

## The Heart of the Deal: Intellectual Property Aspects in the Law and Business of Entertainment

Jon M Garon†

NKU Chase Law & Informatics Institute, Nunn Drive, Highland Heights, KY 41099, USA

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In the globalized media marketplace, intellectual property rights of copyright, trademark, trade secret and identity interests remain the critical building-blocks of property interests and business structures. At the same time, traditional media categories are blurring as projects are increasingly created as transmedia social audience engagement platforms. This article introduces the primary intellectual property regimes necessary for the entertainment business and illustrates how traditional contractual relations among the key industry participants have evolved in the digitalized global environment.

**Keywords:** Deal making, entertainment law, copyright, trademark, trade secret, identity interests, publicity rights, film, television, music and publishing

### **Business Structure of the Entertainment Industry**

The modern entertainment industry can be traced back to 1896 New Orleans, Louisiana USA.<sup>1</sup> The Vitascope Hall was the world's first permanent dedicated movie theatre which remained open for two years.<sup>2</sup> In 1903, China followed with the Daguanlou movie theatre in Beijing, which still operates and holds the record for the world's longest running theatre.<sup>3</sup> India had film exhibits as early as 1896 and a burgeoning industry within the first decade of the twentieth century.<sup>4</sup>

At that time, the music industry was predominately a publishing industry. Radio broadcast or commercial music recording was yet to be developed. The composers were legally entitled to payments for the public performances of their work, but collection was sporadic and difficult from most venues.<sup>5</sup> The driving force behind the music publishing industry was the piano, which accounted for sales of sheet music and sales of piano rolls for player pianos.<sup>6</sup>

Publishing continued as an entertainment medium, expanding incrementally alongside the growth of copyright protection for authors.<sup>7</sup> Publishing served as a medium in its own right and the grist for creativity in film, theatre, television, dance, music, opera, choreography, online media, videogames and performances that fall somewhere in between these.

A century later, the modern entertainment industry is more accurately described as a confederation of these

various media. Although Internet distribution, app publishing, social media and online stores are the focus, each of the entertainment industries remains substantially unchanged in its decades-old organization.

In each entertainment industry, the core structure is essentially the same. The heart of any project is based upon a creative work which is protected by copyright. The author of the work transfers the rights to exploit the project to the producer of the project. The author transfers the work to the production company, in the case of film or television, to the record label in the case of music, or to the publisher, in the case of publishing. The production company (or label or publisher) then acquires the other elements necessary for completion of the project. In a motion picture or television production, this will include any underlying true story rights or source work, cast members, crew, director and designers, music, lighting, sets and locations.

For a sound recording, this will include the rights to record the compositions, the musical artists and background musicians, and the visual elements for the obligatory music video. Publishing is the simplest of the productions but may still require rights to pre-existing materials, illustrations, photographs, and the service of editors and cover designers.

### **Copyright and the Nature of Transfer**

The primary legal rights acquired by the production company are the copyright in any creative work as well as the personal services of each person working

†Email: garonj1@nku.edu

on the project. While the personal services agreement may be a simple employment contract, the copyright transfer is much more economically significant.

Copyright protects original expression of an author.<sup>8</sup> This means that copyright gives exclusive rights to the underlying expression of the work, but not to any ideas embodied in that work. This means that the idea for a story, film, play or book can be adapted from stories that have gone before and are familiar to the public, but the particular telling must be new to the author and producer.<sup>9</sup>

The distinction between works can best be understood in the context of copyright litigation. A work has been copied too much 'if the reader, spectator or viewer after having read or seen both the works is clearly of the opinion and gets an unmistakable impression that the subsequent work appears to be a copy of the original.'<sup>10</sup> On the other hand, '[w]here the same idea is being developed in a different manner, it is manifest that the source being common, similarities are bound to occur.'<sup>11</sup>

As a practical matter, a production company seeking to develop a new project should endeavour to distance itself from any expression used in any previous project and to tell its story in a unique and distinctive manner. The greater the separation from the stories and ideas that have gone before, the broader the copyright interest it will acquire in its new project.

For a production company, the first step will be to acquire the ownership of the story from its creator. In the United States and India, for example, the author of a screenplay will transfer the copyright as a specially commissioned work pursuant to a work-for-hire agreement<sup>12</sup> which has the effect of vesting the copyright in the production company rather than the screenwriter.<sup>13</sup> Most countries do not recognize work-for-hire agreements, so this transfer is made by assignment or licence rather than as a work-for-hire. Moreover, the scope of work-for-hire is broader in the US than the first publication rights provided by Indian law.

