RIGHTS IN MUSIC FOR FILM AND TELEVISION

June 4, 2011

By Daniel M. Satorius, Esq.

Music is a critical element of any motion picture or television production. Without music these works would lose much of their impact. Imagine *Casablanca* without "As time goes By", *The Bridge Over the River Kwai* without the whistling by the prisoners as they marched, or *Chariots of Fire* without its soaring theme music. Music is often used to tell us how we should feel about what we are seeing on the screen; it heightens our emotions and intensifies the experience

To include music in a film or television production, the production company must either create an original music specially composed for the production, or acquire it by permission of the owner. Permission comes in the form of a license agreement. Commissioning original music or licensing it from a third party is often complex, time consuming and expensive.

Use of pre-existing music in motion pictures and television productions involves two sets of copyright rights: the copyright in a musical composition (i.e., the words and music) and the copyright in the sound recording in which the composition is embodied. The composition and the sound recording are two separate pieces of intellectual property. It is important to keep in mind the differences between these two copyrights.

The US Copyright Act (Section 106) grants the copyright owner of a *composition* the exclusive rights to (i) reproduce copies of his/her composition such as in synchronization with moving images; (ii) distribute copies; and (iii) publicly perform his/her composition. The Act grants the copyright owner of a *sound recording* the exclusive rights to (i) reproduce copies of his/her work such as in synchronization with moving images; and, (ii) distribute copies. There is also a performance right, but it is limited

to digital audio transmission under certain circumstances and is not important for the purposes relevant in this article.

Three types of licenses are needed to acquire rights in a sound recording of a composition and use it in an audio-visual work such as a film or television program: a synchronization license in the composition, a public performance license in the composition, and a master use license in the sound recording. These licenses are discussed in the next section.

Once the production company has identified a piece of music it wishes to use in its production then it must fully research the copyright ownership. Assuming the works are protected by copyright, it must identify and contact the owner of the rights in the composition and the owner of the sound recording to secure the rights to use the music.

The copyright in a composition is usually owned initially by the songwriter or composer who often transfers their rights to a music publishing company to administer or manage the copyright in the composition.

Locating music publishers can be a time consuming process, but there are a number of agencies and organizations that can help. Publishers are usually listed with the song title on the packaging of the record, tape or CD. The publisher's address and telephone number can be found in industry directories or by contacting the Harry Fox Agency. Where the song title is known but not the name of the publisher, the websites for American Society of Composers and Publishers (ASCAP), http://www.ascap.com/ace/, and Broadcast Music Incorporated (BMI), http://www.bmi.com/search/, can also be helpful in identifying the publisher and providing contact information for the publisher.

Sound recordings are usually owned by record companies like Universal, Sony, Capitol, Warner Bros., Columbia, Epic, Atlantic RCA, Capitol, Virgin, Arista, etc, who acquire the rights in the sound recordings from performing artists who have signed recording contracts with the company.

ACQUIRING RIGHTS IN PRE-EXISTING MUSIC

Synchronization license.

The synchronization ("sync" for short) grants the production company the right to reproduce the composition in timed relationship with moving images on screen. The right to distribute copies of the film or TV production to the public, such as by DVD or video, is a separate copyright right under the Copyright Act. In most cases the sync rights and the rights to distribute copies are combined in the same license.

Performing rights.

The right to publicly perform a composition is one of the songwriter's exclusive rights granted under the Copyright Act. The production company must secure a performing rights license for musical works if the film or TV program will be publicly performed.

Production companies secure these licenses in the following manner: if the audio-visual work is released theatrically in the U.S., the performing rights license is included in the synchronization license. In other cases the public performing rights may be satisfied by relying on the performing rights licenses secured by the broadcasters or venues. These licenses are secured from performing rights organizations such as ASCAP and BMI. Note that movie theater performances in countries outside of the U.S. do earn performing rights royalties for the owners of the composition licensed through performing rights organizations. ASCAP and BMI also have a special performing rights license for music in films or television programs distributed via the Internet.

Master use license.

