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## Areas of Law That Every Celebrity Licensing Attorney Ought to Know Something About

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*Is there a line between “real” business and entertainment? Not anymore. At least as far as consumer businesses go, entertainment is a critical term of the equation. The lines between entertainment and non-entertainment are disappearing. Entertainment pervades the economic landscape and, in so doing, is reshaping every business that it touches. Airlines, communications, hotels, fashions, restaurants, even banking are adopting and adapting to the E-Factor. In the end, few businesses will be able to escape the impact of entertainment. (The Entertainment Economy, by Michael J. Wolf.)<sup>2</sup>*

So you’re considering becoming a celebrity licensing attorney or, you’ve been asked to negotiate and draft an endorsement deal on behalf of your company. The idea seems both interesting and perhaps daunting and you’re wondering what your law school experience has prepared you for in order to understand, negotiate and draft such a celebrity license. Why are you the one stuck with the task of undertaking the new challenge and why are so many other attorneys uncomfortable about entering into the sometimes rarified air of celebrity licensing and what is it that you need to know in order not to commit malpractice in your very first effort?

The answer may have something to do with the same rigors and challenges that talent often faces in breaking into the entertainment industry. Wanting to be a screenwriter doesn’t mean that you can sell your script. Genuine desire to be an actor doesn’t guarantee you’ll get a SAG card. Talent and effort alone don’t ensure that you’ll get a shot on Broadway or a record deal. The simple truth is that in the entertainment industry, talent and preparation does not always guarantee that the opportunities will materialize or that the timing will be right.

Fortune, fate, happenstance, destiny, serendipity, and luck are all terms which we routinely hear members of the entertainment community use in describing their career development. This is not to imply that years of training and preparation and extraordinary amounts of God-given talent aren’t there as well, but it is the simple acknowledgment that for many people in the entertainment industries, being at the right place at the right moment seems to have been as important as all of the talent and training combined.

Lawyers, on the other hand, like many other academically trained professionals, are taught to discount “fortune” and to rely upon their own

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2. At Page 52.

analytic abilities and hard work. When those qualities alone do not ensure successful entry into an entertainment practice, law schools and colleagues begin tempering a motivated young lawyer's enthusiasm with recitations of the multiple challenges that preclude admission to the rather rarefied air of entertainment law. Rather than saying that you must be very fortunate to have the opportunity, and thus chalk it up to luck, they recount the multiple impediments that the aspiring practitioner must overcome.

While fate and good fortune clearly impact each life, there are things which attorneys should know if they really want to practice in entertainment or become a celebrity licensing attorney. Elmer Letterman once said that luck is what happens when preparation meets opportunity.<sup>3</sup> If we can make our own luck, we do so by being prepared to help potential clients when the opportunity presents itself. Preparation is something within our control. Undoubtedly, that is why you're reading this article or attending this seminar, you're already interested in preparing yourself to practice in this field.

Are there specific areas of law that you and every celebrity licensing lawyer ought to know? Resoundingly, the answer is yes!

Before considering each specific legal area, it is important to recognize that entertainment has become a ubiquitous force that has permeated every part of our modern society and economy.<sup>4</sup> Weekend box office totals are reported on the nightly news.<sup>5</sup> Every major newspaper has at least one section devoted to news of the entertainment industries. Interest in the entertainment industries has spawned a plethora of television programs,<sup>6</sup> magazines and, more recently, Internet sites<sup>7</sup> devoted exclusively

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3. Louis Pasteur also said "chance favors the prepared mind."

4. Michael J. Wolf suggests that television has changed the way we think about life generally because every part of our day is now thought of as part of a highly segmented grid. He suggests we see our lives the way television executives see their week, as a series of little boxes that need to be filled. Premised upon this, we treat our leisure time as spaces to be filled, and we fill that time with entertainment. Entertainment Economy, pages 38-39.

5. *Ibid.*

6. The syndicated program Entertainment Tonight was followed by Access Hollywood, Hollywood One on One, E Television, and the list goes on.

7. [hollywood.com](http://hollywood.com); [eonline.com](http://eonline.com); [cnn.com/SHOWBIZ](http://cnn.com/SHOWBIZ); [foxworld.com](http://foxworld.com); [mrshowbiz.com](http://mrshowbiz.com); [nbc.com](http://nbc.com); [yahoo.com/headlines/entertainment](http://yahoo.com/headlines/entertainment); [biz.yahoo.com/news/entertainment.html](http://biz.yahoo.com/news/entertainment.html); [entertainmentnewsdaily.com](http://entertainmentnewsdaily.com); [muchmusic.com/rapidfax](http://muchmusic.com/rapidfax); [sonymusic.com](http://sonymusic.com); [enn2.com](http://enn2.com); [theenews.com](http://theenews.com); [celebrity-link.com/entertainmentnews.html](http://celebrity-link.com/entertainmentnews.html); [musicnewswire.com](http://musicnewswire.com); [showbizwire.com](http://showbizwire.com); [rockontv.com](http://rockontv.com); [edrive.com](http://edrive.com); [hollywoodreporter.com](http://hollywoodreporter.com); [showbizdata.com](http://showbizdata.com).

to the business of show business. The rapid rise of reality television shows following the last Hollywood writers' strike has further lead to an enormous expansion of celebrities who have no entertainment training, talent or business acumen and have become famous only because of exposure on television. They often don't understand the way the industry works and often depend upon their representatives for all the answers.<sup>8</sup> Thus, attorneys must recognize that they need to know not only the law but also the nature of the business of the entertainment industry to be successful.

