

14 MULTIMEDIA LICENSING CONTRACTS: USES AND RIGHTS

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Museums and cultural institutions are:

- users and displayers of the works created by others
- creators of original works
- owners of collections of images, objects and documents
- licensors of images and name
- merchants of products
- educational institutions entitled to fair use exceptions.

With each of these roles comes the obligation to respect and maintain the legal responsibilities that define and govern these multiple relationships.

Impressive computer-based collections efforts have created storeholds of museum images that are being sought for boundless educational, reference and entertainment opportunities in the new technologies, both because museums contain vast content for these informational products and because there is a general assumption that rights clearance will be easier when approaching one source. But, the decision to license the museum's images for consumer products involves careful evaluation of collections priorities, the best deals and the right technology because limited staff resources are inevitably consumed in producing these ventures. This conference, designed to explore specific museum-based applications and initiatives, is particularly important in gaining knowledge of the present commercial marketplace and an understanding of the developments/initiatives presently underway that may affect the future marketplace.

This paper reviews the contract issues to be considered by museums in entering into agreements to license works in the collections for commercial multimedia uses, including reference databases, software games, CD-ROMS, videodiscs, CD-I, distance learning/classroom links, online databases, and a host of other forms. It is solely from the perspective of an attorney practising under U.S. copyright and contract laws, and acknowledges at the outset the peril of advising on copyright considerations in an international setting. The discussion assumes that the museum has cleared all copyrights (and artists rights) it is prepared to license, or will specify by contract the obligations for clearing those rights. This practical advice will permit limited, defined licenses to third parties in a manner that, to the extent possible, safeguards the integrity of the museum's images.

Contract issues

The immediate and pressing question before museums today-how to prudently license images from the museum's collections for a multitude of commercial or educational applications-must be evaluated in a manner that exploits the potential of electronic media while safeguarding the interests (and obligations) in the museum's holdings.

When approached by a vendor seeking association with the museum, either in the form of substantial content or the museum's name, request at the outset a detailed written proposal and evaluate it carefully. Determine whether the project is worth investing staff resources and whether it appropriately represents the museum and its collections. Assess a producer's/vendor's reliability after all, the museum's name is its reputation. Among the relevant considerations in evaluating a prospective partner are the following: track record and stability; other products the company has produced (review catalogues, read reviews, sample products) evaluate the look and feel of the products. Ask for a client list; call references; determine whether the company has successfully produced/marketed other museum ventures. Knowledge of the primary markets for these products will help in assessment of how well the vendor knows the marketplace. Consider subjective factors such as trust and confidence, whether this a good match between the museum and the vendor.

Assuming the proposal is satisfactory and the museum wishes to proceed, major contract issues will include scope of agreement, uses of product, control of images, copyright, use of museum's name, and compensation. Many of the sub-issues are discussed below. A simple framework for contract formation may be stated as follows:

- Who puts up what (money or in-kind);
- Who makes the decisions
 - content
 - business
 - creative
 - marketing;
- Who retains what rights;
- Who distributes it, and how;
- How is compensation handled;
- How are disagreements resolved.

Scope

Specify with precision what is provided, and who decides. Define those areas for which the museum has responsibility, and those left to the product developer. Unless the compensation or desirability of the product warrants it, requests for exclusivity should be rejected outright; non-exclusive arrangements permit flexibility in pursuing future possibilities. Because these products have vast storage capacity, a broad grant of rights may foreclose a future opportunity or may not adequately account for technological changes, legal changes, or consumer whim.

Specify the length of agreement; a producer wants a long term for development/recoupment, but this may not be in the museum's best interests, especially in light of the volatile technology and the valuable information. Consider terms no longer than 3 or 5 years, offering renewal provisions and/or rights of first negotiation as an alternative to a producer's demand for a longer term. Specify the geographic area, worldwide or limited. Determine who clears any outstanding rights and how. Limit the

platforms (specify hardware, software and technologies) and the uses of the licensed material. Reserve to the museum all rights except those expressly granted in the contract.

It is particularly important in negotiations to reject a grant of rights that would permit the image to be secured for one work, stored in the vendor's digital databank, and revised, without permission, review, or compensation, by the vendor (or sub-licenses) in future products. If new photography is shot, limit the use to this product only. Require a reversion of rights if the product is not to market within the specified time. If appropriate, negotiate royalty free use of the product for the museum's internal educational activities.

Copyright

Under US law, the copyright owner has the right to control reproduction, adaptation, distribution, public performance and public display of a work and to control derivative works. The two analytical stumbling blocks in the rights area are:

- who is the author/creator (thus copyright owner) of this digital work;
- is the product a new creation or is it a derivative work?

Of course, the answer will vary depending upon the nature of the product. In any analysis of the "rights" to a product, there will be multiple rights to be negotiated or determined, for example, the rights to the "content" (i.e., images or other data provided by the museum); the rights to the software (the program for successful capture, retrieval, display); the rights to the "compilation" (the packaged product). Ownership of discrete rights should be set forth in the contract and, while it might not apply in all circumstances, a safe starting point is that the museum holds the copyright to the images and all derivative works utilising the images. Ownership of the right to the compilation is subject to negotiation. Copyright in the compilation grants the privilege of reproducing and distributing the discrete contributions licensed from various sources, but only as part of the collective work, i.e., the product itself (and revisions, if that right is granted), but the copyright in the separate contributions remains intact.

