Lets start with this as the reason for

1. Fair Use Doctrine.

Under some circumstances, it can be possible to use another party's validly copyrighted work without obtaining permission. The "fair use" doctrine, codified at 17 U.S.C. § 107, provides that certain otherwise- infringing uses of a copyrighted work are "fair" and acceptable. In particular, the Copyright Act provides the following four non-exclusive factors to be considered in determining whether a particular usage of a copyrighted work constitutes a fair use:

*The purpose and character of the use, including whether the use is for commercial or educational purposes.
*The nature of the copyrighted work.
*The amount and substantiality of the portion used in relation to the copyrighted work as a whole.
*The effect of the use upon the potential market for, or value of, the copyrighted work.

As noted above, these factors are not exclusive, and there is no hard and fast rule as to how they are to be applied or what weight to afford them. The courts usually engage in a case-by-case analysis of the entire set of circumstances to reach a conclusion about a claimed "fair use" of a copyrighted work. While there are no absolutes, a use is generally more likely to be held to be "fair" if: (a) it is primarily for educational, not commercial purposes; (b) the use is "transformative" in the sense that new expression or meaning is added; (c) the underlying work has been previously published; (d) the underlying work is predominantly factual rather than creative or fictional; (e) a relatively small portion of the underlying work is borrowed; and (f) the alleged fair use has no identifiable adverse impact or potential impact on any market for the underlying work.

While "fair use" is obviously an attractive concept for multimedia developers, it is also a dangerous one. Given that many multimedia products are developed for commercial purposes, developers incorporating significant portions of copyrighted content run a definite risk that their "fair use" arguments may be challenged, perhaps in court. In addition, it should be noted that "fair use" applies to copyright alone, and does nothing to address potential publicity, privacy, trademark, defamation, contractual or other issues.

the whole story

POTENTIAL PITFALLS IN MULTIMEDIA MEDIA PRODUCT DEVELOPMENT: CLEARING THE NECESSARY CONTENT RIGHTS

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Primary Sections

I. INTRODUCTION.

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The creation of a multimedia product such as a CD- ROM "electronic book" or interactive game can be a complex technical, artistic and legal endeavor. This outline focuses on some of the major hurdles associated with obtaining the rights necessary to bring together the words, images, music, video, text and other content that product users will ultimately enjoy.

Because multimedia products often embody a vast collage of written, audio and visual materials, in many cases created or controlled by third parties, the rights acquisition process can be an analytical and organizational challenge and a time- consuming, expensive component of the overall development project. Critical elements of the content acquisition process include evaluating the product carefully and thoroughly to identify and classify all elements of content, deciding systematically which of those elements may require third party licenses or releases, tracking down the persons or entities with authority to grant the rights needed, and, finally, negotiating the necessary licenses and other agreements. It is not at all uncommon for dozens of separate agreements, if not more, to be required for the development of a single multimedia product.

Clearly, the multimedia developer's goal must be to make its way through this obstacle course as knowledgeably, expeditiously and cost-effectively as possible. In order to make practical decisions wisely, such as weighing the risks of infringement against the difficulty or cost of obtaining rights to content, the developer must be able to see and understand the big picture. This outline is intended to provide a framework that will provide some perspective and help in making wise decisions. In that light, Section II focuses on content licenses in general, including important

provisions and issues to consider in reaching agreements to obtain content rights. Section III reviews the rights acquisition process itself, highlighting and categorizing the major copyright, trademark, publicity, privacy and other interests embedded in the various types of content routinely incorporated into multimedia products. Finally, Section IV discusses some alternatives to content licensing and circumstances in which content may not need to be licensed.

II. FUNDAMENTAL ISSUES OF CONTENT LICENSING.

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This Section summarizes some of the more important terms and concepts to consider in drafting or negotiating multimedia content licenses. This summary is not intended to be a treatise on formulating a good and enforceable agreement; the issues discussed below should be integrated into agreements containing other standard and necessary contract provisions.

A. Subject Matter of License. First, it is important to precisely and unambiguously identify the content that is being licensed. Once the multimedia product developer has identified the specific content elements that are to make up the product, it should take the time, in connection with each applicable license, to be sure that it is obtaining exactly what it needs. To avoid confusion, it may be helpful to attach to the agreement a copy of the licensed work, or a registration describing it.

B. Scope of Rights Granted. Multimedia product developers must ensure that the rights obtained are broad enough, and that any limitations on use of the rights granted under the license do not unduly interfere with the proposed uses of the multimedia product. Issues relating to the scope of rights include:

1. Activities Authorized.

Licensing arrangements should carefully and unambiguously set forth the specific rights granted to the multimedia developer. A typical broad "grant of rights" provision might state:

The Licensor grants to the Licensee the right to use, modify, adapt, reproduce, and distribute the Work, or any portion thereof, throughout the world during the full term of the copyright as part of and in connection with the multimedia work titled "_____."

On the other hand, the content licensor may negotiate for a "reservation of rights" clause in its favor, such as:

All rights in the Work not specifically granted to the Licensee, now or hereafter known, whether developed or now in existence and whether or not competitive with the rights granted herein, are reserved to the Licensor in all forms of media throughout the world for the Licensor's use or disposition at its sole discretion, without obligation to the Licensee.