The master use license grants the production company the right to reproduce the sound recording in the soundtrack of the audio-visual work and make copies of the sound recording in connection with the sale of the audio-visual work. This license is obtained from the owner of the copyright in the sound recording (often this is the record company but can also be the recording

artist.) The packaging of the record, tape or CD should identify the recording company and contact information. Like the rates for synchronization licenses, rates for master use licenses vary greatly depending on the perceived value of the music (discussed in the next section). It is common for the rates for the synchronization license to equal the rates for the master use license. If the rates demanded by the owner of the sound recording are too high, it may be more cost effective for the production company to create a new recording of the composition. The production company would then own or control the sound recording and avoid the need for the master use license altogether (although the synchronization license is still necessary.)

Factors that go into determining the Synchronization license fee.

The rates for synchronization rights vary greatly depending on the perceived value of the composition. (There is no statutory compulsory license concerning synchronization rights as there is for mechanical rights – discussed in a later section).

The first network television live airplay of the song does not earn synchronization royalties, but it does earn public performance rights royalties for publisher collected from broadcasters by ASCAP/BMI on the publisher's behalf. This live television "performance" is treated as an "ephemeral" recording (17 USC Sec. 112) and, therefore, does not qualify as a performance requiring a synchronization license. This reflects the arrangement between music publishers and the networks. By contrast, the broadcast of re-runs and pre-recorded programs do earn license fees.

License fees for use of music in pre-recorded television programs are modest ($300 – $700 for broadcast use) compared to motion pictures. One reason for this difference is that the public performance royalties generated from these commercial television programs can be significant to the composer/publisher (but note that record companies do not earn royalties from the public performance of the sound recording).

There are a number of factors that are considered when determining license fees for the use of a musical work in a motion picture, including, for example, the following:

Production's budget. The size of a motion picture's production budget is one of the most important factors in setting the license fee. Low budget independent feature producers generally have small budgets for licensing music and seek to license music at low rates. This can price them out of the market for well-known recordings and compositions. Studio financed large budget feature have substantial music budgets and copyright licensors can often get paid significant license fees.

Prominence of the song/artist. The more successful the recording/composition and the more prominent the artist, the higher the fees that are demanded for use of the song. A track by the Rolling Stones demands hundreds of thousands of dollars in licensing fees. Tracks from an unknown band or artist receive a tiny fraction of those fees.

How the song is used in the production. The more important the song to the production, the greater the license fee. The following uses warrant greater license fees: under credits of a film, performed by actors, story told in the song supports the narrative of the film or television program, the title of song is the title of production. Incidental or background music is considered less important uses.

Rights granted. License fees are also calculated based on the types of rights granted to the production company. Each media and distribution channel earns an additional payment. What markets/media will the film/TV program be released in? For example, theatrical, pay TV, free TV, home video, video-on-demand, interactive multimedia rights, geographic territories, digital/internet, new technologies (discussed in the next section). Fees may be set for each of these markets based on the length of the license or the parties may negotiate a buy-out. In the case of the sale of copies of the film/TV program (e.g. videogram license), license fees might be calculated on a per unit basis.

If the production company uses the text of lyrics and/or music in written form, a print license must be obtained.

Other factors that may influence the license fee include: the duration of the license, the use of the music in derivative products of the film/TV production; such as computer games and live theater; and soundtrack album rights (discussed below). Exclusivity for a period of time or in certain markets may also be an issue, especially with respect to songs used in television advertisements.

Trailers, advertisements, "in context"/"out of context". Trailers are short works that are used to promote motion pictures. Trailers and television advertisement for films are distinct and separate works from the original film or TV program and sync licenses should address the license of music for such works. Trailers commonly include scenes from the motion picture and the music for those scenes may be the music originally used in the film for that scene (an "in context" use) or music from other scenes (an "out of context" use). Use of the music in the trailer often justifies an additional license fee. An out of context use (use of the music in a manner not as used in the film) in the trailer or in a television advertisement must also justify an additional license fee.

Special considerations regarding new media.

