

# 2011 DIGITAL TRENDS & LICENSING ISSUES

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**GLOBAL CAPITAL LAW GROUP** PC

**GLOBAL CAPITAL STRATEGIC GROUP**



**LOS ANGELES | BOULDER | MILAN**

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# PART I. INTRODUCTION

1. Who We Are and Are Not.
2. The Digital Trends.
3. The Basic Licensing & Legal Issues.



# INTRO: WHO WE ARE & ARE NOT.

- Global Capital Group has two entities:
  - Corporate, transactional & IP:  
**Global Capital Law Group** <sup>PC</sup>
  - Strategic consulting:  
**Global Capital Strategies**
- We don't have lunch with Gwyneth Paltrow.

Internet technology and content and advanced technology: “Beyond the bleeding edge.”

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# THE TRENDS.

1. True Convergence?
2. Scaring Telcos: Social Networks & VoIP
3. Scaring Cable: NetFlix + Smartphones
4. “I Like Buttons” & Metrics
5. Can You Say “Mobile Apps?”
6. Angel Funding & Lean Startups
7. IP Is Truly Global—and Getting More So.
8. Additive Manufacturing
9. Canaletto, Brueghel, Reubens, *Polar Express* & *Tron*

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# THE LICENSING ISSUES.

1. Is the scope of existing licenses adequate?
2. Controlling platforms in new licenses
3. Representations & warranties for international and for due diligence
4. Are the legal rules re: Derivative Works up to the task?
5. Rights to data & datastreams
6. “Reputation management” and libel & defamation



# PART II. THE DIGITAL CONTEXT

1. The “Mindset”
2. Hollywood’s Different Legal Culture
3. Legal Issues



# TRICK QUESTIONS.

1. When you see the word “mobile,” what do you see?     *Cellphone*
2. When you think of mobile IP rights, what do you see?     *Mobile distribution of existing TV shows.*
3. A mobile deal?     *Digital content license with a network/ studio and a telco.*



# TRICK ANSWERS.

1. Mobile as the “platform of choice.” Smartphones, MVD’s, Netbooks and tablets—i.e., Internet access (rather than only phone system access).
2. Hollywood culture: Long-form v. short-form major controversy.
3. All kinds of mobile deals: M&A, technology, regulatory, etc.—complicated ecosystem of stakeholders.



# NEW (& IMPROVED) REVENUE SOURCES.

## 1. The obvious:

- Mobile ads: screen-size issues; splits?
- Mobile video: promising (complicated dev)
- Mobile search: not bad

## 2. The emerging:

- Datastreams: of what type?
- Ecommerce: Amazon but also App Stores
- Pre-rolls, etc.: excellent now but unpopular

*Revenue splits are the main model*

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# WHERE'S WALDO?

RIGHTS. Company automatically and irrevocably shall own and be vested with, and Vendor automatically and irrevocably shall be deemed to have granted, conveyed, assigned, transferred and set over to Company, all right, title and interest in and to the Work, including without limitation any and all copyrights therein and thereto (and all renewals, extensions, restorations and resuscitations thereof) and any and all rights now known and used, under any and all such copyrights in perpetuity (but in any event for not less than the period of copyright and any and all renewals, extensions, restorations and resuscitations thereof), in any and all languages and in any and all media now known and used, now known and hereafter used, or hereafter known or devised and used **for the entire universe** (collectively, the "Rights"). Without limiting the generality of the foregoing, the "Rights" shall in any and all events include, without limitation, all right, title and interest in and to the following: (i) the sole and exclusive Motion Picture rights, including, without limitation, the sole and exclusive right to produce one (1) or more Motion Pictures or other derivative works (including, without limitation, sequels, prequels, remakes, musicals and/or serials) based, in whole or in part, on the Work and the right to fix, reproduce, release, distribute, exhibit, perform, transmit, broadcast, advertise, promote and otherwise exploit such Motion Pictures or other derivative works **by any and all means and in any and all media whether now known and used now known and hereafter used, or hereafter known or devised and used**, including, without limitation, all of the following: theatrical; non-theatrical (including airlines, ships and other carriers, military, educational, industrial and the like); pay-per-view; home video (including video-cassettes, digital videodiscs, laserdiscs, CD-ROMs, video-on-demand; near video-on-demand and all other formats); all forms of television (including pay, free, network, syndication, cable, satellite, high definition and digital); subscription-on-demand;

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# WALDO (cont'd).