### **FIELDS OF LAW EVERY CELEBRITY LICENSING ATTORNEY SHOULD KNOW SOMETHING ABOUT**

If you ask an entertainment practitioner which fields of law most greatly impact their practice, you will undoubtedly receive a different answer from each attorney. Yet, if you speak to entertainment attorneys who have been practicing for a sufficient time, they will undoubtedly identify at least five fields of law that impact their practice: intellectual property; contracts; agency law; labor and union law; and equity or equitable relief, as understood in Remedies. These fields are equally important to celebrity licensing attorneys.

A complete analysis of each of these disciplines is clearly well beyond the scope of this article. However, it is important to understand how a general knowledge and overall comprehension of each of these areas of law can define an attorney's potential for success in this field of practice. Accordingly, an understanding of how each of these fields may impact an entertainment practice may provide guideposts for a law student's studies or a practitioner's continuing education objectives.

#### **Intellectual Property<sup>9</sup>**

For many years, entertainment law and intellectual property law were seen as distinct fields. However, beginning in the 1990's, entertainment firms began merging with intellectual property firms because

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8. In entertainment, the representatives can be booking agents, personal managers, publicists or attorneys as more fully described in the section on the Law of Agency.
  9. Intellectual property is the expansive field of law that includes patents, trademarks, service marks, trade secrets, copyrights, and rights of publicity and the related right of visual artists' moral rights. These rights have their genesis in the legal recognition of a need to protect creation of the human intellect.

of the increasing synergies between the two practice areas. The film and television industry began to recognize that the film and video libraries presented a valuable potential source of future revenue as new means of distribution and exploitation developed. Owning the “IP” became even more important than the bricks and mortar of sound stages and back lots.

Through acquisition of the MGM film libraries, Ted Turner was able to develop a number of cable channels devoted almost exclusively to playing classic films. MGM has in turn recognized the value of film libraries and has recently acquired the libraries of Paramount and Orion. In the last 20 years, just as in every area of business, intellectual property rights have become more important. In the entertainment industry, they may arguably be the most important rights of all.

The building blocks of all forms of entertainment are intellectual properties. Every song, script, novel, film, or music video is protected by copyrights.<sup>10</sup> “Branding” in the entertainment industries involves the application of trademarks<sup>11</sup> for everything from movie or record titles to performers’ names. Patents<sup>12</sup> on the new technologies have continued to drive both the means of distribution and the content of entertainment products. Rights of publicity<sup>13</sup> and privacy<sup>14</sup> affect the

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10. Copyright protects original works of authorship against the unauthorized reproduction, copying or use by others. Original works of authorship may include literary, musical, dramatic, pictorial, graphic, sculptural, pantomime, choreographic works, motion pictures, sound recordings, and other audio/visual works. Copyrights protect the authors’ tangible expression of their ideas, not the ideas themselves. Thus, it is the act of copying and using pre-existing original works of authorship that creates potential copyright infringement. See 17 U.S.C. § 101, *et seq.*
  11. Trademarks and service marks are words, symbols, or combinations of both, that are used to identify a person’s products and services to distinguish them from the products and services of others. Statutory trademarks and service marks were defined by federal statute, 15 U.S.C. §§ 1052 and 1053, and by various state laws, but exist by common law as well.
  12. Patents are the exclusive grant by national governments of the right to use, practice and sell useful items or business systems or methods of doing business. Utility patents have a life of 20 years from the date filed; design patents have a useful life of 14 years. See Footnote 15, *infra*.
  13. The right of publicity is the right of every person to control the commercial use or exploitation of their identity. Rights of publicity typically protect a person’s name, photograph, or other image, voice, signature, and public persona. The rights of publicity give living persons and deceased persons’ heirs or assignees the ability to control the commercial exploitation or use of this right. Rights of publicity are generally recognized at common law or created by state statutes.

commercial exploitation and use of celebrity and private individual's personas. Even trade secrets<sup>15</sup> are at issue when entertainment concepts have not been fully articulated in a form to be protectable by copyright, as in a fully written script, yet pitchable in order to interest a producer or distributor.

Each of these subsets of intellectual property is fraught with its own technical requirements, nuances and subtleties. Yet, a fundamental understanding of these rights is increasingly important to every entertainment attorney.

