



## **COPYRIGHT — IS IT BETTER TO OWN OR LICENSE?**

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I was recently asked by a producer to review an agreement he had received from the lawyer of an organization he had been working with to prepare a documentary. The agreement was in the form of a license granting the organization not only the right to use the completed work, but all footage and other materials used in the completed work “for any purpose worldwide in perpetuity.” The producer was obviously concerned about the broad scope of the license, but more interestingly he was also concerned about his liability for the footage, some of which involved privacy issues and may not have been properly cleared. In advising him, I found myself weighing the pros and cons of copyright ownership and concluding that sometimes insisting on retaining copyright ownership may not be the best strategy.

### **Copyright Ownership**

The owner of the copyright in a work controls how that work can be used. The copyright owner is also ultimately responsible for any liability arising from use of the copyrighted material. Generally speaking (absent an agreement to the contrary) the creator of an original tangible work owns the copyright to the work and any derivatives created from the work. However there are a number of important exceptions to this general rule.

In the case of collaborative works the parties contributing to the work jointly hold copyright ownership. The copyright is owned equally unless the parties have agreed otherwise. It is a good idea to have a written agreement clarifying the relationship between the joint copyright owners and their respective rights to use the work, share in revenues from the work, and create derivatives of the work. Joint copyright ownership is common in co-production arrangements in which a producer and a distributor or funder work together to create programming.

Under U.S. copyright law employers own the copyright to works created by their employees within the scope of their employment. Independent contractors (individuals or companies hired to work on a specific project) are not considered employees under U.S. copyright law – a fact often overlooked by producers. Only certain types of creative works qualify as work-for-hire. The U.S. copyright law specifies eleven types, including audio-visual works.

Under the U.S. copyright law, if there is no written agreement specifically addressing copyright ownership between a producer and an independent contractor, the independent contractor is generally presumed to retain copyright ownership in those elements of the work that the contractor created. At best, the producer may only have an “implied license” to use the work for a limited purpose. As a result, the producer may not be able to fully exploit the rights in the work without first getting the independent contractor’s approval.

To ensure that the broadest possible rights are secured, producers should always have their independent contractors sign a written work-for-hire agreement before hiring them to do creative work. The work-for-hire agreement should specifically include a reference to the “work-for-hire” provisions of the U.S. copyright law and should grant the producer exclusive and perpetual right to use the work created by the independent contractor for any purpose throughout the world. To ensure that all of the rights in the independent contractor’s work are secured by the producer, the work-for-hire agreement should also include a default provision stating that, in the event the work is not considered a work-for-hire under the copyright laws, the independent contractor agrees to assign all rights, including copyright, to the producer.

Copyright ownership to pre-existing works may also be obtained through an assignment of rights. The assignment transfers the copyright ownership from the creator or previous owner to a new owner. An assignment is essentially a license which is universal in scope and perpetual in duration.

The costs of securing copyright ownership run the gamut. There are no rules for costs other than understanding that the market, the nature of the work product, and the skill and reputation of the creator govern rates.

Under current U.S. copyright law, copyright ownership arises on the creation of the work in a tangible form. While there is no longer a requirement that copyrights be registered, it is advisable to do so to take full advantage of the



protection the U.S. copyright laws provide. Copyright registration is relatively inexpensive and easy. The U.S. Copyright Office website (<http://lcweb.loc.gov/copyright>) provides forms and information on copyright registration.

## Copyright Licensing

A copyright license is a grant of the right to use copyrighted material for certain specified purposes in a certain area for a certain period of time. The licensor retains copyright ownership and controls all uses not granted by the license.

A license is typically used for securing the right to use pre-existing material, such as film footage, still photographs, or text. A license is also typically used with certain categories of content when creators will not relinquish copyright ownership. For example, as a matter of principle most photographers refuse to enter into work-for-hire agreements or to assign their copyright under any circumstances. A license may also be necessary in the event that an independent contractor performed work for a producer without first signing a written work-for-hire agreement.

The license may be very broad in scope or may be narrow and limited. Typically the license includes representations and warranties from the copyright owner stating that he or she is the lawful owner of the copyright and that the material does not infringe on the rights of others. An indemnification clause is also usually included to protect the licensor and their assigns from claims arising from their use of the work.

A copyright owner may charge a fee for licensing the right to use the work. The licensing fee may depend on how the material will be used. For example, the fee for the use of pre-existing footage may depend on (i) the number of seconds to be used; (ii) additional fees that must be paid to talent involved in the creation of the footage (e.g. AFTRA/SAG or WGA talent); (iii) the fame or rarity of the footage; (iv) the age of the footage. Rates may also depend on the initial market for the program. A nationally released program may pay a higher license fee than a program intended for local release only.

In some situations, it is possible the licensee may insist on being paid a percentage of any revenues generated by the production in which the licensed material is used. In such cases, the licensing agreement should contain accounting language.

## Is It Better to Own or License?

Where original content is being created, the decision whether to own or license copyright will in large part be driven by the relationship between the parties. The producer will own the copyright in employee-produced material. A producer should be sure to enter into a work-for-hire/assignment agreement with any independent contractors involved in the production to secure copyright ownership, and should address joint copyright ownership through written co-production agreements. As noted, some content producers, such as photographers, will only license their work.

With respect to pre-existing work, while it may be possible to purchase the copyright through an assignment, it is more likely to be licensed for specified purposes. The copyright owner is usually unwilling to relinquish complete control of the copyright. The decision to assign or license material may also be driven by costs. Typically a license will be much less expensive, at least initially, particularly if the copyright holder believes there will be additional revenues generated by the production. On the other hand, an assignment of ownership may be advantageous where the producer anticipates multiple uses or a long shelf life for the work in which the copyright material is incorporated.

In some cases the decision may also be driven by a concern about the liabilities associated with the work. Copyright ownership carries with it the liability for any use or misuse of the work or the material in it. In a typical license, however, there are representations and warranties protecting and indemnifying the licensee from any claims arising from the copyrighted material.

In the case of my producer, the assumption was that he owned the copyright. He had shot the footage and created the documentary. Depending on the role that the organization played in creation of the work, it is possible it could have joint copyright ownership as a co-producer. (I certainly would take that position if my producer got sued and we needed to find a deep pocket!)

The organization wanted to be able to use my producer's footage and completed work for its own purposes. What intrigued me was that rather than asking him to sign a work-for-hire agreement, the organization was asking for a very



broad license. Why? The answer is that they were seeking to secure essentially all of the rights to use the producer's footage and completed work, without taking on any of the liabilities associated with copyright ownership.

For my producer, there was no clear-cut answer. If he wanted to retain copyright ownership, the goal would be to draft a limited license that addressed only the use of the completed work and contained watered down representations and warranties. That way he could control how the questionable material was used. Alternatively, perhaps he could convince the organization that what it really wanted was copyright ownership. In that way, he could relieve himself of the potential liabilities.