The multimedia product developer should make sure that all rights it needs to obtain for its project have been included in the license before agreeing to a reservation of rights clause.

a. Exclusive Rights Held By Owners and Authors.

In considering the scope of the license grant, it pays to keep in mind that, at least under copyright law, the owner of the licensed content normally possesses the exclusive right to engage in a variety of basic activities, including the rights: to reproduce the content, to adapt the content, to distribute the content, to display the content publicly, and to perform the content publicly. Other exclusive rights may be provided under trademark, publicity, privacy and other laws. The multimedia product developer should be sure to obtain the right to engage in each of the activities that will be implicated by the manufacture, distribution and use of the product. Certain of the most important of these are discussed below:

(1) Reproduction Right.

The reproduction right (that is, the right to copy the licensed content) is obviously essential in any multimedia license. It is important to recognize that copying takes place not only upon distribution of a multimedia product, but also during its development, manufacture, marketing, advertising and use. The license should cover all anticipated forms of copying so that there is no ambiguity or misunderstanding.

(2) Adaptation Right and Moral Rights.

The right to adapt licensed material for a multimedia project (that is, to prepare a derivative work based on the content) should also be included in the license. Digitizing content that is not obtained in a digital form, in and of itself, constitutes adaptation. From the product developer's perspective it may be necessary to obtain broad adaptation rights where the development process requires more than simply copying the content into the multimedia product. Conversely, licensors may seek to limit the adaptation rights granted in order to protect the artistic integrity of the licensed work.

Furthermore, a multimedia product developer should consider obtaining waivers of any "moral rights" held by the author or creator of the licensed property, especially if the multimedia product is to be distributed outside of the United States. Many countries recognize up to four general categories of an author's moral rights in a copyrighted work, even if the author does not own the copyright itself: the right of attribution (and against misattribution); the right of integrity (to prevent mutilation or destruction of the work); the right of disclosure (to control the work's publication); and the right of withdrawal (or to disavow or modify the work after its publication). Moral rights are not explicitly recognized under U.S. copyright law, with a narrow exception for certain unique or limited edition "works of visual art" under the Visual Artists Rights Act of 1990 ("VARA"). See 17 U.S.C. §§ 101 (definition of "work of visual art"), 106A (protection for such works under VARA). Nevertheless, American courts have recognized rights akin to moral rights on behalf of authors under common law and under various state and federal statutes. See, e.g., Gilliam v. American Broadcasting Cos., 538 F.2d 14, 24 (2d Cir. 1976). Future developments may result in the closer alignment of U.S. law of moral rights with its foreign counterparts. An example of a waiver addressing moral rights is as follows:

Author hereby waives any and all moral rights or any similar rights with respect to the Work and agrees not to institute, support, maintain, or permit any action or lawsuit on the ground that any multimedia product produced hereunder constitutes an infringement of any moral right or any similar right, or is in any way a defamation or mutilation of the Work or a part thereof or of the reputation of the Author, or contains unauthorized variations, alterations, modifications, changes or translations.

(3) Distribution Right.

All multimedia license agreements should explicitly provide the right to distribute the product once it has been completed, as, at least under copyright law, the distribution right is separate and distinct from the right to copy. See, e.g., Cohen v. Paramount Pictures Corp., 845 F.2d 851, 853 (9th Cir. 1988) (holding that synchronization license for use of musical composition in a film granting rights to copy and to perform publicly did not include the right of distribution of videocassettes of the film by sale or rental).

(4) Public Performance and Public Display Rights.

The public performance right is ordinarily not important for a multimedia product that is sold or licensed only for in-home use on a CD-ROM or comparable medium. However, if the product involves or will be publicly transmitted or broadcast in any way, or presented in a public setting, the public performance right may be implicated. See Section III.A.2.c, below.

b. Known and Unknown Future Technologies.

It is especially important that the license includes a clear recitation of the parties' understanding regarding use of the licensed content in future technologies, both known and unknown. A broad general grant of rights to exploit a work is often interpreted to include all technologies known at the time of the grant, even if the technology is speculative. See, e.g., Landon v. Twentieth Century-Fox Film Corp., 384 F. Supp. 450 (S.D.N.Y. 1974). Absent contractual language to the contrary, uses which are unknown at the time of the grant will be held not to be within the scope of the grant. See, e.g., Bourne Co. v. Walt Disney Co., Copyright L. Rep. (CCH) ¶ 26,934 (S.D.N.Y. 1992), rev'd on other grounds, 976 F.2d 99 (2d Cir. 1992). However, if the licensing language explicitly grants the right to exploit the work "by any means or methods now or hereafter known," the grant is likely to be held to include the right to exploit the work through new technologies, even if those technologies may not have been contemplated by the parties when the grant was executed. See, e.g., Platinum Record Co. v. Lucas Film, Ltd., 566 F. Supp. 226, 227 (D.N.J. 1983).

3. Limitations Imposed on Granted Rights.

In addition to specifying permissible uses of the licensed content by the licensee, the license may also specify limitations that the rights owner seeks to impose on the licensee. While an "unlimited rights" license allows the product developer to exploit the licensed work without any limitation on the market, product, territory or media involved, it may be easier or less expensive to obtain a "limited rights" license.

a. Specific Title.