For the initial project, there is little distinction between the work-for-hire agreement, an assignment of copyright or a licence to create the motion picture. The contract transferring the rights to the production company will vest in the owners of the company with sufficient creative control to make the initial project. In the case of successful authors and well known works, the contract may provide for extensive control by the initial author. In most cases, however, where the author is not well known, the control over the

project shifts to the production company in this original contract.

In contrast, the nature of the copyright transfer may have significant impact on the production company's ability to expand upon the work. In the US model of work-for-hire, the production company has total control over the subsequent exploitation of the work. The contract may provide the original author some economic interest and perhaps even provide some rights of consultation or participation, but the primary control rests with the production company.<sup>14</sup> Because of the control it has over the project and the economic history it has with the project, the production company will easily be able to make the business decision whether or not to invest in a sequel or other spin-off of the first project into additional projects.

If the production company instead acquires only a licence to make the first film, then it must reacquire the rights for the second film. This places the author in a stronger negotiating position but creates a disincentive for the production company to seek sequels and spin-off projects. The author of the copyrighted first film is in a financially stronger position than he was with the first project and likely in a stronger position than many of the other projects available to the production company.<sup>14</sup>

Moreover, the screenplay is only one of the copyrighted works necessary to complete the motion picture. The director will secure copyright in the completed film; there may be a novelist with rights to the underlying work upon which the motion picture is based; there will be sets protected by the copyrights of the designers; and critical music with its own copyright protection. If a sequel requires each of these rights be renegotiated, the producer may find it more cost effective simply move onto a new work and avoid the complications of these renegotiations.

### **Anatomy of the Creative Artist Agreement**

The acquisition of the copyright by assignment, licence or work-for-hire agreement is merely one of the critical rights to be acquired in the network of contracts comprising an entertainment project. Along with the copyright, the production company must acquire the personal services of the creative artists involved in the project.

While the personal service agreement will vary depending on the nature of the artist's work, all such agreements will include the following:

- (i) The term during which the work is to be conducted: In the case of a motion picture,

this will likely include the dates for the principal photography as well as an obligation to help promote the film after it is completed. For a book it will establish the due date for delivery of a manuscript. For a record album (e.g. a sound recording), the term will typically require delivery of a specified number of songs – typically between nine and thirteen – that will comprise the first album along with options on the part of the record company to order additional albums up to a specified number. Even in other media, the term can often include the option for the production company to hire the person for additional projects on the same terms and conditions.

- (ii) The nature of the professional services: This will necessarily vary depending on the nature of the project and the role of the creative artist. Typically the agreements specify the job title and provide that the creative artist will fulfill the duties of that job in a professional manner, giving little or no actual guidance on the true expectations of the position. If the position is not standard in one of the entertainment industries, however, then the parties should provide more information in the employment agreement.
- (iii) A grant of creative artist's exclusive time, work product and other effort directed to the project (or barring work on any competing project): The exclusivity of the creative artist is sometimes as valuable as the copyright. Particularly for publishing and music, the exclusive rights to the artist's creative work create a significant economic asset for the production company.
- (iv) A reservation of rights, reserving to the creative artist all rights other than those explicitly granted under the agreement: In contrast to the exclusivity provided by the employment agreement, most creative artists are highly active in a number of projects. This clause limits the exclusivity. It may be limited to the time period of the agreement; to the particular medium; to a genre or project; or to any other separation of the creative artist's work from one project to the next. For example, a screenwriter may work exclusively in films for one company but still

be able to write for television or for the stage. A musical performer may be required to record exclusively with one company for record albums but still work for motion picture companies.

