

# Intellectual Property in the Digital Age

## Making Money & Avoiding Lawsuits

**JERRY:** What do you mean he's bootlegging the movie?

**KRAMER:** Well, it's a perfectly legitimate business.

**JERRY:** It's not legitimate.

**KRAMER:** It's a business.

—“Seinfeld,” Episode 138.

**I**F YOUR GOAL IS TO EARN A LIVING making movies, it's essential to have a basic understanding of intellectual property—how you can exploit it for profit and how you can avoid wrongfully interfering with someone else's rights. You must have a grasp of these basic concepts or else, regardless of how good your film may be, you will never achieve the maximum profit from all revenue sources that can be achieved as a moviemaker.

The basic concept of property law is that owners of property can prevent others from using what belongs to them. Intellectual property law is very similar to the laws governing “tangible property” (i.e. a desk, camera or car) and “real property” (i.e. real estate). Intellectual property is the ownership of thought creations and is divided into copyright law, trademark law and patents. Just as tangible or real property can be sold, lent for free or rented for use, so too can intellectual property.

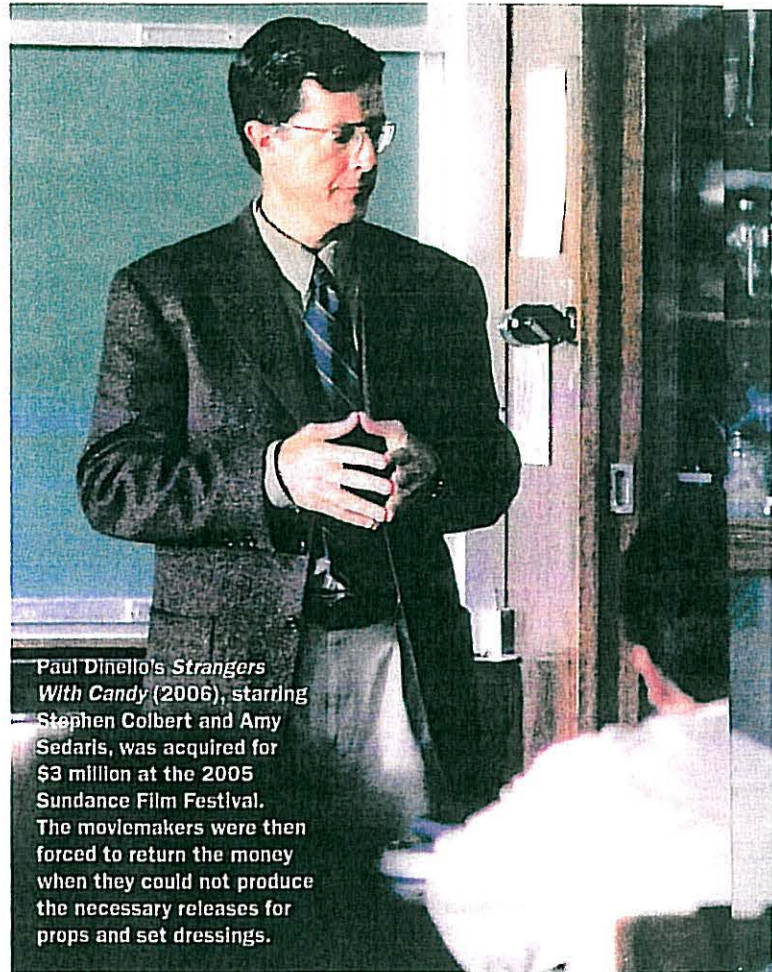
### **PATENTS:** Are You an Inventor? Do You Know Someone Who Is?

Patents govern inventions. The law grants the inventor the right to control (for a period of time) who can use his or her invention and who must pay to use it. In today's digital age, the nature and number of patents have exploded beyond anything ever previously contemplated. For the digital moviemaker, this means that every new film technique, piece of equipment or way of accessing, arranging or interconnecting with a Website is patentable, as are the design elements of Websites and videogames. If, while making your movie, you stumble upon a better way of improving the process, you might be able to benefit financially by controlling how that process is used by others.

### **TRADEMARKS:** Don't Mess With Barbie, Major League Sports or Nike... Unless You Are Ready For A Fight

Trademarks (or service marks) control business names and business or brand identifiers, such as words, logos or sounds that help people identify the proper designation of goods and/or services and prevent others from unfairly trading off the good name established by another. When establishing your company's identity, consider what logo might best leave an indelible mark in the memory of the public. While registration is not necessary to protect your mark, certain advantages to filing a trademark do exist. As for the trademarks of others: Today's moviemaker must be vigilant in ensuring that all of the marks that appear within the camera's lens have been properly cleared and licensed for use in the film by the trademark owners.