Content licenses can be granted for use only in connection with a single specified work. A multimedia product developer that anticipates use in more than one work, or in subsequent editions or versions of a single work, should obtain rights broad enough to allow all such uses.

b. Markets, Territories, Media and Platforms.

When obtaining a limited license for use of content in a multimedia project, it is essential to specify: (1) the types of markets to be exploited; (2) the territories in which the product may be sold; (3) the types of media on which it may be distributed (e.g., CD-ROM); and (4) the hardware or software platforms upon which it will operate (e.g., the Windows 95 operating system).

c. Exclusive or Nonexclusive.

A limited rights license can be either exclusive or nonexclusive. A multimedia developer that believes that exclusivity is essential to the viability of a project may encounter strong resistance from the content licensor. Higher license fees and other protections, including some or all of the following, may be required to convince a licensor to agree to an exclusive license: (1) a large up- front payment, as either a flat fee or an advance against royalties; (2) a minimum guaranteed periodic royalty, regardless of actual sales, which royalty may increase over time; (3) limiting the exclusivity to specific term, market, territory, medium or platform; (4) an automatic conversion from exclusive to nonexclusive if revenue or sales thresholds are not met; (5) the right to terminate if specified thresholds of success are not met; and (6) the right to terminate if the licensee does not use "best efforts" or reasonable efforts in promoting the product, or if specified minimum marketing expenditures are not made.

D. Term and Termination.

The length of the license (the "term") is also an important provision. The multimedia product developer should generally seek the longest possible term in order to recover its investment and maximize its profit from the multimedia product. Licensors, on the other hand, usually prefer to keep the term as short as possible in order

to maintain control over the use of the work, and to allow for relicensing of the property at a higher price after the license expires. If the license term is not specified, it may be construed to be for the duration of the then-existing copyright term of the work, or to be implied from the scope of the use granted by the license.

Termination can be triggered by the passage of time or by a party's failure to comply with specified terms or conditions of the agreement. In the event of a termination based on breach of the license agreement, the breaching party is sometimes given an opportunity to cure the breach within a specified period before the termination becomes effective.

E. Fees and Royalties.

Royalties and other fees payable to the content licensor will vary widely in amount and form depending on the type of right involved, the scope of its use, relative bargaining power, and similar factors. The product developer can expect that some consents and releases will be given without charge, while other licenses (especially if they are broad or exclusive in nature) will require a significant, if not prohibitively costly, expenditure of funds. Depending on the nature of the license, payments may be structured either as one-time fixed fees or as royalties that allow both licensor and licensee to share in the relative success or failure of the product. In considering what fees and costs to pay, the multimedia product developer should perform adequate due diligence to understand what industry standards may exist and when alternative licensing or development strategies may be appropriate.

F. Credits.

Content owners and authors often wish to receive credit in writing in the multimedia product in which the content appears. These terms are typically negotiated on a case-by-case basis, with many licenses specifying the precise wording of any agreed upon credits, and sometimes including their size, prominence and placement.

G. Representations, Warranties and Indemnification.

1. Representations and Warranties.

The scope of representations and warranties to be included in a content license may be a point of serious negotiation during a licensing transaction. Ideally, the multimedia product developer should obtain multiple representations and warranties

from the licensor, especially where the specific content licensed represents a major component of the product. Typical representations and warranties include: (1) that the licensor has the right, power and authority to enter into the agreement; (2) that it is the owner of all applicable rights to the content; (3) that the rights granted are free and clear of all liens and encumbrances; (4) that the content does not infringe any copyright, trademark, trade secrets or other proprietary right of any third party; (5) that the rights granted do not violate any other third-party rights, including any rights of publicity or privacy; and (6) that the rights granted do not constitute a libel or slander of any third party. The licensor may seek to disclaim any warranties that are not expressly set out in the content license.

2. Indemnification and Defense Against Third Party Claims.

If practical, the multimedia developer should seek indemnification and/or legal defense from the licensor for expenses and liabilities incurred in the event that a third party asserts claims covered by the licensor's representations and warranties. While indemnification and defense provisions can obviously be quite important, it should be kept in mind that the value of an indemnification provision is inherently limited by the financial means of the indemnifying party.

III. LICENSING CONTENT FOR MULTIMEDIA APPLICATIONS.

[BACK]

This Section attempts to make the rights acquisition process easier to understand by exploring some of the more important issues relating to each of the major types of multimedia content. These content categories -- music, text, still images, audiovisual works and characters -- are each analyzed in turn.

A. Licensing Music .

[BACK]

Music is, of course, an important part of many multimedia products. Obtaining rights to music-related content can be an especially complicated, time consuming and confusing process. Music-related rights are often split among a diverse group of owners and agents, and necessary licenses can take peculiar, industry-driven forms. It is particularly important to make a disciplined analysis of precisely what music

content is to be utilized in the multimedia product, which music-related rights are implicated, who owns or controls the necessary rights, and whether the anticipated value of including the content in the product justifies the cost and/or difficulty of acquisition. In order to obtain the full suite of necessary rights, a multimedia product developer may have to reach agreements with songwriters, music publishers, performing artists, record companies, performance rights organizations and others. A thorough approach and the advice of an experienced practitioner can help to avoid the numerous traps for the unwary.

