

NEW MEDIA, NEW RULES

COPYRIGHT STRATEGIES IN THE AGE OF APPS

CASE STUDY

Once upon a time, the term copyright conjured images of books, magazines, music, and motion pictures. Now, that universe is expanding with the rapid rise of new media—from Internet-based content and social media sites to interactive games and mobile phone apps.

This ongoing transformation is changing the way companies and legal counsel dealing with copyright-protected material think about opportunity, risk, and the strategies for managing both.

To gain a better understanding of these business and legal trends and their impact on copyright protection, we spoke to Jennifer Stanley of Fenwick & West LLP in San Francisco. Ms. Stanley has extensive experience working with clients and brands at the intersection of entertainment, consumer technology and intellectual property (IP).

WORLDS COLLIDE

One significant recent trend is the increasing use of traditional, entertainment-oriented works in new media development deals, Ms. Stanley notes.

“Smaller companies with smaller budgets are gaining access to some pretty interesting, established IP portfolios. People in the traditional entertainment industry increasingly want to be part of the new technological wave,” Ms. Stanley observes. “The idea of taking an existing piece of IP from a movie or book and transposing it into a



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video game has been happening for decades. But in recent years, I'm seeing this occur with social media games and mobile apps.”

As an example, Ms. Stanley points to a recent deal by one of her clients, Heatwave Interactive, to create an “iSamJackson” smartphone entertainment app based on voice content from actor Samuel L. Jackson. She notes that attention to copyrights is of primary importance in such deals.

“Being a small technology company and having access to existing copyrights and incorporating them into your work means that you’ve got to be extremely diligent about securing the appropriate rights, so that you’re not exposing yourself to potential liability.”



SOCIAL INSECURITY

The issue of copyrights—and who owns them—can be particularly complex when it comes to the rapidly expanding world of social media and user-generated content.

“There’s a significant difference in the way we think about copyrights in the social media-oriented products and services we’re seeing today, where the online community participates in the service,” such as social networking “fan” pages where users can add comments or upload material. Ms. Stanley points out that user-generated content is, by and large, protectable, creating new copyright demands for online sites that host such content.

“What most companies in this space do is rely on a license to the user-generated content from the user to the company in its online terms of service,” she notes. “Where it gets interesting is when users upload content they didn’t create themselves. Do they have the right to use this content or not? How does the company protect itself from a situation where it may be facilitating the dissemination of unauthorized content?”

SAFE HARBORS

Fortunately, she explains, a safe harbor does exist under the Digital Millennium Copyright Act (DMCA). This 1998 U.S. copyright law extended the reach of copyright protection to the digital realm, while limiting the liability of providers of online services for copyright infringement by their users in certain circumstances. Section 512(c) of the DMCA sets forth some of the specific conditions that must be met by online service providers to avail of a safe harbor from liability.

“It is possible to follow the steps set forth by the DMCA and if those steps are not followed carefully, the safe harbors may not be available,” Ms. Stanley notes. “Whenever there is user-generated content in one of my clients’ IP portfolios, it’s really important to get back to basics and make certain the proper steps are followed to ensure the safe harbors apply. It’s a different way of looking at how to protect oneself as a company when one is potentially receiving copyright-protected works from avenues other than the traditional method of negotiating with the owner of the work.”

The DMCA is not without its critics, Ms. Stanley observes. “Some argue that it stifles public opinion, that it is in conflict with fair use, that removal of third-party user-generated content from services to allow the service provider to try to avail itself of the safe harbor is not necessarily appropriate in all circumstances,” she notes. “But the operator of a user-generated content service doesn’t generally have the obligation to police

or investigate the merits of whether the content is infringing or not. As practitioners, we have to apply the law as it exists today. But changes may emerge that will allow the law to accommodate the way technology is moving. It goes without saying that technology moves faster than the law.”

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JENNIFER STANLEY
Fenwick & West LLP in San Francisco

CROWD SOURCING

Another aspect of user-generated content is the recent trend called “crowd-sourcing,” especially prevalent in the mobile app world. This is where a company reaches out to the online community to help generate new ideas. An example would be a contest to solicit a name for a new game or the design of a new character.