- (v) A transfer of the copyright in the work created by the creative artist: Even though the law may provide that copyright vests in the employer, the contract should be explicit in granting these rights to the production company.
- (vi) A transfer of non-copyrightable elements in the work – which may include characters and character names, settings, plots, and public domain content relied upon: The story ideas, character names and other attributes that are beyond copyright should still be transferred exclusively from the creative artist to the production company. The contract will govern the use of such elements in any dispute between the two parties, so this clause helps avoid any future competition between them.
- (vii) Consideration or payment to the creative artist: In exchange for the intellectual property transferred and the services performed, the creative artist needs to be paid. This can take a number of forms: advances, salary, deferred compensation, and/or participatory interest in the form of royalties or profit participation.<sup>15</sup>
  - a. An advance is a payment made to the creative artist that is typically recoupable against future earnings. For example, an author may receive an advance of US\$ 100,000 and a royalty of 15 per cent of the suggested retail price of her books. The advance may be paid at the time of signing the contract or apportioned so some is paid upon executing the agreement and the remainder upon delivery of the manuscript. Once the book is sold, the author earns US\$ 400,000 in royalties. The first US\$ 100,000 for the earned royalties is retained by the publisher as recoupment for the advance and the remaining amount is paid on the schedule provided in the agreement. In the music industry it is also customary that the costs of producing the record album are deducted from the advance – making the payment largely illusory for

- the creative artist and turning the notion of advance into a production budget.
- b. Salary reflects the payment for work done during the production of the project.
  - c. Deferred compensation is salary that might be owed to the creative artist but only paid in the event there is sufficient revenue from the project to cover the production company's expenses.
  - d. Participation may take the form of royalties, such as in the case of music and publishing or it may take the form of revenue sharing, which is more typical in television and motion picture production. In rare occasions, the participation is based on the gross receipts of the production company. Only the most powerful of stars can command this gross participation status. More typically, the participation is based on the net profits of the production company. Only if the project is profitable will the revenue participants receive any additional income in this situation. Moreover, difficulties in tracking the accounting for productions often make the collection of net profit participation difficult for the creative artists who are eligible to receive these proceeds.
- (viii) Right for the creative artist to receive credits in the work: Credits in the project are nearly as valuable to the creative artist as the actual payment. Most future employment depends on the visibility of a creative artist in his or her last project. The more prominent the credit, the more the person can command from the next production company. Each industry has its own norms for providing credit, including the size, placement and inclusion in advertising. Moreover, rules for providing credit may be governed by collective bargaining agreements in certain industries.
- (ix) Right for the production company to exploit the name, likeness and biography of the creative artist in association with the project:
- a. It is not enough for the creative artist to have the right to receive credit, the production company must also have the right to give the credit and to use the identity of the artist to promote the work. In some countries, this refers to the so-called rights of publicity and in others there may be trademark or unfair competition laws that govern the use of a person's name or likeness to promote a product or service. By including an express provision governing the right of the production company to use the name, likeness and biographic information regarding the creative artist, the various intellectual property laws are satisfied.
  - b. These clauses should specify the extent to which the identity of the creative artist may be used by the production company on merchandise related to the creative project. Increasingly, clothing and merchandise emblazoned with the artwork from books and albums or photographs from television and motion pictures are a significant part of the production company's overall revenue. Generally the rights to exploit the identity of the creative artist are given for the creative project but would not extend to the merchandise related to that project unless the agreement specifically provided such rights. In no event should the creative artist be assigning these rights in general. The creative artist has a legal and professional obligation not to endorse products without actual knowledge and participation, so the transfer of endorsement rights should be limited to the project and only that merchandise that directly relates to the project.
- (x) Any rights of consultation or control retained by the creative artist: Depending on the nature of the relationship between the creative artist and the production company, the creative artist may have the right to consult on certain creative decision making or even to approve certain decisions. Any such rights to consultation or approval must be clearly delineated and specified in the agreement.
- (xi) Right of the production company to control the decision making in the project: Except for the rights provided in the previous clause for consultation or approval by the creative artist,

all other decisions regarding the project vest in the production company. To avoid any confusion or later conflict, it is helpful to make this right very clear under the terms of the agreement.

- (xii) Representations, warranties and indemnification by the parties: Both parties must represent to the other right and power to enter into the agreement and complete the project.
- a. The creative artist must be able to represent that the work provided is original and does not violate any copyright or other intellectual property rights of any third person and similarly represent that the content does not violate any other right of any third person or cause any tortious harm, such as by libel, slander, invasion of privacy or interference with rights of publicity.
  - b. The production company is not in a position to research how this information was gathered so it must rely on the creative artist. The exception to this series of representations is in the case of a work based on a true story, whether a work of journalism, a published non-fiction book, a documentary or a narrative film based on a true story. In this situation, the creative artist must be able to represent that the research was conducted in a careful, fully-documented and reasonable manner.
  - c. Knowing the work is based on a true story and involving real people, the production company, rather than the creative artist, must be ready to withstand accusations of defamation or invasion of privacy, should any arise.
  - d. In addition to the representations and warranties, each party must be prepared to indemnify and defend the other party from lawsuits. Recognizing that such statements are only as valuable as the party's economic ability to respond to litigation, the indemnification provisions nonetheless establish the responsibility of each party to the other for the various types of third party liability that might arise.