1. Musical Works vs. Sound Recordings.

At the outset, it is important to recognize the distinction between copyrights in musical works and those in sound recordings. The copyright in the underlying musical work itself (the written music and lyrics) is separate and distinct from the copyright in a recording of a performance of the work. See 17 U.S.C. § 101 (defining sound recordings). In most instances, a songwriter retains the copyright in the musical work or transfers it to his or her music publisher, while record producers and record companies typically own the copyrights to sound recordings by means of their agreements with the recording artists.

2. Licenses to Musical Works.

Over the years, the music industry has seen the development of a number of specialized types of licenses. The principal licenses with which a multimedia developer should be familiar include:
a.

Mechanical Licenses.

Mechanical licenses allow a licensee to record, reproduce and distribute musical works in "phonorecords" (the Copyright Act term that includes records, cassette tapes, CD's, etc.). See 17 U.S.C. § 101. Mechanical licenses are used only where the music in question is not to be used in conjunction with visual images or motion pictures (see Section III.A.2.b, below). Because almost all multimedia products interleave music with visual components in one form or another, in most instances the developer of the product does not need to obtain a mechanical license in order to produce or distribute the multimedia product. (However, a mechanical license arguably may be required where, for example, a multimedia CD-ROM product can be used as an audio-only CD, or where the music is associated solely with text rather than images.) If a mechanical license is necessary, it is typically obtained from the

owner of the composition or the owner's publisher or publishing agency (often, The Harry Fox Agency, Inc., a wholly-owned subsidiary of the National Music Publishers Association, 202 E. 42nd Street, New York, NY 10017; 212-370-5330). If a mechanical license cannot be negotiated and the musical work has already been distributed to the public as a recording, it may also be possible to make payments to the federal government and obtain a statutory "compulsory" license. See 17 U.S.C. § 115.

b. Synchronization and Videogram Licenses.

Synchronization ("synch") licenses allow a licensee to bundle music together in timed relation with visual images or motion pictures to create an audiovisual work. Synch licenses are obtained by movie and television producers in order to publicly exhibit and/or broadcast movies and television programs. Videogram licenses grant comparable rights with respect to devices designed for private home use, such as video tapes, optical laser discs, etc. Although synch and videogram licenses were developed with "linear" works such as television programs and movies in mind, they may also apply to inherently "nonlinear" multimedia products, and multimedia developers will typically need to obtain such licenses from copyright owners and/or music publishers such as The Harry Fox Agency.

c. Public Performance Licenses.

Public performance licenses, not surprisingly, allow the licensee to publicly perform musical compositions. Because of the tremendous demand to play music publicly and the difficulty that would be involved in entering into separate agreements each and every time a particular work is performed, copyright owners almost universally delegate the right to grant public performance licenses to "performance rights organizations." In the United States, the principal performance rights organizations are: ASCAP (American Society of Composers, Authors and Publishers, 1 Lincoln Plaza, New York, NY 10023; 212-595-3050), BMI (Broadcast Music, Inc., 320 W. 57th Street, New York, NY 10019; 800-326-4264) and SESAC (Society of European Stage Authors & Composers, 421 W. 54th Street, New York, NY 10019; 212-586-3450). Comparable performance rights organizations exist in most foreign countries and have reciprocal licensing and royalty collection relationships with ASCAP, BMI and SESAC.

A licensee who wants to publicly perform a musical work typically enters into a license agreement with ASCAP, BMI and/or SESAC, which grants it the non-exclusive right to publicly perform each and every copyrighted work in the organi-

zation's repertoire in exchange for an annual royalty payment (which is usually a percentage of the licensee's gross revenues).

Although a public performance license would not be required for a multimedia product distributed solely for in- home private use, products which are intended to be utilized in public places such as museums, shopping centers and the like would be subject to performance licensing requirements. In addition, ASCAP and BMI have each taken the position that all online transmissions of musical works constitute "public performances," and each of those organizations is pursuing an aggressive online licensing program. Finally, a recent amendment to the Copyright Act, the "Digital Performing Rights in Sound Recordings Act of 1995" (Public Law 104-39, s. 227), provides the copyright owner in a sound recording with the exclusive right to publicly perform the sound recording by means of a "digital audio transmission." As a consequence of this new law, which is extremely complex and technical in scope, multimedia companies planning to develop online products now need to consider the necessity or advisability of obtaining a public performance license not just for transmission of the musical composition (i.e., an ASCAP, BMI or SESAC license), but also for transmission of the sound recording (typically owned by a record company).

d. New Media Licenses.

Because many of the traditional music industry licenses were developed before the advent of multimedia products, new and revised forms of licenses are beginning to appear in order to address the complex bundle of musical and non-musical content present in multimedia works. While these licenses offer the potential advantage of more precisely tailored terms, multimedia developers are cautioned to look very closely at any music-related license, whether traditional or newly developed, to ensure that all applicable rights are covered for all desired uses of the multimedia product.