Facing the prospect of distributing their films and TV productions through new distribution technologies, production companies are demanding new rights from music publishers and record companies. The industry is testing the distribution of television programs and motion pictures by new means such as POD casting and distribution to mobile phones and other personal devices, streaming and downloading on demand to personal computers and other devises, video-on-demand over cable and the Internet; distribution of programs in interactive form (e.g. playback and interaction on a computer) via copies and over the internet via Internet Protocol Television (IPTV). These new distribution technologies pose licensing challenges.

"Video On Demand" is distinguishable from "pay per view". In both situations the consumer usually orders the program and an additional fee. Generally the difference is that with Video On Demand, the consumer controls when the program begins. Video On Demand on cable is not yet widely available in the home

although it is common in hotels. Video on Demand on the internet is still very limited although short films and pornographic films are available. Such interactive audio-visual rights concern the copyright licensor because the playback is non-linear. Computer and internet distribution models may give consumers the ability to copy all or selected portions (like music tracks) and redistribute them.

Additional considerations related to synchronization and master use licenses.

Union Issues. Use of sound recordings in audio-visual works can trigger a number of union issues. Where the sound recording was originally recorded for other use (such as a song recorded for release on an album), re-use and step-up fees may be owed to members of American Federation of Musicians (AFM) and American Federation of Television and Radio Actors (AFTRA). This may affect musicians, studio orchestra, and vocalists who performed on the sound recordings selected for the audio-visual production.

Other rights may be included in the synchronization and master use licenses. For example, these licenses may include the right to distribute the audio-visual work in home video distribution and in other mediums (television, cable, theatrical, home video, digital, internet, computer games, new technologies); the right to adapt the music and change it for the production; grand rights; soundtrack album rights; and the right to use in derivative works.

If a production is released to home video, the production company must secure a license to use all compositions and recordings that are not owned by the production company. The royalty is calculated on a per unit basis and usually advances are given for the first 10,000 units.

Cue Sheets. A cue sheet is a chart of the musical works in a film or TV productions listing the length of music as used in the production, the timing of the work in soundtrack for the production, and other information. The synchronization license should specify that the producer will deliver a cue sheet to the composer/publisher. The cue sheet can be send to the performing

rights organization (ASCAP or BMI) to help identify the musical work and as an aid in collection public performance royalties.

A note about sampling. It is important to make sure the rights holder in the sound recordings controls all rights in the sound recordings and can convey the contracted rights to the production company. Specifically, the production company must be watchful for music containing "samples." Samples are portions (usually short clips) of pre-existing sound recordings that are integrated into a new sound recording. If samples of pre-existing sound recordings are present in the sound recording in question, the production company must make sure that a synchronization license (or other arrangement with the publisher of the composition) has been obtained, and in many instances a master use license for the sampled material should also be obtained. At a minimum, the master use license for every piece of music to be licensed for the film or television production should contain the licensor's representations and warranties that the recording contains no infringing material. In addition, it is advisable to make a careful examination of the recordings and investigate any suspicious material

COMMISSIONED MUSIC: CREATING MUSIC ESPECIALLY FOR THE PRODUCTION.

Composer agreements. It may be cheaper or artistically and commercially preferable for the production company to hire a composer to write original music and musicians to record the sound track for the production company's production. Sometimes this is a work-for-hire relationship and the production company acquires the copyrights in the compositions and the sound recording as the employer of the composer. In other situations, the composer retains the copyright and licenses certain rights in the composition to the production company. It is not uncommon for the production company to acquire publishing rights in the composition.

Artist/Songwriter Agreements. In addition to the musical score created by the composer, the production company may wish to have songs composed and recorded especially for the film or program. To accomplish this, the production company will hire a singer/songwriter, in many cases, popular recording artists with

recording contracts with record companies. Recording contracts are typically exclusive arrangements restricting the recording artist from recording for anyone other that the record company. So the production company must negotiate terms with the artist and their record company. Sometimes recording artists have a 'step-out' clause in their recording contract that allows the artist to work with motion picture companies on a limited basis and on limited conditions.