## Copyrights

Since America's first Copyright Act was adopted in 1790,<sup>16</sup> U.S. copyrights changed slowly over the first two centuries. About every 60 years, a new Act was created. However, the rapid pace of technological change and an expanding globalization led to a rapid series of modifications to the Copyright Act in the last quarter of the 20<sup>th</sup> Century. An entertainment practitioner today must be familiar with the Copyright Act of 1909,<sup>17</sup> the modifications to the Act that occurred in 1972<sup>18</sup> which afforded copyright protection to sound recordings, the major revision of the Copyright Act in 1976<sup>19</sup> which brought the United States into compliance with the Bern Convention, the revisions to the Copyright Act which occurred in 1989, the Digital Performing Rights Act which became effective in 1994, the Sonny

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14. Rights of privacy as adopted in the Restatement of Torts include (1) the right to be free from invasion into one's solitude; (2) the right to be free from public disclosure of private facts; (3) the right to be free from being placed in a false light; and (4) the right not to have one's identity appropriated for commercial purposes.
  15. Trade secrets consist of any formula, pattern, device or compilation of information which give an opportunity to obtain a business advantage over competitors who do not know or use it. Trade secrets are generally protected by state statutes, but are also recognized by common law.
  16. The underpinnings for copyrights can be found in the United States Constitution which was ratified by the states in 1789. Article I provides at Section 8 that Congress shall have the power "to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Constitution, Article I, Section 8, Clause 8.
  17. All copyrightable works which were created from 1909 through 12:00 P.M. midnight December 31, 1977 are covered by the 1909 Copyright Act.
  18. These modifications provided copyright protection to sound recordings for the first time. 15 U.S.C. § 101.
  19. The 1976 Act took effect January 1, 1978.



Bono Copyright Extension Act of 1998, and the newly adopted Digital Millennium Copyright Act. An entertainment lawyer today may see living individuals who had copyrights that had a maximum life of 56 years,<sup>20</sup> or possibly 75 years, or life plus 50 years,<sup>21</sup> or life plus 70 years.<sup>22</sup> Or, the attorney may represent companies that have copyright rights which are the shorter of 100 years from creation or 75 years from publication,<sup>23</sup> or 95 years from publication or 120 years from creation.<sup>24</sup>

The celebrity licensing attorney must be prepared to distinguish between copyrights which were lost when no notice was placed on published works under the 1909 Act and the freedom of not requiring notices under the Bern Convention Treaty. In today's expanding international market, the entertainment practitioner also needs to understand basic differences between American copyright law and the copyright laws of Europe, Japan and expanding third world markets.<sup>25</sup> The 1940 photograph of Betty Davis will have different copyright treatments than a photograph taken of her in 1985. Thus, the licensing lawyer needs to understand the distinction.

Most importantly, any practitioner must be prepared to provide counsel and advice on the best means of protecting and exploiting copyrightable materials, including issues of work made for hire and joint authors,<sup>26</sup> compulsory licenses,<sup>27</sup> fair use exceptions,<sup>28</sup> and the related doctrines of parody and satire.

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20. Under the 1909 Act, the maximum life of copyrights was 28 years with one renewal period of 28 years, making the maximum possible potential life of a copyright of 56 years. When the 1976 Copyright Act was adopted, copyrights in their initial term were allowed to have a second renewal term of 47 years, bringing the potential life of a copyright to 75 years, if the renewal occurred after January 1, 1978.
  21. The term of copyright under the 1976 Act.
  22. The term of copyright under the Sonny Bono Copyright Extension Act.
  23. The term of copyright for non-living entities, such as corporations, partnerships, limited liability companies, under the 1976 Act.
  24. The life of copyright for a non-living entity, such as corporations, partnerships, or limited liability companies, under the Sonny Bono Copyright Extension Act.
  25. Several excellent sources exist for practitioners to understand comparative differences between the copyrights of various nations. See, International Copyright Law and Practice, by Geller and Nimmer, published by Matthew-Bender 1999 Ed., and Nimmer on Copyrights, by Melvin Nimmer and David Nimmer, also published by Matthew-Bender 1999.
  26. 17 U.S.C. § 201(a) and (b).
  27. 17 U.S.C. § 118.
  28. 17 U.S.C. § 107.

Much of the great music, literature, and many of the great audio-visual works which were created and assigned toward the end of the last Millennium will be changing hands during the second decade of the new Millennium. Authors who assigned their creations in 1978 or later will soon begin to have the opportunity to reclaim their copyrights under Section 203 of the 1976 Act.<sup>29</sup> Thus, practitioners will need to be familiar with the procedures which will be required for the original copyright owners to revoke the assignment of their works between the 35<sup>th</sup> and 40<sup>th</sup> years of the published copyright.<sup>30</sup> Individuals who want to be celebrity licensing lawyers need to be prepared for the opportunities that will occur directly as the result of this change in ownership. New publishing, film production and distribution companies will no doubt be created as authors who have reclaimed their copyrights will begin seeking their own avenues of distribution and exploitation. When an author's or artist's copyrighted works are returned to them, new licensing deals can be made and entered.

## **Trademarks and Service Marks**

What do Frank Sinatra, Babe Ruth, Madonna and Albert Einstein have in common? Their names are all federally registered trademarks.<sup>31</sup> Popular icons, through the application of their name and marks, provide exploitation revenue opportunities even long after their careers have ended. Copyright does not protect titles or short phrases. This is the province of trademarks and service marks. Film titles, book titles, song titles, and personalities' names can be protected by common

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29. Although the Act was passed in 1976, its effective date was January 1, 1978. Through a series of legislative continuances, many copyrights which would have fallen into the public domain had their life extended by Congress during the 1976 Act's long legislative history.
30. Section 203(a)(3) provides in part, "termination of the grant may be effected at any time during the period of five years beginning at the end of 35 years from the date of execution of the grant; or if the grant covers the right of publication of the work, the period begins at the end of 35 years from the date of publication of the work under the grant, or at the end of 40 years from the date of the execution of the grant, whichever term ends earlier."
31. Frank Sinatra is a United States federal trademark registration No. 1,313,931, registered January 8, 1985; Babe Ruth is a federal trademark registration No. 1,863,687, registered November 22, 1994; Madonna is a federal trademark registration No. 1,473,559, registered January 19, 1988; Albert Einstein is a federal trademark registration No. 1,216,122, registered November 9, 1982. (Each of these deceased celebrities also has Right of Publicity which can be licensed as well.)

law, state or federal trademark statutes. Unlike copyright law, which since 1978 is exclusively federal in nature, trademark law comes in a baffling array of variations. There is the federal Trademark Law, the Lanham Act,<sup>32</sup> some 50 state statutes for state trademark law, and common law unfair competition, which can directly affect the entertainment industry and the talent.