5. Sound Recording Content Issues.

a. Sound Recording Licenses.

Compared with the underlying musical works, sound recordings have historically been treated as second class citizens. In fact, sound recordings created prior to February 15, 1972, did not enjoy any copyright protection whatsoever. Moreover, the copyright protection that has been granted to sound recordings has not been as broad as that for the underlying musical works (e.g., deliberate imitations of per-

formances do not infringe sound recording copyrights), adaptation rights have been limited, and, until recently, no public performance right existed. But see Section III.A.2.c, above (regarding the recent statutory expansion of sound recording public performance rights in digital media).

Despite this lesser protection, identifying and obtaining rights in sound recordings can be crucial for multimedia developers. In most cases, the copyright in a sound recording will be owned by a record company. However, very popular artists may have negotiated with their labels to retain sound recording rights or to limit the labels' ability to license the sound recordings for specified purposes.

b. Rights of Publicity.

In considering the use of a sound recording in a multimedia product, it is important to keep in mind that the performers have rights of publicity and rights of privacy separate and apart from any copyright interest. (In the U.S., publicity rights are typically state-created statutory rights that protect the commercial exploitation of one's name, image, likeness, and other characteristics of one's persona; privacy rights are an individual's common law or statutory rights to avoid unwanted publicity, especially where the unwanted publicity tends to show the individual in a negative light). To avoid publicity and privacy right problems, multimedia product developers should consider obtaining releases of publicity and privacy rights from all identifiable performers of music to be used in their product.

c. Union Fees.

If the services of union recording artists, musicians or instrumentalists have been used in creating a sound recording, it may also be necessary to enter into licenses and/or pay "reuse fees" to the applicable trade unions. The American Federation of Television and Radio Artists ("AFTRA") (6922 Hollywood Blvd., Hollywood, CA 90028; 213-461-8111 or 260 Madison Ave., New York, NY 10016; 212-532-0800) represents, among others, a substantial number of performing artists; and the American Federation of Musicians ("AF of M") (1501 Broadway, Suite 600, New York, NY 10036; 212-869-1330) represents instrumentalists. Each of these unions will require the payment of "reuse fees" for the incorporation of preexisting member content into a multimedia product. (AF of M also requires the licensee to make special trust fund payments.) AFTRA has created an "Interactive Media Agreement" governing required payments for the use of its members to create multimedia content. AF of M similarly requires the negotiation of an agreement in order to utilize its talent to create content.

4. Libraries of Sound Recordings.

In order to short-circuit some of the difficulties associated with licensing copyrighted musical works and sound recordings, the multimedia content developer may want to consider licensing from music "libraries" that own or control music and sound recording samples. These libraries do not typically control the rights to popular songs or performances by well-known artists, but their selections can be wide and their content may be suitable for many multimedia projects. The music libraries can grant comprehensive licenses that cover both the sound recording and the underlying composition, including synch and mechanical licenses (but sometimes excluding public performance licenses, which then must be obtained through one or more performance rights organizations). Prices will vary depending on the use and the content, but payment is often on a one-time basis.

Licensing Text .

[BACK]

By their very nature, multimedia products usually weave audio and visual content into and around literary works and other textual content. In addition, text may be used to guide the user through the multimedia work. Rights to text belonging to others must, of course, be obtained.

1. Obtaining the Copyright.

An author's textual expression of facts and ideas, whether it be a poem, a novel or a work expressed in numbers or symbols, is protected by copyright. In negotiating to obtain the right to use copyrighted text, the multimedia product developer must do some due diligence to be sure that the party from whom it obtains the license truly owns the copyright in the text itself (as opposed to the copyright in a work or compilation in which text has previously been published or excerpted), and that the party still has the ability to license all "electronic rights" with respect to the text. (It is not uncommon for electronic or other rights to be reserved in an otherwise complete grant of a copyright interest.)

2. Avoiding Trademark Problems.

Multimedia developers should bear in mind that textual material may incorporate trademarks belonging to third parties. If the multimedia product is to contain trademarked text (and especially if the trademarked text is to be used in the title of the product), it is most advisable to obtain permission from the trademark owner.

3. Rights of Publicity and Privacy; Defamation.

Just as with performing artists and the use of sound recordings (see Section III.A.3.b, above), rights of publicity and/or privacy may be implicated by discussing somebody in writing or using their name in a multimedia product. If the multimedia product is going to contain text relating to an actual person, it may be prudent to obtain an appropriate release from that person (or his or her heirs, if the person is deceased). Likewise, if controversial or untrue statements about a person are to be contained in the product, the multimedia product developer should consider the risk that the product may give rise to claims that it is defamatory.

4. Other Rights.

If the multimedia product is to incorporate not just text, but also is to focus on the plot, characters, setting or theme of the written work, it may be appropriate to obtain story rights, character rights, moral rights or other rights from the author in addition to the right to use copyrighted text.

5. Identifying Owners of the Rights.

In many cases, it may be possible to identify the owner of the rights to be acquired by looking at the title page and introductory information pages of the published work. Even if the specific copyright owner or literary agent is not readily apparent, the publisher may be able to provide guidance and licensing assistance. The multimedia developer can also have the Copyright Office's records searched, contact writers' guilds, or engage the services of a rights clearance organization, such as Total Clearance (P.O. Box 836, Mill Valley, CA 94942; 415-445-5800).