Studio musicians and vocalists agreements. Musicians and vocalists who perform for the sound recordings included in the production are generally employed on a work-for-hire basis. If the musical performers are not working under a union agreement, then a work-for-hire agreement should be signed by the performer.

Use of music from production music libraries. Library music is sometimes used as background music, especially for independent productions. License fees are often less expensive compared to fees for commissioned music or existing popular songs. Also use of library music generally involves a single agreement with the library, thereby simplifying the clearance procedure.

SOUNDTRACK ALBUM LICENSES.

Certain types of films and television productions lend themselves to very successful soundtrack albums. In films like "*Dirty Dancing", "The Bodyguard", "Purple Rain*", the soundtrack album out-performed the film. There have been cases where a motion picture "bombs" at the box office but the soundtrack album is profitable.

Where the composition and sound recordings have been specially commissioned for the production, the production company, if it has been careful, owns or controls all rights needed to release a soundtrack album. If the production company wants to release a soundtrack album, whether using commissioned music or using pre-existing sound recordings, it must acquire the soundtrack album rights in the composition and sound recording. These rights must be acquired in addition to the synchronization rights and other rights discussed above.

When a musical work is licensed for a soundtrack album, there are primarily two licenses: a mechanical license for the use of the composition in sound recordings, and a master use license for the right to reproduce the sound recording.

Mechanical Licenses. A composition protected by copyright may not be recorded, manufactured or sold without the permission of the owner of the copyright or, alternatively, by complying with the compulsory licensing provisions of the U.S. Copyright Act (17 USC Sec. 115). A compulsory license is not allowed if the composition has not been published (and not available for dramatic performance purposes), in which case consent must be secured from the copyright owner. After publication, anyone wishing to make and distribute a recording of a composition can contract with the party who controls the copyright (usually publishing companies) or they can use the compulsory licensing provisions of the U.S. Copyright Act. Under the Copyright Act anyone who complies with the statute, including the payment of the statutory royalty rate, may make and distribute recorded versions of the composition. Since the requirements of the statutory compulsory license are fairly stringent, licensees (usually record companies) prefer to license the composition from the publishing company. That license is called a "mechanical license." The terms of a mechanical license are fairly standard and grant the licensee the non-exclusive right to make and distribute recorded versions of the composition in exchange for a fee based on the statutory rate for compulsory licenses. The current statutory rate is the greater of 9.1 cents for songs 5 minutes or less or 1.75 cents per minute or fraction thereof over 5 minutes, calculated on a per copy manufactured basis.

Master Use Licenses. If the production company wants to put out a soundtrack album using a sound recording owned by another party in (usually a record company), it must secure a master use license from that third party. Master use licenses are basically the same as the master use license discussed above except that the use of the master is for the soundtrack album instead of the motion picture or television soundtrack.

With all necessary soundtrack album rights in hand, the production company will approach a record company to manufacture and distribute the soundtrack album. The soundtrack album agreement includes many of the same terms found in an

artist's recording contract. Here, the production company plays the role of the "artist" and the record company plays its usual role. However, since the production company's motion picture or television production also promotes the sale of the soundtrack album, royalty rates paid to the production company are somewhat higher - 14 to 20 percent (on a retail based calculation). Just as in the artist's record contract, the production company may be able to negotiate an advance against royalties that may be used to record the soundtrack, thereby covering a portion of the costs of producing the film.

USE WITHOUT CONSENT

In almost all situations the copying, performance and synchron-ization of music requires the consent of the owner of the musical work. But certain situations, for example fair use and works in the public domain, use without consent may be permissible.

Fair Use.

If the use of a copyrighted musical work is a "fair use," then it may be used without the consent of the owner if fair use applies. Fair use is a defense to a claim of infringement of a copyrighted work.