While some companies are flattered to have their products appear in a film, others are not. Professional sports teams, entertainment properties and other goods with highly recognizable brand names are extremely vigilant in policing for unauthorized uses of their marks. What do *Heaven Can Wait*, *Ace Ventura: Pet Detective* and *Jerry Maguire* have in common? They all portray the NFL in a positive manner, and as such received permission to use highly visible NFL trademarks. What do *The Replacements*, *Buffalo '66* and *Any Given Sunday* have in common? They all portray the NFL in a negative manner, and as such were denied permission to use NFL trademarks. The independent film *Drop Dead Gorgeous* played the festival circuit under the title *Dairy*



Paul D'Inello's *Strangers With Candy* (2006), starring Stephen Colbert and Amy Poehler, was acquired for \$3 million at the 2005 Sundance Film Festival. The moviemakers were then forced to return the money when they could not produce the necessary releases for props and set dressings.

*Queens*, however a certain ice cream company went to court to enjoin that title from being used. Likewise, Mattel has been extremely protective of its Barbie doll trademark and has brought assorted court actions to control how and when she appears in films. The original *Toy Story* was unable to secure the rights to use Barbie, but Mattel later realized its mistake in missing a great advertising opportunity. So *Toy Story 2* featured an army of Barbie dolls. The importance of understanding and complying with trademark and



clearance laws cannot be overstated. Nothing can be more devastating to a moviemaker than having his or her film acquired by a big distributor only to have the distributor unwind the deal because the moviemaker cannot deliver the clearance releases demanded by the distributor.

Think that doesn't happen? Think again. Warner Independent Pictures acquired *Strangers With Candy* at the 2005 Sundance Film Festival for approximately \$3 million. The moviemakers were then forced to return the money when they could not produce the necessary releases for props and set dressings that Warner demanded. THINKFilm is now set to distribute the film (presumably for a not-as-sweet deal) after the producers spent nearly a year to correct the clearance issues. Many other films suffer this same plight—without the same level of publicity accorded *Strangers With Candy*.

### **COPYRIGHT: Never Mind the Da Vicini Code, Copyright Is the True Holy Grail for Moviemakers**

Copyright protects the expression of ideas, such as a screenplay, photograph, motion picture or other similar artistic creation. All of the riches



that flow from these creations flow to those entrusted with the ownership of the sacred copyright. Copyright law grants the author of the work the right to control (for a period of time) who can use it. Since many individuals might arguably claim they are the "author of the work" (i.e. the screenwriter, director, camera operator, etc.), a smart moviemaker will make sure that every contract with every cast and crew member states that their services constitute "work made for hire and the producer shall be deemed the

author of the work for copyright purposes."

When a moviemaker captures a picture on film or in a digital format, copyright automatically is bestowed on the author of the work—even before the film is developed. Another person or company may ultimately come to physically possess the motion picture, but unless the copyright is transferred through a written agreement, it remains with the initial creator. Only the copyright owner has the ability to control the reproduction of the film. The copyright owner can sell the entire copyright to someone else and lose all ownership or the copyright owner can license the copyright (for theatrical distribution, for example) and retain control of other aspects of the copyright (video distribution rights, for example). Licenses can be as limited or as unlimited as the copyright owner desires. Intellectual property is not tangible; you can't put a lock on it and you can't put a fence around it. But as a moviemaker you must be ever vigilant in protecting your copyright and the various pieces of it. Read contracts carefully to understand what you are and are not giving away to third parties and develop a plan to control the access of your masters and dissemination of your product to fight piracy.

Remember, the copyright owner alone controls how to duplicate and distribute his or her work. This is the essence of "intellectual property." A consumer can own a DVD copy of the film, but the consumer's ownership merely consists of the tangible property of that specific DVD itself. The consumer cannot make copies of the DVD for others or publicly display the picture for profit, because those rights are intellectual property rights that lie solely with the copyright owner and/or his or her licensees.

### **COPYRIGHT INFRINGEMENT: The Only Good Pirates Are Jerry Bruckheimer Pirates (Or the Boys From Pittsburgh)**

Copyright infringement has never been a greater concern than in today's digital age. Piracy overseas and at home is at an all-time high. The most recent MPAA estimates state that the entertainment industry loses \$6.1 billion each year to piracy. Pirated films appear on the Internet within days of a theatrical release—sometimes even earlier! MiniDV cameras can be easily concealed to steal a film from the comfort of a movie theater. And it often seems that as quickly as encryption technology is created to prevent DVD duplication or unauthorized Internet transmissions, a hacker has broken the code. Fighting global piracy is currently the number one objective of the MPAA. Congress is responding with tougher laws to punish domestic pirates, placing economic pressure on foreign countries where piracy runs rampant.

### **COMMON LAW COPYRIGHT VS. STATUTORY COPYRIGHT: Knowing The Difference Really Matters**

As soon as a screenwriter puts pen to paper or a photographer releases the shutter, copyright protection is afforded to the author. This is known as "common law copyright." Anyone who violates the common law copyright of another is liable for the actual damages (i.e. lost revenue that occurred to the copyright holder).