For example, disputes regularly erupt between past and present band members over former members' ability to use the famous band's name as they attempt to continue their performing careers apart from the group that initially gave them the popularity.<sup>33</sup> Similarly, bands about to sign a record deal have all too often been confronted with the problem that another band adopted and used the band's name earlier, and thereby acquired superior trademark rights,<sup>34</sup> thus forcing the band to consider changing its name, buying off its competitor, or face the prospect of protracted litigation. Occasionally, simple slogans or entertainment identifiers become so inextricably intertwined with a concept of the creator as to become equal to or more important than the creator's name. For example, everyone knows the marks "007" or "James Bond," but not everyone can remember the author of the original series of books or the producer-distributor of the successful series of films which followed. Accordingly, the marks became more important for public consumption than the original creator or the famous film company that distributed the materials. Who should own those marks? Who should have the right to license and profit from the marks? Thus, the ability to navigate in the complex and varied laws of trademark must become an important skill for many entertainment lawyers to develop.

## Patents

At first blush, the technical aspects of patents may seem alien to the artistic expression found in most entertainment projects. However, patents have, and will continue to be, at the core of the entertainment

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32. 15 U.S.C. § 1051, *et seq.*

33. The author's firm has been involved in numerous federal trademark disputes representing members of groups such as The Platters, The Coasters, The Drifters, The Four Freshmen, and Little Anthony and the Imperials.

34. The author's firm was involved in just such a matter, where a Nevada-based singing group, Shenandoah held superior trademark rights to an earlier use than the Nashville-based recording artist who went by the same name.

industry's continued technological development. They are involved in the development and exploitation of both new delivery and distribution devices for entertainment and the new tools used to create and shape entertainment's content. The spread of motion pictures was slowed at the beginning of the 20<sup>th</sup> Century because of patent fights that erupted between the originators of film and projection devices. Each evolutionary stage of the music industry has been marked by technological innovations that were patented and licensed or circumvented. From the gramophone to the phonograph, from the phonograph to the reel-to-reel, from reel-to-reel to eight-track tapes, then cassettes, from 45-rpm records to long-playing records, individual CDs, and now the new mini-discs, the way music has been recorded, stored and made accessible for replay has had as much to do with the success of the patent holders' ability to persuade the public as it has had to do with the music itself.

Because patent law requires admission to a separate bar,<sup>35</sup> only a handful of entertainment firms have patent attorneys. However, it is increasingly important that entertainment attorneys who represent anyone working in technical fields in the industry understand certain patent basics.

Every attorney who represents technical creators should know there is a statutory limit of one year to file a patent disclosure document from the first public use, statement or announcement of the invention in the United States in order to obtain patent protection.<sup>36</sup> They should also know that the requirement for absolute novelty before registration means no public use or disclosure before a patent is filed throughout the majority of the rest of the world.<sup>37</sup> Entertainment attorneys who are not sensitive to such statutory limitations may simply be inadequately prepared to help their technical entertainment client avoid major pitfalls.

As the entertainment industry is increasingly driven by technological changes and innovations, an entertainment lawyer's minimal understanding of certain basic patent concepts may well prove to be the difference between the opportunity for the next MP3 music distribution system and a malpractice suit.

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35. 35 U.S.C. §§ 31-33.

36. See, [Chisum on Patents](#), Matthew-Bender © 1999.

37. This requires that an application for registration of the patent must be filed before the first public use or public disclosure.

## Rights of Publicity and Privacy

The most important IP right for celebrities is their Right of Publicity and the related Right of Privacy. Rights of privacy have existed in both common law and statutory form in this country for more than 100 years.<sup>38</sup> Rights of publicity have more recent origins.<sup>39</sup> State statutory enactments of post-mortem rights of publicity began in earnest in the 1980's. Yet today, the differences and discrepancies among the various state laws make it difficult for entertainment lawyers to successfully advise their clients on the best means of planning for the control and exploitation of such rights. State post-mortem rights of publicity laws vary in duration from ten years<sup>40</sup> to 100 years,<sup>41</sup> with some states having the potential for perpetual existence.<sup>42</sup> Knowing which state laws afford talent the greatest rights may not seem of obvious importance to would-be celebrity licensing attorneys; however, such rights will undoubtedly seem important to the clients. Should the attorney recommend estate planning for celebrities to ensure that the rights of publicity are properly handled and don't get tied up in the Probate Court or in disputes among the heirs? Should a licensing lawyer demand post mortem rights during the negotiations of a celebrity license? These are just two of the considerations a licensing attorney must be prepared to ask.