- (xiii) Standard boilerplate provisions reciting the confidential nature of the agreement, the necessary representations and warranties, the choice of law and venue, resolution of disputes, delivery of notices, and integration of the agreement.

These contractual categories apply to every person working on the project, regardless of the medium or the importance of the individual. In the case of key personnel such as composers, lyricists, authors, screenwriters, directors or actors, the contribution is expected. At other times, however, individuals without title and with only minimal pay may contribute content to the script, music or set of a project. If these individuals have signed an agreement providing their services and transferring their work to the production company, then the production company can incorporate their suggestions or services without any additional steps. If these individuals have not signed any agreements, then it is possible that the production company has no legal right to exploit the contribution and any subsequent negotiation for such rights may be hurried and uncomfortable for the production company.

At the heart of these personal service agreements is the acquisition by the production company of the copyright in any pre-existing work and the copyright being created as part of the project. Many other elements, however, may not be subject to copyright protection. Nonetheless these elements – settings, characters and character names, plots, fictional trademarks, or other elements – should be acquired by the production company.

Even if the creative artist cannot stop the world from using elements not protectable by copyright, the personal services agreement can limit the creative artist's right to use those elements. For example, the word 'hobbit' evokes the small, furry-toed characters invented by J R R Tolkien. The word, alone, cannot be protected by copyright. Nonetheless, an exclusive service agreement could give a publisher or motion picture company the rights to any works involving hobbits and thus stop the Tolkien estate from creating an unrelated project using a hobbit.

The services provisions should be fairly specific, tying the work expected by the creative artist to the compensation. In each industry and in each market, there are often established expectations for the types of work being provided by the creative artist and the expected payments for such work. In some cases, this

may be governed by law but in many more it will be controlled through collective bargaining agreements between the union representing creative artists and the association of producers. These collective bargaining agreements will generally provide fee scales and payment minimums. Equally importantly, they will establish rigid guidelines designed to protect employees and assure a safe working environment.

### **From Production to Distribution – the Rest of the Picture**

Having acquired the rights and the personnel, the production company sets about making the creative work. ‘Three phases occur in making a movie: pre-production, principal photography, and post-production. During the pre-production stage, the script is edited and structured so that an efficient shooting schedule, logistics, and budget can be developed.’<sup>16</sup> While being developed, the production company enters into another series of agreements. If the production company is owned by a major studio or operating under an exclusive agreement with such a studio, then the studio will serve as distributor.

If the production company is not part of a studio or distribution company, it will typically enter into an agreement with a theatrical distributor that will negotiate to place the film in theatres on a revenue-sharing model and sell the film on disc to the public. In one version of the transaction, the motion picture distributor will agree to fund some or all of the production costs, which is known as a pre-sale agreement.<sup>17</sup> A pre-sale agreement requires that all the production elements are contractually in place because the financing partner is relying on those elements.<sup>18</sup> So if the key cast members or director are not contractually bound to the production, then the production company has far less to offer its financing partners. In this way, the financing package is directly related to the creative artist agreements. The distributor or financier for the projects looks to the rights acquired under the creative artist agreements to assure that the production company has all the rights necessary for full exploitation of the project.<sup>17</sup>

More often, however, the distributor will acquire the rights to distribute the film only after it has been fully completed. The production company is therefore responsible to obtain its own financing and the distributor does not face the risk that the project will not be completed.<sup>19</sup>

The distributor will arrange for additional distribution in a series of exhibition windows:

theatrical distribution followed six months later by physical distribution on DVD, premium cable, broadcast television, regular cable, and syndicated television.<sup>20</sup> Increasingly the role of Internet distribution has been integrated into these various windows, typically around the time of DVD distribution. Distribution windows are now global, with content being released in various countries on slightly different schedules depending on the local market conditions. The historical Hollywood notion that US distribution should lead the release has been supplanted because the Asian markets are often stronger than the US market for some projects and because higher levels of piracy require the distributors to increase access to the content in the hope the public will pay for the legitimate product if given the choice.

