

The Dirty Dozen

Revue and analysis of the chain of title of copyright is a critical step in the acquisition of rights for the production or development of a motion picture, video game or other work dependent upon rights in copyright, and the financing of any such production. Chain of title analysis must often be conducted in the face of incomplete copyright filings, poorly maintained production files, and authors whose personal papers, including their wills, do not meet the same standards as those authors' literary works. This is the first seven of our list of a dozen key issues to getting the rights in copyright needed to finance and produce a motion picture or develop a video game or other derivative work.

PART ONE OF TWO

Obtaining rights in any copyrights created by someone who is deceased presents special issues. As a threshold matter, you need to identify who the author's heirs are, and to keep in mind that no matter what probate documents say, the author's plan of distribution may vary from what the copyright statute provides. If the author has a will, it is important to examine it closely. If there is no will, then the copyright interests held by the author will most likely pass in accordance with the laws of intestacy. Because different states have very different applicable legal regimes, it is important to determine where the author was domiciled on the date of his or her death.

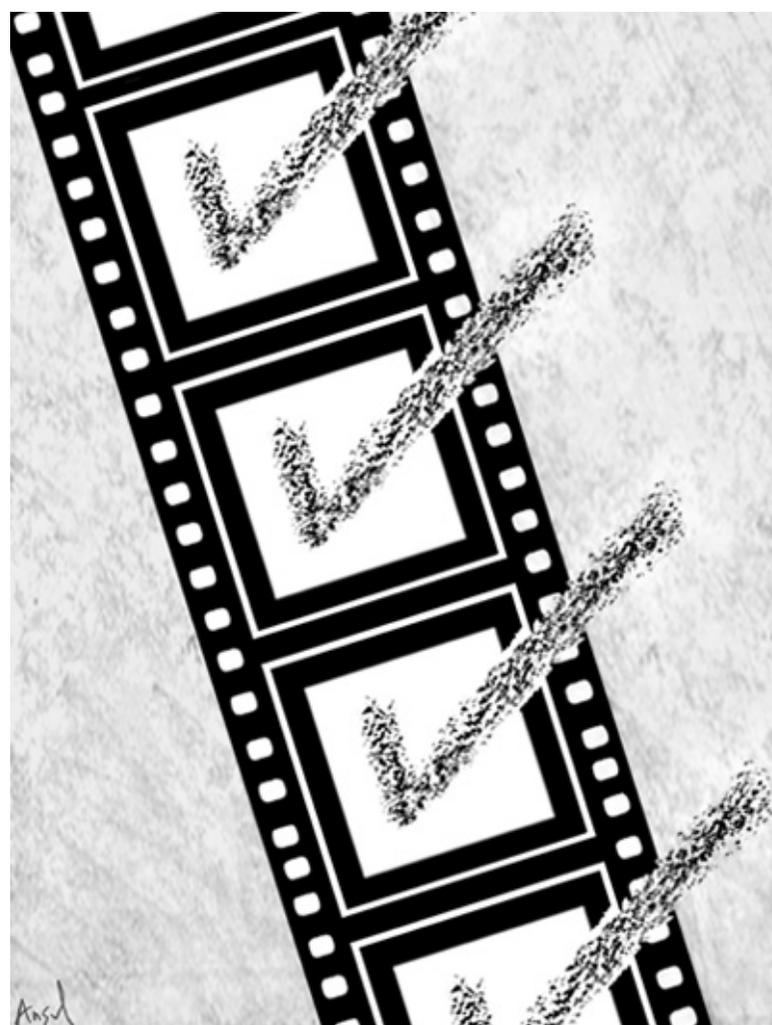
A "joint work" is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole. Each author of a joint work owns an undivided interest in the copyrighted work. Thus, issues often arise with respect to exclusive licenses, which cannot be obtained without approval from all co-authors. Chain-of-title review for a joint work will thus require the identification of all co-authors, which can be extremely difficult. As long as each contributor makes more than *de minimus* contributions and intends his creation to be merged inseparably with that of other authors, he will probably be deemed a co-author; however, a party who solely contributes money, labor, or ideas to a joint work will probably be found to lack the level of "authorship" necessary to qualify as a co-author.