As cable television and the Internet create an expanded need for new original programming, entertainment lawyers will increasingly

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38. For an excellent text and discussion of the topic, see The Rights of Publicity and Privacy, J. Thomas McCarthy, Clark Boardman © 1999, § 1.2 through § 1.6.

39. *Ibid.* See §§ 1.7 through 1.11.

40. The Tennessee statute enacted in 1984 creates an initial term of ten years for all post-mortem rights of publicity; however, if exploitation begins within that ten years, the term is continued indefinitely until there has been a cessation of use for two consecutive years or longer. See the Personal Rights Protection Act of 1984, Chapter 945, § 1 of the Tennessee Statutes.

41. Several states have adopted a 100-year term, including Oklahoma and Indiana. See, Title 12 of the Oklahoma Statutes, § 1448, Enacted Laws of 1985, Chapter 159. Also see, Indiana Code Annotated, § 32-13.

42. Tennessee's post-mortem rights are such that barring a cessation of exploitation of the rights for a period of two consecutive years, the statute provides "The exclusive right of commercial exploitation of the property rights is terminated by proof of the non-use of the name, likeness or image of an individual for commercial purposes by an executor, assignee, heir or devisee to such use for a period of two (2) years subsequent to the initial ten-year period following the individual's death. Tennessee Acts 1984, Chapter 945, § 4.

need to check content for rights of privacy and defamation issues just to keep pace with the greater volume of content. Like trademarks, rights of privacy and publicity are creatures of state statute and common law, thus presenting the entertainment practitioner with the daunting task of staying abreast of changes in 50 jurisdictions.<sup>43</sup> A federal act for rights of publicity has been proposed and is slowly gaining support. However, because privacy laws have existed for 100 years without federal legislation being considered, it is unlikely that a unifying federal act will be seen on privacy issues. Thus, celebrity licensing attorneys need to know a wide variety of state laws. Many states have adopted the Restatement of Unfair Competition which recognizes the Right of Publicity but virtually every state has adopted the Restatement of Torts that sets forth the Rights of Privacy.

### **Trade Secrets and Non-Disclosure**

As broadly as intellectual property rights have developed, with the exception of patents, most intellectual property rights do not protect ideas or concepts.<sup>44</sup> Yet every entertainment project starts as only an idea or a concept. Protection of those ideas is often available only in the same manner in which trade secrets are protected, by agreement. Many states have adopted the Uniform Trade Secret Act,<sup>45</sup> but trade secrets like some other intellectual property laws are found in both common law and statutory enactments. Accordingly, the practitioner needs to be aware of both.

The disclosure of an entertainment concept without an understanding or agreement of confidentiality carries the same risk that the disclosure of a trade secret carries - loss of the concept and probable

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43. A complete summary of the laws of privacy and publicity in all 50 states is attached to this article as Exhibit 1 and is updated annual by the author.
  44. Because most intellectual property rights are obtained by registering documents with a governmental entity, they become accessible to the public at large. To prevent the public from becoming aware of a patent's contents, the United States Patent and Trademark Office prohibits dissemination of an application's contents until the patent is approved and issued. The essence of the bargain between the government and the patent holder then is that the Patent Office will give the patent holder the exclusive rights to the invention for a fixed period of time in exchange for the information being made public and becoming available for anyone in the public to use upon the patent's expiration.
  45. In 1981, Idaho, Kansas, Minnesota, Mississippi, and North Carolina were the first states to adopt the Uniform Trade Secret Act, and to date, a total of 40 states have adopted the Act.

exploitation by others. While some states have evolved common law devices to protect against such disclosures under doctrines of misappropriation, unjust enrichment and quasi-contract, other states have expressly concluded that disclosure without an agreement of confidentiality results in the forfeiture of the idea or concept.<sup>46</sup> Accordingly, practitioners of entertainment law need to be mindful not only of the law of the state in which they practice, but also the law of the states in which their clients may make such disclosures.

The universal remedy that is commonly applied to prevent such loss has been an agreement or understanding between the discloser and the recipient, sometimes known as non-disclosure agreements, confidentiality agreements, or non-circumvention agreements. This leads us to the next major legal area the attorney needs to have more than a basic understanding of to practice entertainment law, the law of contracts.

## **Contracts**

The entertainment industries, as much or more than most other businesses, rely upon agreements. Most forms of entertainment are collaborative in nature. It is the talent and effort of many people that allow a play to be staged, a concert to be performed, a television show to be produced, music to be recorded, or films to be shot, edited and distributed. Such collaborative arrangements are almost always controlled by contract.

Yet, entertainment and celebrity licensing lawyers, not only require a good working knowledge of fundamental contract law, they must also understand the industry for which they are drafting contracts sufficiently well to understand that the contract principles learned in law school frequently are ignored or do not apply to much of the deal-making in the entertainment industries. New lawyers frequently encounter difficulties in negotiating deals for the first time when they do not understand the business principles of the specific industry in which they're negotiating or the industry custom and practice that is used to complete contracts which are sometimes written in shorthand.

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46. For example, in the state of Nevada, disclosure of a concept or idea without a written confidentiality agreement results in a loss of the idea or concept according to the Nevada Supreme Court. *See, Smith v. Recrion Corp.*, 91 Nev. 666, 541 P.2d 663 (1975).