Television production companies are similar to film companies in that some are under control of the television network and offer productions primarily for their own network while others are independent and will seek a distribution partner. Since broadcast licences for television are granted by state agencies, television is much more heavily regulated than other forms of content and the operations of each television market follow rules that are often quite unique in each jurisdiction.

Record labels are rarely independent of the record distributors so the distribution agreement will be with the record label’s parent company. That company will control the distribution and promotion of the record through radio airplay, paid promotions and direct sales. Print publishing remains the simplest of the distribution models, with the publishing houses offering their books to retailers, typically on a returnable basis so that the publisher assumes the risk of a work not selling.

### **The Distribution Agreement**

The outline for the distribution agreement is very similar to that of the creative artist agreement. The key differences are the term, revenue provisions and control provisions. Depending on the nature of the transaction and the history between the production company and the distributor, distribution agreements may be very short or quite lengthy. For parties entering into a new relationship, or for less mature media such as video games, the typical distribution agreement may be one to three years in length. By contrast, motion picture distribution agreements may often last ten years, particularly if the parties have a longstanding relationship.

The revenue provisions reflect that the distributor is essentially an agent of the production company. While the amount of revenue will vary depending on the industry and the transaction, the range can run from 10-40 per cent, with most transactions in the 20-30 per cent range. These payments are based on the funds actually received by the production company.

Also unlike the creative artist agreement, the distributor is rarely granted any type of control over the project. The production company will retain the rights to modify or alter the work, whether in format – such as changing a book from hard copy to paperback – or altering a motion picture to meet censorship or broadcasting guidelines. Occasionally rights to alter the work that are modest and required by censorship boards or broadcasting guidelines can be delegated to the distributor, but most production companies prefer not to give up even this level of control and few, if any, would ever grant any greater rights to the distributor.

Similarly, the distributor does not generally receive any rights in subsequent works, unless the distributor is also serving as a financing partner for the project. If the distributor is actually the primary source of production funding, that affords the distributor much greater financial rights and control than would otherwise be the case.

### **Changing Times for Distribution**

iTunes and Amazon represent the greatest change to the distribution model. Amazon serves both as a traditional retailer by mailing copies of books, music CDs and movie DVDs (or Blu-Ray disks) to customers in many countries, and as a digital distributor, providing downloads of music, eBooks, video games and Android-based apps, and even offering a video lending library for its premium customers.<sup>21</sup> Apple's iTunes provides an even more radical departure. Apple uses its iTunes service to stream or download content to Apple devices such as the iPhone, iPod and iPad.<sup>22</sup> Rather than act as a retailer, it actually serves as a sales agent for the publisher or distributor, taking a 30 per cent commission on each transaction.<sup>23</sup> The prices are set by the publisher or distributor rather than by Apple.

As reported by the *Wall Street Journal*, 'the late Steve Jobs, then its chief executive, suggested moving to an 'agency model,' under which the publishers would set the price of the book and Apple would take a 30% cut. Apple also stipulated that publishers couldn't let rival retailers sell the same book at a lower price.'<sup>23</sup> Because of the digital nature of the iTunes system, there is no risk

of product return. The combination of a retail price control and the agreement not to allow lower pricing has increased competition between Apple and Amazon, particularly in the area of eBooks but has also raised issues of competition law (anti-trust law) violations which are under investigation by the US Department of Justice.<sup>23</sup>

Although there is a great deal of coverage of social media and user generated content, the economics of the entertainment industries continue to be dominated by commercial production.<sup>24</sup> Nonetheless, companies such as Google and Baidu are working furiously to make their media platforms central to the new entertainment media.

YouTube, a Google company, provides the largest amount of content of any content distributor in the US<sup>25</sup> and uses the advertiser payment model to operate much like a traditional broadcaster. In China, the recent merger of Youku and Tudou will create a similar powerhouse, particularly since Google is restricted in China.<sup>26</sup> Google has done little, however, to create original content, so it is following a path of limited diversification at the moment. Nonetheless, it has revenue sharing relations with 20,000 YouTube content creators, suggesting that it is simply a more distributed movie studio than a traditional company but a motion picture studio nonetheless.

