United States we keep pushing the expiration of copyright and granting the rights of ownership to creators and their families for longer and longer periods. One of the main reasons for this is the legal power of Mickey Mouse. He and his lawyers are deathly afraid of Mickey falling into the public domain (and therefore being free for everyone to use). Characters are copyrighted creations and therefore owned and must be licensed if you want to use them. There may be characters that are made famous in a book or film but are still part of the public domain because they were created long ago and are no longer under copyright. However, the way that character is depicted can still be under copyright or trademark. A famous example of this is The Little Mermaid – Ariel. She was “created” by Hans Christian Anderson well over a hundred years ago – and even at that time was based on popular stories. However, when Disney made their blockbuster film they depicted her in a certain way. You are free to use the character, but cannot depict her in the same way as Disney did without their permission.

These days characters are big business – they can be spokespeople for products, they can star in TV series, they can be used in multiple formats (Internet, features, etc.). Make sure you determine ownership of a character and if necessary get permission before using one in your film.

Conclusions:

Okay, that was way too much information and some warnings that might have you too scared to make another film. This is a complex business and there is a reason that there are thousands of entertainment attorneys in Los Angeles. As we discussed, there is actually insurance to make sure that if you do make a mistake you won’t lose your film or your house. It is called Errors & Omissions insurance. I always liked that name. We usually just call it E&O and it is nearly impossible to secure a distribution deal without it. That’s because trying to make sure that you did all the work you were supposed to do is too much for most distributors. They also don’t want to take over the liability which you have incurred in making the film. There are a lot of companies that offer E&O insurance and they have strict requirements that you have to fulfill before they will issue the policy, but it’s a necessary evil.

My best advice would be to stay organized – know which contracts you need and methodically get them signed. If you’re lucky, you’ll have a hit and no one will try to sue you – and if they do, you’ll have that crucial piece of paper that proves you’re right.

Thank you for your time.