The following examples are but a few of the notable contract law exceptions that entertainment practitioners encounter.

### **No Business Is Begun Until a Formal Agreement Is Signed**

While this may be true in other businesses, in several of the entertainment industries, this is frequently not the case. In the film industry, for example, where projects cost tens to hundreds of millions of dollars, the industry practice has evolved to allow projects to be green lighted (get an authorization to proceed) on nothing more than “deal memos,”<sup>47</sup> which consist of a few pages of deal points and an express acknowledgment that the parties will negotiate the remaining terms of the contract in good faith. Remarkably, major films have often been released before contract completion is accomplished.<sup>48</sup> While this would seem unthinkable in other industries, the time pressures of getting a film to completion as quickly as possible, coupled with the phenomenon of protracted negotiations among agents, managers, business and legal affairs attorneys, have led to the custom and practice of doing simplified deal memos with the hope that long form agreements can be worked out before the film is released.<sup>49</sup>

### **Lopsided Agreements Are Easily Set Aside As Contracts Of Adhesion**

Perhaps lopsided agreements are set aside in some businesses, but in the music and larger entertainment industry on the whole, where only one out of ten first albums sells sufficiently to recoup its production and promotional costs, lopsided contracts are the norm.<sup>50</sup> This is because record companies require a means of recouping from

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47. A deal memo typically consists of a short agreement constituting the major deal points between the parties. Often, if it is a deal memo for a production house distributor or large entertainment company, it will incorporate a set of standard terms and conditions which that entity normally employs. Even the standard terms and conditions can be negotiated, however. Accordingly, when deal memos are executed, significant negotiations may still be required to obtain a final agreement.

48. The highly successful Disney film *Splash* was released before Disney had completed final negotiations of the contract with the film’s director.

49. Interestingly, though film and television are often thought of as being highly related industries, the custom and practice in television is for contracts to be completed more quickly.

50. See, generally, *This Business of Music*, by Krasilovski and Shemel, Billboard Books © 1995.



successful records the monies invested in unsuccessful records. Accordingly, grossly lopsided contracts for newly signed acts became the norm in the record industry and have routinely been ratified by the courts.<sup>51</sup>

An inexperienced entertainment attorney presented with his first artist recording contract frequently attempts to attack what he perceives are apparently onerous terms, such as a royalty rate that is lower for CDs and cassettes than for the vinyl album rate even though CDs and cassettes are now the norm. Or, they attempt to attack the packaging deduction for CDs, or that the royalty rate is paid on only 90% of the CDs shipped instead of 100%.<sup>52</sup> Each term has become ubiquitous within the industry and is standard in recording contracts. Record companies routinely refuse to negotiate such terms. An entertainment attorney can better devote his time to negotiating the percentage royalty rates with the appropriate amount of reserves the company can hold, caps on the percentage of free goods, and issues such as electronic distribution which is relatively new and therefore still something that record labels will negotiate.<sup>53</sup> Understanding the business of the industry allows a practitioner to identify the contract terms that they are likely to be able to negotiate changes on and those that they are not.

### **Once A Contract Is Signed, It's The Parties' Deal Forever**

At least that is what we are taught in law school when we study contracts. A deal is a deal, and courts will enforce the deal. However, in the business of the entertainment industries, talent's ability to renegotiate a contract if a TV show becomes a hit, or a record goes platinum, simply reflects the business reality that the industry is dependent upon the talent with whom it contracts for its own revenues. The irony in entertainment is that the vehicles created by producers for talent frequently shift the power and bargaining position of the parties by making talent a "star" with far greater leverage and bargaining power than when they first entered the contract. Thus, one of the phenomena of

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51. *Ibid.*

52. See, Recording Artists Royalty Calculations: Why Gold Records Don't Always Yield Fortunes, by Lionel S. Sobel, Entertainment Law Reporter, Vol. 12, No. 5, October 1990.

53. *Ibid.*

the entertainment industry is that the deal is a deal only until it is renegotiated.<sup>54</sup>

There are literally dozens of other examples of unique aberrations in contract law that exist in the entertainment industry created by its custom and practice. Thus, a knowledge of contracts alone is not sufficient. To be a transactionalist in the entertainment industry, the practitioner needs to know the peculiarities of each of the industries, their financial structures and the means and manner in which income is produced and how costs are calculated and profits derived.

## **The Law of Agency**

Just as the entertainment industries rely heavily on the building blocks of intellectual property and contracts, entertainment, perhaps more than any industry, accomplishes its goals through third party representatives. Booking agents,<sup>55</sup> personal managers,<sup>56</sup> business managers,<sup>57</sup> publicists,<sup>58</sup> and attorneys, all serve important functions in