Google is particularly strong in mobile distribution. Because it allows commercial content creators to allow advertising for the streaming of content on smart phones and tablets, Google has seen a dramatic increase in content and revenue from the streaming platforms.<sup>25</sup> By capturing the advertising revenue and sharing it with content distributors, YouTube is extending the broadcasting model of free content to the public and carving an important role as the primary delivery vehicle for free content.

Apple, in contrast, continues to push a pay model for distribution. It does not utilize advertisements and charges premium prices for content whether streamed or downloaded onto Apple devices. The Apple business model will continue to favour the more affluent portion of the audience, with a limited reach but great profitability.

### **Beyond Copyright–Trademark and other IP Rights in the Entertainment Industry**

While copyright and publicity rights represent the most critical intellectual property rights in the entertainment industry, there remains an important role for trademarks, patents, and trade secrets. The role

of patents is primarily limited to innovations in technology related to the creation of content or to its delivery. Today, there is a good deal of work on patented audio systems and 3D projection – particularly involving technologies that do away with specialty glasses, motion capture, and data compression.<sup>27</sup> Each one of these technologies will improve the audience experience and reduce the barriers to content distribution. Particularly in the area of glasses-free 3D, there is a hope that the commercial development of the technology will fuel a significant investment in new equipment and appetite for new content.<sup>28</sup>

Trade secrets both precede patents and represent an entire subset of the entertainment industry. Any project that will someday be subject to patent protection should be developed as a trade secret so that the work is not inadvertently disclosed to the public before the patent has been applied for. Beyond this, however, there are many aspects of the entertainment industry that can only be protected by trade secrets.<sup>29</sup> Trade secret laws protect from misappropriation of the trade secret either through the breach of a duty to maintain the secrecy of the information or when the information is obtained through improper means.<sup>30</sup>

For example, one of the areas of increasing opportunity is reality broadcasting. This genre of television relies on the concept of the competition or challenge faced by the participants for its dramatic tension and audience interest. Only the most detailed version of the television scenario can be protected by copyright.<sup>31</sup> Instead, a creator of a potentially successful show must rely upon an express agreement that recognizes the format and details of the show as a trade secret, an agreement that should be signed and put in writing prior to any disclosure of the idea. In dismissing a show developer's allegations regarding the very popular American Idol, a recent US court decision explained, an 'idea purveyor cannot recover unless he has obtained a promise to pay or the conduct of the offeree reflects an intent to pay for the proffered idea.'<sup>31</sup> In the case of American Idol, the creator had no evidence to suggest the disclosure of the idea was a trade secret that would only be disclosed upon condition of payment. As a result, the producer's use of the concept 'cannot be taken as an implied acceptance' of any duty to the show developer.<sup>31</sup>

Had the parties executed a trade secret agreement, it would likely have specified that the elements of the proposed television show and the proposed show title

were trade secrets. Such a contract would have prohibited the exploitation of the content without the permission of the other party, at least until the show was developed and exposed to the general public. Not only are trade secrets relevant to the development of the shows but also to the content that may be later aired. Because shows are often filmed months in advance of the broadcast dates, the information about events on the shows and the outcome of contests are all subject to trade secret protection. The participant agreements typically require 'extensive confidentiality requirements.'<sup>32</sup>

For successful productions, trademark law is also a source of important legal protection for production companies, distributors and artists. Trademark law serves to protect the public by prohibiting the use of confusingly similar marks for similar goods or services in commerce.<sup>33</sup> While technically not the property of the trademark holder, the rights often take on property-like attributes and serve to extend the successful identification of one product to the goodwill for others created by the same person or enterprise. Trademarks are critical to the creation of market power for a company.

'[C]ustomers should be able to distinguish, at a glance, between your products or services and those of your competitors and associate them with certain desired qualities.

. . . [Intellectual property] rights, combined with other marketing tools (such as advertisements and other sales promotion activities) are crucial for:

- Differentiating your products and services and making them easily recognizable
- Promoting your products or services and creating a loyal clientele
- Diversifying your market strategy to various target groups
- Marketing your products or services in foreign countries'<sup>34</sup>

In the entertainment industry, the value of trademarks can be very important. In music, for example, the band name or trademark may be far more recognizable than the identities of any of that group's members.<sup>35</sup> In the music industry, there remains considerable tension between the musicians and the record companies over the ownership of the band names and associated trademarks. Savvy musicians will provide only a limited licence to the record companies to exploit the trademarks and



preclude the use of the trademarks from any works not specifically authorized by the musical group.