Licensing Photographs, Artwork and Other Still Images.

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A multimedia product such as an "electronic book" may contain thousands of still images (along with video and sound content). Still images can come from a variety of sources, including photographers, graphic designers, artists, public domain

sources such as schools and libraries, commercial stock photo houses, and, more recently, CD- ROMs and online networks containing still images. The multimedia product developer considering still image content must weigh these various options in terms of the suitability of the images, the cost, and the relative ease or difficulty in obtaining the necessary rights. A very helpful and practical summary of some of the issues relating to still image licensing is published by Timestream, Inc. (6114 LaSalle Ave., Suite 300, Oakland, CA 94611; 510-339- 2463), and can be found on the World Wide Web at http://www.timestream.com/web/info/ license.html.
1.

Rights to be Cleared.

a.

Copyright.

The Copyright Act affords full protection to pictorial, graphic and sculptural works, including fine art, graphic art, photographs, prints and art reproductions, diagrams, maps, charts, diagrams and models, among other things. See 17 U.S.C. §§ 101, 102(a)(5). Accordingly, a multimedia product developer needs to review and analyze all still images that it intends to use in its product, and diligently obtain the necessary copyright clearances.

b. Rights of Publicity and Privacy; Defamation.

As noted above (see Sections III.A.3.b and III.B.3), individuals are entitled to certain rights of publicity and privacy, as well as protection under the laws of libel and slander. These rights clearly apply to pictures of a person (a picture may be defamatory if it shows or implies something false or derogatory about the person), and the multimedia product developer should consider obtaining appropriate releases and weigh defamation risks whenever images of persons are to be used in the product. Because professional photographers routinely obtain releases from the models they use and the owners of the property they photograph, multimedia product developers using professional images can usually review the applicable releases and/or obtain appropriate representations, warranties and indemnities from the content provider. If the images are obtained from journalists, amateur photographers or if they consist of historic images found in museums or libraries, it may be much more difficult to obtain the desired releases.

3. Identifying and Finding the Owners of the Rights.

If the multimedia product developer decides to have still images created especially for the product, it can ensure that it becomes the copyright owner through appropriate "work made for hire" agreements. See Section IV.A, below. If, on the other hand, public domain sources such as libraries are to be scoured for images, it may be much more difficult to identify, let alone obtain licenses from, all of the applicable rights holders. If a commercial source, such as a stock photo house or a seller of CD-ROM photograph collections, is used, the necessary rights can usually be obtained directly from the commercial source, which typically either owns all applicable rights or has been granted the ability to sublicense them. Finally, the developer can enlist the assistance of a rights clearance agency. See Section III.B.5, above.

Licensing Motion Pictures and Other Audiovisual Works.

[BACK]

Analyzing and obtaining motion picture and audiovisual content rights can be even more complex than the related process with respect to music content, as music is often just one piece of an integrated audiovisual work. Numerous rights, often held by a wide range of different parties, are frequently implicated. Once again, multimedia product developers should tread carefully, reviewing their content needs very closely, approaching the rights clearance process systematically, and engaging knowledgeable professionals and services where necessary.

1. Copyright Clearance.

Both "audiovisual works" and "motion pictures" enjoy full copyright protection under the Copyright Act. Audiovisual works are defined to be:

works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the material objects, such as films or tapes, in which the works are embodied.

17 U.S.C. § 101. Motion pictures are defined to be a subset of audiovisual works:

audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

Id. If one plans to use movie clips or segments of television shows, newscasts, commercials or similar content in a multimedia product, it will be necessary to obtain permission from the applicable copyright holders, even where very short clips are to be used. In most instances, the copyright in the motion picture or other audiovisual work will be owned by the production company that financed the film or television program in question. If the copyright owner is not readily ascertainable, it can also be useful to contact the distribution company, which often has such information.

In addition to obtaining permission to use the motion picture or other audiovisual work as a whole, it may be necessary to license separately copyrightable elements of the work that are included in the clip to be used. Such elements may include the following:

a. Music or Soundtrack.

It may be necessary to obtain a separate license or licenses to use music (see Section III.A, above) if the audiovisual work contains a preexisting musical work with a separate copyright owner or if the composer of a work created for the audiovisual product retained all or part of the copyright. In addition, if the music or soundtrack to the audiovisual work has been recorded and sold separately, the multimedia developer may need to obtain a license or licenses for use of the sound recording (see Section III.A.3, above).

b. Screenplay and Teleplay.

In most cases, rights to the television teleplay or motion picture screenplay are included in the copyright to the audiovisual work as a whole, but in some instances the writer may have reserved some rights to the script in his or her contract with the producer. If this is the case, the multimedia product developer may have to deal with the writer separately and obtain his or her permission to use the desired clip.

c. Underlying Literary Works.

If the film or television program is based on a book or other literary work, it may be necessary to obtain the author's permission to adapt the work for multimedia purposes. See Section III.B, above.

d. Characters and Animation.