It is often difficult to properly identify the "author" of works created outside of the United States; however, such identification is essential to ensuring a proper chain-of-title. If the foreign work is a film or other audiovisual work, the author for the purposes of copyright could be the writers of the screenplay, one of the producers, or the director of the film. If the work is a phonorecord or sound recording, any

given musician, producer, or composer could be an author. In either case, authorship will be determined by the copyright laws of the country where the work was created, which can conflict with the United States' copyright regime. Some foreign copyright regimes also grant authors moral rights or *droit moral*, which are not available for United States works. Thus, while some rights in a foreign work may be licensed, sold, and transferred, others remain indefinitely with the original author of record. Only by identifying the correct author or authors can you ensure that moral rights are waived (to the extent possible). Identifying authors becomes even more demanding when the foreign works have been created by joint authors - sharing equally in all rights - or when the creators have otherwise divided their exploitation rights.

Copyright office records can reveal information about ownership, publication dates, transfers, and derivative works that is essential to a chain-of-title search. A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed (or such owner's duly authorized agent). Further, as between two conflicting copyright transfers, the one properly executed first prevails if it is recorded first and meets other statutory criteria. Therefore, even those rights granted under an otherwise legitimate transfer may be superseded. To avoid such problems, copyright owners should register a copyright in the subject matter of the document and record any necessary documents early, which will secure the full benefits of constructive notice and priority. Ultimately, without a proper search of the copyright records, a producer or studio could produce a costly project only to find that they never *actually* had the right to some or all of the underlying literary material.

Dealings among affiliated companies in rights in copyright can raise issues if the transactions between the entities are not arms-length, or if the transactions are poorly documented or not documented at all, or if the purposes for which the affiliated companies arranged the transactions between them are at odds with a clean chain of title. Suppose that Big Film Development, LLC acquires the motion picture production rights in a novel. Big Film Production, LLC produces the film, and Big Film Distribution, LLC enters into all the licenses to



subdistributors. How are rights transferred between these entities? Has fair value been paid in each affiliated transaction? How are the affiliated transfers documented? Sometimes there are no documented transfers, and if that's the case, Big Film Distribution has no rights to grant, and Big Film Production's production of the motion picture has infringed rights held by Big Film Development. Other times, there are documented transfers among the related entities, but they are documented in ways that raise issues for a financier or licensee of rights. Security interests granted between affiliated companies raise other issues, as of course do security interests from any of the affiliated companies to third parties.

An owner of a copyright in a work is entitled to assign and license rights under that copyright. What about an owner of a particular exclusive right under copyright - for example, the right to produce a motion picture based on a novel, or the right to exploit

television rights in a motion picture? At least in the Ninth Circuit (California, Alaska, Arizona, Hawaii, Idaho, Montana, Oregon and Washington), an owner of exclusive rights in a copyright cannot assign or sublicense those rights without the consent of the original licensor or assignor of those exclusive rights. In a chain-of-title review, this requirement for consent must be considered for each license, assignment or quitclaim of exclusive rights in the chain of title. Indeed, provisions on further licenses, sublicenses and assignments, far from being mere standard provisions, require close attention both in the review of licenses and assignments of exclusive rights as part of a review of chain of title, and in drafting and negotiating such instruments, whether for the licensee/assignee who depends upon them for chain of title, or for the licensor/assignor who may seek to restrict further transfers of the rights being licensed or assigned.

Many works are derivative of some other work. A motion picture is based on a novel; a video game is based on a motion picture. The producer of the derivative work needs to be granted the right in the underlying work to produce the derivative work. So the developer of the video game that is based on a motion picture needs a grant of rights from the owner of the copyright in the motion picture to develop the video game. But what if that motion picture was in turn based on a novel? If all the producer of the motion picture got from the owner of the copyright in the novel was a grant of rights to produce a single motion picture, then the developer of the video game will need a grant of rights from the owner of the copyright in

the motion picture to develop the video game based on the motion picture, and will also need a grant of rights from the owner of the copyright in the novel to produce the same video game as it is based on the novel - if, that is, the video game retains enough of the elements of the novel to infringe the copyright in the novel absent a direct grant of rights in the novel.

These issues, and the five remaining issues we will discuss in the conclusion of this article, are among those that can make the review and analysis of copyright chain of title as challenging as it is important to the success of the motion picture, video game or other project that depends upon the successful acquisition of rights.

Robert Darwell, Edwin Komen and Thomas Glen Leo, are partners in Sheppard Mullin Richter & Hampton's Entertainment, Media, and Technology Practice Group.