In publishing, trademarks play multiple roles. Publishing houses often publish books under different imprints or brand names to signal to the retailers and the public the type of work being sold. A single company may hold a vast array of different trademarks using each to sell to a different market segment. This helps the publisher create some price differentiation among its products and enable it to simultaneously participate in prestige markets and more commercial markets.<sup>36</sup>

Trademarks serve a second critical role in the publishing industry for books in a series. Works such as the seven Harry Potter books, James Bond novels, the Twilight Saga collection or books based on Star Wars, represent tremendous portions of the commercial book trade. While each book in the series benefits from its place in the story arc, the publisher is economically relying more on the goodwill value inherent in the Star Wars or James Bond trademark than the author's fame or the progression of the story. In some cases, the author actually changes from work to work. This use of trademark reflects the source identifier for the publisher rather than the author, illustrating the power of the trademark to build goodwill and help retain an audience.

Trademarks are particularly important in the expansion of merchandise as a component of the entertainment transaction. The production of goods associated with motion pictures, books, television and recording artists has grown considerably even as other revenue streams have come under financial pressure. Often, the merchandise associated with the entertainment work is nothing more than the trademark of the property emblazoned on a tee-shirt, coffee mug, lunch box or other product. The ability for an audience member to herald one's affinity for the movie, book or band represents an important sociological part of being a fan so these items have significance to the participant.<sup>37</sup> For successful creative artists, these communities can grow into the thousands and generate a constant, renewable source of revenue.<sup>38</sup>

Most importantly, it is the trademark even more than the copyright that allows the production company to extend a work from one medium to a largely unrelated medium. In this manner, characters from comic books and anime have grown to dominate television, film and video game content. Video game

characters have become the source for feature films and these characters, in turn, fuel a large market in branded merchandise for children and adults. Moreover, these products are inherently global in scope. In the same week that Marvel/Disney's comic book based movie, 'The Avengers' set US box office records,<sup>39</sup> Sony announced that 'The Amazing Spider-Man' will have its debut in India on 29 June 2012, four days before the film opened in US theatres on the 3 July.<sup>40</sup> In fact, 'The Avengers' also opened in India first,<sup>41</sup> then other Asian countries, before its North American debut.<sup>42</sup>

Owners of these rights must be careful to maintain the integrity of the trademarks and to assure that in developing derivative projects the rights do not split up. This happened to MGM with the James Bond franchise, with the novel Thunderball being sold to a predecessor of Sony separately from the other works.<sup>43</sup> Ultimately Sony acquired rights from MGM to reconsolidate the rights for the series.<sup>44</sup> Under trademark law, a trademark must be used to identify a single source for goods or services. The trademark holder can authorize and manage sub-licensees but if the mark were to be split among unrelated parties, there is a strong likelihood that none of the parties would own a valid trademark.

Provided the trademarks are properly maintained, these franchises are highly valuable. The economic potency in these franchises stems from the use of trademark rights in the characters and copyright ownership in the underlying comic books. The stories are broadly drawn and popular around the globe. They are easily adapted to sequels and multiple retellings and adapt well to books, television, games and music. They reflect the ultimate exploitation of the various intellectual property interests in a medium that has become universally acceptable worldwide.

### Conclusion

By carefully crafting the personal service agreements and distribution agreements to provide for careful exploitation of the intellectual property rights and clearly aggregating the power to exploit the rights in the production company, a producer can develop projects that can transcend their initial medium to enter the audience's collective consciousness around the globe. Through the careful construction of the contracts with the creative parties, the production company can develop projects that have potential to last for decades, engendering works in many media and creating series that delight audiences over and over again.

Effective use of trademarks, trade secrets, publicity rights, patents and copyright provides the infrastructure for the various entertainment industries. These legal protections do not define the success or failure of a project but they play a key role in monetizing the success of the projects and developing revenue streams from projects that last from production to production and turn books into series. The projects that grow exponentially from a single book to a juggernaut of film, music, books and games, often best reflect what the audiences want – an opportunity to be entertained and delighted by characters, stories and artistry, both familiar and new. Only artists make this possible but the legal techniques empower them to achieve these dreams.

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