If the desired film or television program clip contains cartoon animation or a character, it may be necessary to deal with the creator in order to obtain rights that he or she may have retained. See Section III.E, below.

e. Other Content.

If the film or television program clip focuses on a separate element of content, such as an identifiable person, photograph or other still image, the multimedia product developer may have to obtain releases or licenses with respect to such separately identifiable content.

6. Rights of Publicity and Privacy; Defamation.

As already discussed (see Sections III.A.3.b, III.B.3 and III.C.1.b, above), the multimedia developer needs to be aware of issues relating to publicity rights, privacy rights and defamation whenever using content relating to real persons. These concerns are clearly present in considering motion picture and other audiovisual content: Movie and television actors rely on their personas for their livelihood, and they may aggressively pursue what they consider to be unauthorized uses or misuses of their names, images, likenesses and other personal attributes. The product developer should consider obtaining releases from all recognizable persons who appear in audiovisual clips to be contained in the product.

7. Union Fees.

As discussed above in the context of music licensing (see Section III.A.3.c), it may be necessary to enter into agreements and pay union reuse or other fees if the services of union actors, musicians, writers, directors or other talent have been used in creating an audiovisual work to be incorporated into a multimedia product. In addition to AFTRA (for television clips) and AF of M, it may also be necessary to deal with the Screen Actors Guild ("SAG") (1515 Broadway, 44th Floor, New York, NY 10036; 212- 944-1030 or 5757 Wilshire Blvd., Los Angeles CA 90036; 213-549-6847); the Writers Guild of America ("WGA") (555 W. 57th Street, New York, NY 10019; 212-767-7800 or 8955 Beverly Blvd., West Hollywood, CA 90048; 310-550-1000); and/or the Directors Guild of America ("DGA") (110 W. 57th Street, New York, NY 10019; 212-581-0370 or 7920 Sunset Blvd., Los Angeles, CA 90046; 310-289- 2000). Depending on the type of content used, each of these unions may require reuse fees and other fees and/or the execution of content development agreements similar to those described in Section III.A.3.c.

8. Artist Contractual Rights.

In addition to union fees, individual artists and actors, especially well-known or popular ones, often have contractual rights to limit the use or adaption of the works in which they appear. These individual limitations may require the multimedia developer to obtain the celebrity's permission for use of the desired audiovisual clip, to pay him or her money, or to provide him or her with credit in a certain format. Because of the potential for these types of individual artist contractual restrictions, the multimedia product developer should perform due diligence by inquiring about the existence of such rights, asking to see the terms of the underlying contracts in question, and negotiating for representations, warranties and indemnities from the licensors with which it deals.

Licensing Characters.

[BACK]

Fictional or cartoon characters such as Bugs Bunny or Batman are frequently featured in multimedia products. These characters, in both their graphic and their literary forms, are generally protected by copyright, trademark and unfair competition laws.

1.

Copyright.

Characters that are depicted in graphic or pictorial form are afforded full copyright protection, as discussed in Section III.C.1.a, above. In addition, characters that are merely described in writing, rather than drawn, can also be entitled to copyright protection, but the degree of protection may depend on the degree to which the characters have been developed in literary terms. In any event, the multimedia product developer planning to use a character in a product should consider obtaining the consent of the character's copyright holder, especially if the character will play a significant role in the resulting product.

2. Trademark and Unfair Competition.

In many cases, graphically or pictorially depicted characters are entitled to protection under trademark and unfair competition laws. The protection enjoyed by the character is especially strong if the owner has federally registered the character as a

trademark and/or the character has gained importance in distinguishing a particular good or service. Again, the multimedia product developer should consider obtaining the owner's consent for use of any such character and should carefully weigh the risks of unauthorized usage.

C. OBTAINING CONTENT FOR MULTIMEDIA WITHOUT LICENSING. [BACK]

Given the complexities involved in obtaining rights clearances, it is easy to see why avoiding altogether the need for licensing content is an attractive concept. This Section explores possible avenues for avoiding content licensing and theories under which content licensing, for at least certain aspects of the multimedia product, may not be necessary under all circumstances.

A. Developing Your Own Content. [BACK]

One way for a multimedia product developer to avoid the burdens associated with obtaining the right to use preexisting content from all applicable rights holders is to end-run the problem entirely: The developer can either use its own employees to develop the needed content in-house, or it can utilize the services of independent contractors specially commissioned to develop content for the product.

1. In-House Development.

If an employee develops a work within the scope of his or her employment, the "work made for hire" doctrine under the Copyright Act specifies that the work will be owned by the employer unless there is an express agreement to the contrary. See 17 U.S.C.§ 101 (including the use of a work as a contribution to an audiovisual work, such as a multimedia product, as one of the enumerated "work made for hire" uses). Although works created by employees within the scope of their employment should automatically fall within the scope of the "work made for hire" doctrine, in order to avoid potential arguments about the scope of employment and definition of "employee," it is advisable for the employer to enter into written agreements with its employees defining the scope of employment and providing for the employer's ownership of all copyrightable works created by the employee within such scope.