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54. Since no producer can predict adequately the likely success of a film, television program or record, producers are generally reluctant to throw away something that the public has deemed to be successful. Accordingly, when faced with the prospect of being unable to keep talent, the producer's own financial incentives encourage the renegotiation of a more favorable contract for the talent in order to keep the talent satisfied and prolong the successful enterprise that the talent and producer have enjoyed through their publicly accepted hit.
  55. Booking agents are the individuals who secure employment opportunities for the talent they represent. Sometimes referred to as booking agents and at other times as agents, these individuals provide the lifeblood opportunities for talent employment. Thus, they are arguably the most important representatives in an artist's career, since without work, there is no career. While the percentages vary slightly in different jurisdictions, agents' fees typically average 10% of the gross income from the booking, gig or casting.
  56. Personal managers are individuals who render advice and counsel regarding the development of artists' careers. In some states, they are expressly prohibited from finding employment opportunities, and most personal management contracts expressly represent that the personal manager is not an agent and is not obligated to find employment opportunities for the talent they represent. Personal managers' fees typically range from between 10% and 25% of the gross income of the artists they represent. In several well-known contested cases, personal managers have taken as much as 50% of an artist's gross income.
  57. Business managers frequently serve bookkeeping or accounting functions for the artists they represent. Some are CPAs, others are not. Some perform investment services and render business planning advice, while others merely handle the money transactions. Compensation for business managers is generally negotiable, with 5% of the gross income being the norm.

representing the interest of talent and the business entities with which talent is contracted. Separate state regulation of managers, booking agents and attorneys create a diverse array of regulatory schemes with which every entertainment attorney should have a general familiarity in order to serve his clients' interests. For example, different laws in the major centers of entertainment impact the type of business arrangement the parties can enter.

### **Regulation of Agents and Personal Managers**

States such as California and New York strictly control the roles that agents and personal managers can fulfill by prohibiting certain types of conduct. For example, both states prevent personal managers from obtaining employment for the talent they represent, rendering such function the exclusive domain of agents.<sup>59</sup> Yet, the entertainment centers of Nashville and Las Vegas, on the other hand, are in states whose statutory framework does not create a blanket prohibition against personal managers obtaining bookings.<sup>60</sup>

### **Fiduciary Relations**

The hallmark for all agency relationships is the creation of fiduciary duties. Clearly, personal managers, agents and attorneys have fiduciary obligations to their clients. However, inexperienced practitioners sometimes inadvertently fail to apply the rigorous standards correctly. One of the most common problems entertainment attorneys face is the challenge of attempting to represent a group of individuals who are working together before they have entered into agreements with

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58. Publicists strive to keep the performer's name before the public in order to help promote and prolong the artist's career. Publicists can work either at an hourly rate or upon a percentage of the artist's gross income. However, the norm appears to be a fixed monthly guaranteed fee.
59. California's Labor Code requires that talent agents inform the Labor Commissioner in order to obtain employment opportunities for artists. California Labor Code, Chapter § 1700, *et seq.* Similarly, New York has a detailed legislative scheme to regulate the activities of agents within the state. At Article 2 of New York General Business Laws, § 170, *et seq.*
60. In Nevada, a personal manager can also serve as an agent and publicist. While there is a requirement in Nevada for an agent to file an application and be bonded, there is no general prohibition from an individual who is a personal manager obtaining bookings, and there is no prohibition preventing one individual from performing many roles for the talent they represent.

one another. Does the attorney represent the group or the interests of individual members of the group? When those interests are divergent, as in the case of a single songwriter versus other band members who merely perform the music, whose interest should the attorney serve? Can the attorney truly represent the band simply because they are financially destitute and unable to afford hiring an attorney for each of the band members? The answer is found in a myriad of cases involving attorneys' fiduciary duties in the entertainment industry and is generally no.<sup>61</sup>

As in the case of intellectual property, divergent state laws complicate the attorney's ability to render advice to his entertainment clients. An entertainment lawyer in Nashville, who is negotiating an agency agreement for his client with a Los Angeles agent, who hopes to get a TV show for the client in New York, has to be mindful of the agency law of several states. A knowledge of one state's law is not sufficient in this industry unless the attorney expects to win every choice of law negotiation or dispute.

## **Union Labor Laws**

Because entertainment necessarily involves a variety of skilled workers and laborers, dozens of unions, guilds and labor organizations exist to represent their members' interests. For example, actors can be members of the Screen Actors Guild (SAG),<sup>62</sup> the American Federation of Television and Radio Artists (AFTRA)<sup>63</sup> or Actors Equity (Equity).<sup>64</sup> Each guild has negotiated its own collective bargaining agreements setting minimum standards with corresponding groups of producers, theater owner/operators, and distribution companies. Entertainment attorneys representing talent need to be sufficiently familiar with the basic collective bargaining terms of the unions or guilds in which his clients are associated so as not to draft contract provisions which would run afoul of membership regulations. For example,

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61. For an excellent analysis of the fiduciary obligations that agents, managers and attorneys owe to their entertainment clients. See, Law and Business of the Entertainment Industries, 3d Ed., by Donald E. Biederman, Edward P. Pierson, Martin E. Silfen, Jeanne Anne Glasser, Chapter 2, Agents, Managers, Attorneys and Promoters.