In the agreement, specify who owns what, require notices and enforcement provisions to protect the museum's copyright interests. State the precise language of the credit line, where it must be placed, when it must be used. Evaluate those circumstances where it will be appropriate (if ever) to transfer copyright to the images (even where new photography is shot, museums should seek to retain copyright). Specify which party must obtain copyright clearance for use of images if the museum does not have these rights, or whether the museum only grants the rights it has; specify which party pays for clearing additional rights.

Generally, the museum should insist on copyright in small-scale "electronic books" or similarly bounded and defined projects where all or most of the content comes from the museum. In significantly larger value-added products, the museum role will typically be limited to approval of image presentation, credit line, and copyright in the discrete licensed images; the database producer secures copyright in the compilation and other proprietary elements. The projects that fall somewhere between these two types, for example, those that represent a significant investment of museum staff support or association but are not museum products, are open for negotiation and in many instances, joint copyright will be appropriate. It is important to keep in mind that each joint copyright owner may make unlimited use of the work, subject only to the obligation to account for proceeds; therefore, it is prudent to state the authorised uses in the agreement, and to consider future uses by subsequent written agreements between the parties.

Use of name

It is vitally important that the museum limit uses of its name to those approved for the product and its advertising; forbid other uses. Require written approval for use of name and products in advertising, display or other commercial or promotional purposes; require that these provisions be passed on to subcontractors or sub-licenses of the producer. A standard clause for accomplishing this purpose is as follows: "[e]xcept as provided herein, (Company) shall not refer to the name of (Museum) in any manner, or through any medium, for any purpose, including advertising, marketing, promotion, or publicity without prior written approval."

Compensation

Realistic compensation permits a museum to cover the costs of the product and, if successful, return a profit that can be devoted to continuing support for the museum's educational mission. In evaluating adequate compensation, realistically assess the market; it is difficult to know what is reasonable without knowing the expected return on the product. Some ventures may be more appropriately compensated in the form of upfront payment; in other cases, the museum should expect a certain royalty stream. If the extent of participation is minimal content, payment upfront can be expected and the museum's reproduction fee per image may be an appropriate measure. For royalty arrangements, publishing or other product agreements may provide good models. Compensation will depend on the amount of staff work, the proportion of museum content in relation to the product as a whole, the museum's association with the product, etc. Expect an upfront payment, either as a nonrefundable minimum guarantee or as an advance against royalties, and a quarterly royalty based on percentage of sales. Carefully define the royalty based on sales revenue (gross? net?) Specify allowable deductions (permit few and demand the right to audit books). Specify percentages for other markets if such rights are granted. The museum can agree to negotiate secondary or future uses, depending upon the product; evaluate whether it would be in the museum's interests to specify a formula upfront or to wait.

If exclusivity is granted, or if open uses/future uses are agreed upon, demand a higher return. Consider the expectation to renegotiate compensation after certain time or quantity of sales. Consider carefully whether bundling arrangements should be considered and, if so, how compensation will be affected.

A note of caution: Seek the appropriate balance. If too restrictive or expensive, the museum will be passed by; if too loose, the museum will not be adequately compensated and may lose control over images.

Control of images

Control of the product is perhaps the most important, and often overlooked, aspect of any agreement. Technical control, curatorial control, marketing and distribution control, must be specified in the agreement. Where the product is museum-identified, schedule product approvals at specified junctures: initial product concept; inspection intervals; right of inspection of manufacturing (depending on nature of product); verification; final cut approval and approval of packaging. Even where the museum has little involvement in the product, curatorial control must be assured for reliability. It is important to require approval of colour correction, cropping, placement in relation to other images (or sound), and any alterations. Review and approve the credit line.

Specify the resolution. Lower resolution may be sufficient for the purposes of the product and it may deter piracy of the images and also permit additional deals in different markets. Spell out the terms and conditions of user access, whether the image is for display only (not downloading), and, if appropriate, include requirements for encoding.

With respect to distribution of the product, require "best efforts" in marketing and distribution. Whether the vendor uses a distributor, and how, may affect the business aspects. Insist that contract clauses be passed through to distributors, subcontractors or others, and do not permit the product to be used for promotional activities, premiums, or giveaways.

Finally, be prepared in the event the deal goes sour. Include a "no assignment" clause (or advance approval for assignment) to prevent association with a disreputable, inappropriate or marginal purchaser. Include default provisions that specify compensation, use of images and disposal of inventory. Among the matters to be considered in post-termination situations are the right to sell product on hand for a set period; the right of museum to purchase at discounted price; whether, upon termination, the producer must destroy product and production materials; whether the museum gets back digital masters or other formats; whether the museum can make unlimited educational use of the material in its product form and whether it can reformat the material to accommodate different technologies. With respect to online databases, determine whether licensed images remain in the database or are expunged.

General

Of course, other standard contract issues must be included: warranties and indemnifications, insurance, cooperation in litigation to go after third parties for infringement, copyright notices, governing law, licensed territory, etc.

Conclusion

Thinking through the business decisions, the contractual issues and the content questions, well in advance of committing to the project, will assure a better agreement and probably a more valuable product. At a minimum, an agreement should favour the museum in terms of contemplated uses, control, and compensation. DO NOT simply sign a licensee's form contract, use it as a starting point for your negotiations. It is important to keep in mind that museums have prior experience in licensing images for publications and have developed procedures for controlling physical access. Thus, some degree of predictability can be expected in resolving what appears at first blush to be a very uncertain contractual undertaking. Museums should seek to regulate uses of images and the accompanying information, and to protect a legitimate revenue source, through careful evaluation and contract drafting. These contracts can contemplate and resolve known uses and certainties, reserving until another day those uses for which the law or the technology cannot provide adequate protection.