2. Content Created by Independent Contractors.

By contrast, the "work made for hire" doctrine does not automatically extend to works specially ordered or commissioned from independent contractors. In this context, a work will be considered a "work made for hire" only if the parties expressly agree that they intend for it to be so. See 17 U.S.C. § 101. Therefore, if an independent contractor is commissioned to create content for the multimedia product, it is critically important for the parties to enter into a written agreement providing that the resulting content constitutes a "work made for hire" and that its copyright will be owned by the commissioning party. Moreover, to ensure enforceability, the agreement should be entered into before the content development occurs. See, e.g., Schiller & Schmidt, Inc. v. Nordisco Corp., 969 F.2d 410, 412-13 (7th Cir. 1992) (agreement must precede work); Playboy Enters. v. Dumas, 831 F. Supp. 295 (S.D.N.Y. 1993) (same). Finally, as an added protection, it is typical to add a provision stating that, if for any reason the work is found not to be a "work made for hire," the independent contractor will promptly assign all of its right, title and interest in the work to the commissioning party without further compensation.

3. Rights of Publicity and Privacy.

In developing content specifically for a multimedia product, it is important to remember that rights of publicity and privacy can be implicated that are separate from those of copyright. If an employee or independent contractor narrates or appears in some way in a specially commissioned element of multimedia content, the developer should consider obtaining appropriate releases allowing it to use the voice, likeness, image or name in question.

4. Trademarks.

A multimedia product developer that utilizes the services of employees or independent contractors to create content can assure that no trademark rights of others are implicated, as can be the case, for example, when graphic and pictorial characters are used in a product, as discussed in Section III.E.2 above. Any trademark rights that later flow from content created by employees or independent contractors likewise can be owned and controlled by the multimedia developer rather than by a licensor.

E. Using Preexisting Content Without Licensing .

[BACK]

1. Fair Use Doctrine.

Under some circumstances, it can be possible to use another party's validly copyrighted work without obtaining permission. The "fair use" doctrine, codified at 17 U.S.C. § 107, provides that certain otherwise- infringing uses of a copyrighted work are "fair" and acceptable. In particular, the Copyright Act provides the following four non-exclusive factors to be considered in determining whether a particular usage of a copyrighted work constitutes a fair use:

*The purpose and character of the use, including whether the use is for commercial or educational purposes.
*The nature of the copyrighted work.
*The amount and substantiality of the portion used in relation to the copyrighted work as a whole.
*The effect of the use upon the potential market for, or value of, the copyrighted work.

As noted above, these factors are not exclusive, and there is no hard and fast rule as to how they are to be applied or what weight to afford them. The courts usually engage in a case-by-case analysis of the entire set of circumstances to reach a conclusion about a claimed "fair use" of a copyrighted work. While there are no absolutes, a use is generally more likely to be held to be "fair" if: (a) it is primarily for educational, not commercial purposes; (b) the use is "transformative" in the sense that new expression or meaning is added; (c) the underlying work has been previously published; (d) the underlying work is predominantly factual rather than creative or fictional; (e) a relatively small portion of the underlying work is borrowed; and (f) the alleged fair use has no identifiable adverse impact or potential impact on any market for the underlying work.

While "fair use" is obviously an attractive concept for multimedia developers, it is also a dangerous one. Given that many multimedia products are developed for commercial purposes, developers incorporating significant portions of copyrighted content run a definite risk that their "fair use" arguments may be challenged, perhaps in court. In addition, it should be noted that "fair use" applies to copyright

alone, and does nothing to address potential publicity, privacy, trademark, defamation, contractual or other issues.

5. Public Domain Content.

Under U.S. copyright law, a work is considered to be in the public domain, and a multimedia product developer does not need to obtain permission to use it, if the copyright in the work has expired or been abandoned, or if the work was created by the federal government.

Because the U.S. copyright laws were substantially revised in 1978, determining whether a copyright has expired is somewhat tricky. For works created after January 1, 1978, copyright protection extends for the life of the author plus 50 years (or, in the case of "works made for hire," protection lasts for the lesser of 75 years after publication or 100 years after creation). Works created before 1978 are subject to a more complex set of statutory rules, but, in general, are not afforded more than 75 years of protection. A developer hoping to use a work for which copyright protection has expired should consult with an experienced copyright practitioner before proceeding.

Works created and published prior to 1978 were deemed abandoned and automatically entered the public domain if a proper copyright notice was not included upon publication. Works created after 1978 but published before March 1, 1989, could also fall into the public domain if published without a proper copyright notice, subject to a five year cure period and certain other exceptions. Works first published after March 1, 1989, are not required to have any copyright notice and will not fall into the public domain if they lack one. Again, a developer hoping to use a work for which copyright protection has been abandoned should consult with an experienced copyright practitioner before proceeding.

Multimedia developers should also be aware that a work's public domain status under U.S. copyright law is no guarantee that there are no rights clearance issues associated with its use in a product. For example, a work that has entered the public domain under U.S. law may still be protected under the copyright laws of other countries, and therefore a multimedia developer could risk infringement under foreign law if a product incorporating such a work were distributed internationally. Furthermore, it is conceivable that embedded within a public domain work are content rights that are enforceable under copyright law or otherwise (e.g., rights in a sound recording appearing a public domain motion picture, or rights in the underlying script of a public domain sound recording of a radio program)

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