62. Screen Actors Guild, 1515 Broadway, 44<sup>th</sup> Floor, New York, New York 10036.

63. American Federation of Television and Radio Artists, 260 Madison Avenue, New York, New York 10016-2402.

64. Actors' Equity, 165 West 46<sup>th</sup> Street, 15<sup>th</sup> Floor, New York, New York 10036.

SAG requires that its members not perform in commercials with producers who are not signatories to the Screen Actors Guild agreements. What if a member begins starring in a Las Vegas production and, as part of his agreement with the venue, is obligated to do commercials for the venue which is not a signatory to the SAG agreement? Is he prevented from doing the commercial? What if as a condition of his employment he is obligated to do commercials, can he lose his job? A basic familiarity with the guilds, unions and their collective bargaining agreements is necessary if the earnest entertainment practitioner intends to help his clients avoid running afoul of union regulations. The following guilds, unions and collective bargaining groups are active in the entertainment industry today:

Actors' Equity; Screen Actors Guild; American Federation of Television and Radio Artists; Directors Guild of America; Writers Guild of America East and West; American Society of Composers, Authors and Publishers; International Alliance of Theatrical Stage Employees.

## Equity and Extraordinary Judicial Remedies

Few industries are as dependent upon talent and as vulnerable to a loss of the talent's services as are the entertainment industries. Few entertainment lawyers faced with a contractual dispute can seek a resolution without considering the prospects of extraordinary relief, such as temporary restraining orders and injunctions. Thus, an understanding of how such relief works is mandatory.

## Injunctive Relief

The United States' prohibition against involuntary servitude,<sup>65</sup> together with court recognition that they cannot force talent to perform,<sup>66</sup> has created the judicial recognition that affirmative injunctive relief is not possible in the entertainment industries. However, restrictive

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65. "Neither slavery nor involuntary servitude, except as punishment for crime whereof the party shall have been duly convicted, shall exist within the United States, or any place subject to their jurisdiction." 13<sup>th</sup> Amendment to the United States Constitution, proposed and adopted 1865.

66. In the famous English case of *Lumley v. Wagner*, 1 De G M & G 604, 42 Eng.Rep. 687 (1852), the English Court concluded that it could not force a young opera singer, Miss Johanna Wagner to perform at Her Majesty's Theater in London. That case, and the progeny which followed, established the precedent of negative injunctive relief by preventing Wagner from performing for a rival company while she was still under a contract with another company.

covenants and non-competition provisions are contractual norms which entertainment lawyers must grapple with daily if they are negotiating or enforcing entertainment contracts. Unless the practitioner is familiar with terms such as limits placed on the enforceability of personal services contracts,<sup>67</sup> minimum compensation laws,<sup>68</sup> and acceptable term lengths for non-competition provisions,<sup>69</sup> the entertainment practitioner may be ineffective in fully representing his client's interests. Moreover, decisions as to whether to agree to an arbitration or mediation clause in lieu of litigation must be made in an informed manner based upon the practitioner's knowledge of the likelihood of enforcement by state or federal courts applying state law.

### **Promissory Estoppel**

In recent years, a number of decisions involving entertainers have underscored the willingness of courts to apply principles of equity in entertainment disputes. These cases have ranged from decisions based upon quasi-contract and promissory estoppel, as in Kim Bassinger's case,<sup>70</sup> to issues of equity in determining profitability, as in the Art Buchwald case.<sup>71</sup>

Perhaps because entertainment cases frequently involve an entertainer's ability to earn a livelihood, courts have frequently looked to equity to find solutions lacking at law. Accordingly, entertainment practitioners need to be peculiarly sensitive to equitable issues and remedies and be prepared to look beyond the four corners of a contract to seek judicial relief when necessary.

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67. California, for example, provides that personal services contracts cannot be enforced beyond seven years. See, California Labor Code, § 2855.

68. California also requires that an employee receive a minimum annual compensation of no less than \$9,000 per year for restrictive covenants in contracts to be enforceable. See, California Code of Civil Procedure, § 526, and California Civil Code, § 3423.

69. In recent years, it has become significantly more difficult to enforce non-competition provisions in California courts. While this phenomenon is looked upon as a boon in some industries, such as the computer, semi-conductor and software industries which benefit from the migration of talented employees from one company to the next, the entertainment industries have not fared so well in the new *laissez-faire* environment.

70. *Main Line Pictures v. Basinger*, 1994 Cal. App. Unpub. LEXIS 2.

71. *Buchwald v. Paramount Pictures, Corp.*, 1990 Cal. App. LEXIS 634.

## **CONCLUSION**

Clearly, the foregoing items are not an exhaustive list of every area of law a hopeful entertainment practitioner should know. Hundreds of issues peculiar to each of the unique disciplines within the entertainment industry exist and merit the attorney's attention and consideration. It is also not possible to fully grasp each of these issues by attending one CLE seminar or attending a single entertainment law class at a law school. New issues are arising daily as the entertainment industries attempt to exploit new distribution opportunities through digital satellite and Internet transmissions. As state and federal legislation is enacted to attempt to grapple with new technologies, entertainment practitioners will constantly need to re-educate themselves and consider new and novel solutions to both old and new questions within the industry.

As a starting point, the would-be entertainment practitioner should be as familiar as possible with the state of the entertainment industries as they now exist. To that end, there are a myriad of texts and reference books which can provide the practitioner with valuable insights into the workings of the industries. Accompanying this article as Appendix A is a suggested bibliography which the author believes would form the minimum basis of an entertainment law library that a serious practitioner should develop.

The rest of achieving success as an entertainment lawyer may after all be impacted by the type and nature of opportunities which occur to the practitioner. However, believing that we make our own luck by being prepared when the opportunities present themselves, a sound understanding of these five foundational areas will assist the entertainment practitioner in being ready to find his own success.

## **APPENDIX A**

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