Fair use is defined in the Copyright Act of 1976 (17 U.S.C. § 107) and common law. The statute sets out a two-part test. First, the purpose of the use must be one of the purposes listed in the statute. Those purposes are: (i) criticism, (ii) comment, (iii) news reporting, (iv) teaching, (v) scholarship, and (vi) research. Second, the court will evaluate the use according to four factors. The court may consider other factors as well. The four factors in the statute are: (a) The *purpose and character* of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes. (b) The *nature* of the copyright work (works that are mostly factual will be given less protection from fair use than works that are more creative.) (c) The *amount* of the copyrighted work that is taken (the more of the prior work taken, the less likely it will be considered fair use.) (d) The *effect of the taking* on the work in the work's potential market (the greater economic effect

the taking has on the prior work, the less likely it will be considered fair use.)

In most situations the use must be a "productive use" or "transformative use" to qualify as a "fair use." That is, the use of another party's copyrighted musical work in the film or TV program is not merely a reproduction of the musical work or a use for its original purpose or to enhance the film or TV program. But rather the use of the musical work is for the purpose of comment, criticism, or analysis of the musical work or adds something new to the musical work for a further purpose or different character, altering the musical work with a new expression, meaning, or message. Although transformative use is not required for a finding of fair use, it is perhaps best regarded as a "goal" and it weighs heavily in favor of a finding of fair use.

Parody. Parody is a type of fair use and may be an example of a transformative use. Humor, satire and parody of a copyrighted work may, in some circumstances, provide a defense to a claim of copy-right infringement. In Campbell v. Acuff-Rose Music Inc., 23 USPQ 2d 1817 (6th Cir. 1992), petition for cert. granted No. 92-1292, the court applied the four factors and focused on the commercial purpose of the use. The court determined that 2 Live Crew's parody of the Roy Orbison 1964 hit "Oh Pretty Woman" could be found to be fair use.

The problem with relying on fair use is the uncertainty that is created. The use is not licensed, that is, there is no written agreement in which the copyright owner consent to the use. In fact, the copyright owner may be quite hostile to its free use. One does not know whether the fair use defense will be a successful until a court makes that determination.

Although a fair use argument may apply to the use in question, it maybe advisable to secure written licenses for the rights to use such works. Financiers, distributors and broadcasters may not (generally do not) have an appetite for such risk. They may require licenses as a condition of their financing, distribution and broadcast agreements.

Public Domain.

Copyrights do not endure forever and eventually expire. At that point, the work enters the public domain. If the musical work is in the public domain then it is not protected by copyright and it is free for use by all. However, note that the laws of other countries may vary from US law as to how and when a copyrighted work enters the public domain.

Works created after January 1, 1978 (and works in their renewal term): the duration of a work created by an individual lasts for the author's life plus 70 years; works-made-for-hire last 95 years from the year of its first publication (17 U.S.C. 302). Works created before January 1, 1978: the duration of these copyrights is a complex matter and is beyond the scope of this article.

A note of caution: copyrighted material may lurk within public domain material. Just because a composition is in the public domain does not mean the sound recording of that composition or the arrangement of that composition is in the public domain. A separate analysis must be made of each copyrightable element of a work.

***De minimis* taking.** The taking of a trivial amount of a work protected by copyright may be considered so small that the substantial similarity requirement of copyright infringement is not be satisfied.

Caution is advisable here. There is no bright line as to how much is trivial. *De minimis* depends on the circumstances, including the type of work, how much is taken from the original work, and the importance of what was taken of the original work. There is no rule (e.g. the often referenced "4-bar Rule") that can provide a 'safe harbor.' For example, the taking of the "hook" (the common refrain) of a popular song may be a small amount of the entire song, but its importance to the song may be substantial, resulting in infringement.

Thanks to Christie Healey for her editorial assistance.

DANIEL M. SATORIUS – Satorius Law Firm. PC. Dan's practice focuses on transactions, intellectual property, financing, and the representation of business and individuals. His clients include Academy Award, Emmy Award, and Peabody Award winning independent producers, directors, writers, and television

stations in the film and television industry; Grammy award winning songwriters, recording and performing artists, producers, publishers, record companies, and studios in the music industry; and authors and publishers in the literary and electronic publishing industry. Contact Dan at IDS Center, Suite 2000, 80 South Eighth Street, Minneapolis, MN 55402. Phone: (612) 336-9332. Email: dan@satoriuslawfirm.com.