“Copyright issues really come into play in these situations,” Ms. Stanley explains. “If a user submits a winning image of a character and the user’s character image is included in a game, the company needs to be very careful that it has done its diligence to make sure the character really did come from that user. So it’s often advisable to do some additional research in that kind of scenario.”

In such situations, she says, the key word is diligence. “While having the license or assignment under terms of service theoretically may secure the rights you need, in practice more diligence is sometimes necessary to make sure you really clear it and ensure things won’t come out of the woodwork later,” she notes, adding that such diligence could include a thorough copyright search as well as a signed written agreement with the user. “Having such a formal agreement reinforces to the user that he or she could have exposure if he or she is falsely purporting to have created an original work.”



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MERGER MINDSET

Such copyright considerations are especially critical in merger and acquisition (M&A) deals, one focus of Ms. Stanley's work.

"From an M&A point of view, it's always important to make sure that whenever inbound, third-party IP rights are feeding into the success of the business. We really need to make sure that the business has all the appropriate rights it needs to those works," she asserts. "Often, one needs those rights in perpetuity. When I'm negotiating M&A deals or advising clients, I think about what's going to happen years from now. We need to make sure all these rights stay with the product. For example, if the important copyright-protected components of a game, are stripped out, there may not be much left.

"Looking for potential exposure from copyrights which aren't appropriately documented or licensed is very important from a financial perspective. Because that will always feed into how the deal looks," Ms. Stanley notes.

DILIGENCE REQUIRED

Whether evaluating assets in a merger deal or performing due diligence for a new product based on copyright-protected material, Ms. Stanley says it is important to look at the entire IP portfolio.

"We look at all the documents to make sure all the contributors to the IP have signed the appropriate invention assignment agreements and confidentiality agreements. Then we look at inbound license agreements, making sure that all the agreements with copyright owners are appropriate," she explains. "For any copyright-protected content that a company itself has, we make sure the company understands the benefit of registering them with the U.S. Copyright office."

She notes that, while not required for copyright protection, registering copyrights with the United States Copyright office provides important advantages, including the ability to seek statutory damages in cases of infringement. Registration also allows the owner of the

copyright to record the registration with the U.S. Customs Service for protection against the importation of infringing copies.

REDUCING RISK

In the final analysis, even with today's burgeoning new media revolution, the fundamentals remain unchanged: Taking steps to ensure copyright status and ownership are clearly documented is critical for minimizing business risk.

"For example, if a company is trying to decide between two images that it wants to use its your business and it is not sure of the origin of one of the images but is sure of the origin of the other, I'm more likely to see a client deciding to use the second one, even if the first one is a better image," she explains. "The client knows its risk is minimized as long as the rights are properly secured."

To achieve that clarity, Ms. Stanley agrees that thorough, third-party searches play an important role. "Search services can be very helpful in tracking down copyright owners so that we can contact them to negotiate rights."

COMPREHENSIVE SEARCH

Thomson CompuMark can help you achieve certainty regarding copyright ownership, status and history with a comprehensive U.S. Copyright Search. It provides in-depth coverage of U.S. Copyright records (1870 to present) as well as Thomson CompuMark's proprietary databases of entertainment industry reporting stretching back to the 1920s, plus online entertainment databases, Library of Congress records, and more. Search strategies are tailored based on the nature, age and complexity of each creative work by experienced analysts with specialized expertise in entertainment searching and reporting. Reports are concise and easy to review, providing the targeted knowledge you need to make informed decisions regarding your clients' copyright assets.



JENNIFER STANLEY: PROFILE

An attorney at Fenwick & West LLP in San Francisco, Jennifer Stanley's practice concentrates on complex commercial transactions relating to intellectual property with particular focus on new media, including video game development agreements (online, offline and mobile), video and user-generated content uploading and distribution agreements, copyright counseling, eCommerce counseling, online advertising agreements (advertiser and publisher), social networking, technology development and distribution agreements, inbound and outbound technology license agreements, strategic alliances, and intellectual property issues arising in mergers and acquisitions.

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