Although a copyright holder need not do anything to hold a copyright once the work is created, if the copyright holder chooses to file a copy of his or her screenplay, motion picture, etc. with the U.S. Copyright Office, then a "statutory copyright" is created. A statutory copyright holder is also entitled to recover actual damages from an infringer. However, unlike the common law copyright holder, the statutory copyright holder can receive: 1) double damages (two times whatever the actual damages may be) or 2) statutory damages in the amount of \$150,000—whichever is greater.

In addition, the statutory copyright holder is permitted to recover all attorney fees and court costs associated with bringing (continued on page 85)



# Indie Counselor

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an infringement action. Thus, any author who does not regularly file copies of his or her creation with the federal Copyright Office would be foolish, as he or she is failing to take advantage of the financial rewards the government accords in the event of a future infringement. Of course, in order to obtain double damages, statutory damages and attorney and court fees, it is essential to prove that filings with the Copyright Office were made either within 90 days following the creation of the work or prior to the infringing activity. All too often people who have been the victim of copyright infringement learn too late of the difference between common law and statutory copyright. Remember, only the federal government via the U.S. Copyright Office can accord you with a statutory copyright. Other programs, such as private online registries like the WGA Screenplay Registry (while worthy for serving certain other purposes), do not and cannot create a statutory copyright for your work.

## AVOIDING VIOLATING THE RIGHTS OF OTHERS: The Golden Rule

Just as every moviemaker should be aware of how he or she can profit from copyrights, he or she should also be aware of how to avoid infringing on the rights of others. Thus, if your film visibly captures someone else's copyrighted (such as a poster or sculpture) or trademarked (such as a Major League Baseball hat or a Nike T-shirt) work, that rights holder *may* have an action against you. In addition, as discussed above, someone who assists you in creating the screenplay or filming the movie may have an ownership interest in the copyright, unless this issue is clearly sorted out in advance (generally via a written contract).

Similarly, a number of cases have developed concerning a distinct right known as the "right of publicity," which is the right of an individual to control the use of his or her name and likeness (including voice and signature) in a commercial setting. Celebrities who earn fees for endorsing products typically exploit the right of publicity. However, average folks can sue in certain situations if their image is used without their permission as well. If someone violates another's right of publicity, the individual can obtain compensation, including certain statutory remedies (depending on the state) and actual damages equal to lost revenue and a disgorgement of profits.

In a case called *Comedy III Productions, Inc. v. Gary Saderup, Inc.*, a defendant was liable to the heirs of the Three Stooges when the defendant sold T-shirts depicting the Three Stooges. The defendant tried to argue that the first amendment

protected him, but the California court reasoned that a work is protected by the first amendment *only if* it contains "significant transformative elements" or if "the value of the work does not derive primarily from the celebrity's fame." Exactly what the court meant by several of these terms remains a debated subject in the legal community. Thus, in the wake of *Comedy III*, it is best to play it safe and consult with an attorney to best understand what is and is not permitted to be included in your film.

Other potential problems for moviemakers include legal actions based on the "cousin" of the right of publicity action, known as the "right of privacy." There are three types of invasion of privacy: 1) intrusion into seclusion, which is the intrusion into one's private affairs (this normally involves hidden surveillance and secret photos that are highly offensive to the unknowing subject) 2) the public disclosure of embarrassing private facts which have no newsworthy value and 3) false light, which is an invasion of privacy which publicly places a person in a non-newsworthy, "highly offensive false light"

## TIPS ON AVOIDING LAWSUITS: You've Heard It Before But It's Worth Saying Again

Today, lawsuits are more prevalent than ever; simply because you are making an indie film for little or no money doesn't excuse you from following the same clearance procedures as the big guys. Of course, if your film is never seen, you have nothing to worry about. But if it *is* a success, distributors will insist that you have the proper paperwork in order to ensure that no lawsuits will follow. Here are some tips on how to do it right:

- 1) If you think a legal issue may exist then consult with legal counsel.
- 2) Register your work so your ownership is on record with the U.S. Copyright Office.
- 3) If anyone is assisting you, you should have a written agreement that clearly states that his or her work is "work-for-hire"—this means that *you* own the copyright, not the employee.
- 4) Obtain releases from all actors and extras (including releases for right of publicity).
- 5) Obtain releases from any location owner or owner of a distinctive prop or set dressing that may have a copyright or trademark interest.
- 6) Use all-encompassing releases for all technologies. New methods of distribution are constantly being created. Your release should cover film, videotape, discs, DVD, the Internet and any other technology or means of distribution, whether "currently known or not yet devised."
- 7) Obtain errors and omission insurance. **MM**

Have a question for David Albert Pierce, Esq.? Email it to [counselor@moviemaker.com](mailto:counselor@moviemaker.com).

PIERCE  
LAW GROUP LLP