**all forms of digital or on-line exploitation, distribution and/or transmission (including, without limitation, the internet), CD-ROMs, fiber optic or other exhibition, broadcast and/or delivery systems and/or computerized or computer-assisted media; all rights of communication to the public, rights of distribution to the public, rights of making available or other forms of public or private communication and/or distribution; and all forms of dissemination, communication or distribution to one or more locations or parties, whether embodied or transmitted utilizing analog, digital or other formats; (ii) all ancillary, incidental and subsidiary rights** including, without limitation, all merchandising, (*e.g.*, games, computer, video and other electronic games, toys, comic books, so-called "making of books," apparel, food, beverages, posters, and other commodities, services or items), commercial tie-ins, co-promotions, music, music publishing, soundtrack, photonovel, novelization, screenplay publication, **interactive media**, multi-media, and theme park (or other "themed" or location-based attraction) rights in and to the Work; (iii) the right to make or publish excerpts, synopses or summaries of the Work for purposes of advertising, publicizing or exploiting the foregoing rights in and to the Work; (iii) the exclusive right to publish the Work or excerpts therefrom and (iv) the exclusive right to use the title or titles by which the Work may be now or hereafter known, or any components of any such title or titles (a) as the title of Motion Pictures and/or in connection with the advertising, marketing, publicity, promotion and other exploitation thereof, whether such Motion Pictures are based wholly or partially upon the Property or are independent of the Work, (b) in connection with songs, musical compositions, music or lyrics and/or phonorecords, whether or not included in any such Motion Pictures, and (c) in connection with the publication, recordation, performance, and any other use whatsoever of the foregoing items.

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# SO WHAT?

Traditional Approach: **Push** it to the audience. Does the license grant cover “Pull” or social networking, mash-ups, etc.? Lean back/lean forward?

**Exploit** the Work:

- Includes right to edit, trailers, mobisodes?

Digital **transmission**:

- Interactivity? Mobile rights? Derivative works?

**Universe**:

- Defined term?

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# SO WHAT (cont'd)?

## 1. Overreaching?

- Enforceable in the EU?

## 2. Where is mobile mentioned?

- Does that mean “not contemplated?”
- No “pull,” no UGC, no alerts, no “lateral” dissemination by User?

## 3. Tricky application of Rule of *Ejusdem Generis*:

- General statements apply to same class of things or only things listed. “Cars, trucks, motorcycles” = land-based vehicles so planes and boats are excluded.
- The longer the list the more likely that missing items were *intentionally* omitted.
- Courts do not limit application to statutes.

## 4. Agreements as guidance for non-lawyers. Can you imagine *them* figuring this paragraph out?

*This is analysis, not criticism, of the Hollywood approach* GLOBALCAPITAL



# QUICK TRICKS.

1. Scope of license: Does it cover new platforms and new forms of “engagement,” e.g., interactivity, social networking, peer-to-peer, mobile, “complete” convergence?
2. Limitations of other licenses: The “Border Effect.” Is it licensed in foreign markets (through other agreements)?
3. Who owns user/audience data?
4. Reps & warranties: Can they say they control?
5. Revenue: With whom is it shared?
6. Indemnification: Huge risk? (Claims may be brought in foreign jurisdictions)



# LEGAL RISKS: LICENSE SCOPE.

Does the scope of license grant rights sufficient for commercialization (and valuation)?

1. Platforms specified? Interactivity? “Mash-ups” w/in broadcast rights (“push” v. “pull”).
2. Term (and beyond)? Use in between broadcast “day and date(s)”?
3. Right of sublicense (necessary if to Users).
4. What else is being licensed?
5. Does the content include or generate data/datastreams. Internet exploitation enables accumulating—and mining and monetizing—vast amounts of granular data.
6. Rely upon rights in technology (often covered by different agreements)?



# LEGAL RISKS: REPS & WARRANTIES.

Can they legitimately say the following?

- (a) *Ownership or Control.* Licensor owns or has been licensed all rights necessary to effectuate the terms of this Agreement.
  
- (b) *No Violation of Third Party Rights & Applicable Laws.* The execution, delivery and performance of this Agreement will not violate rights granted by xxxxxxxx to any third party or violate the provisions of any agreement to which it is a party or violate any applicable law or regulation, including those regarding export control; and

New risks for technology based on “Open Source.”

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# LEGAL RISKS: INDEMNIFICATION.

Indemnification shifts future risks.

- Who assumes the risks going forward?
  - Infringement
  - Third-party claims
- Non-American jurisdictions may assert their authority. (EU privacy laws; jurisdiction based on “country of access”; infringement claims)

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# PART III.

## THE TRENDS & THEIR IMPLICATIONS

- True Convergence
- Scaring Telcos Cable Cos
- “I Like Buttons” & Metrics
- Mobile is Everything
- Angel Funding & Lean Startups
- Truly Global IP
- Additive Manufacturing
- Canaletto, Brueghel, Reubens, *Polar Express* & *Tron*

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# TRUE CONVERGENCE

*Any content anywhere any platform anytime any interaction any sharing*

- Viable business models: Hulu.com, Netflix and iTunes
- ESPN is now providing premium online access to its cable subscribers
- Internet-ready TVs and these services:
  - Google TV
  - AppleTV
  - Rovi
  - Boxee

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# TRUE CONVERGENCE LICENSING ISSUES

- Cross-platform rights in underlying license?
  - If your Programming Matrix brought you to Internet-sourced content, is watching it—or displaying it—a violation of a territorial license? Does the underlying license enable “TV broadcast?”
- Streaming v. Downloading
  - Has watermarking’s time arrived?
- Rights in the Marks?
- Is there a greater risk of “Derivative Works?”



# SCARING TELCOS & CABLE

- Mobile users employ VoIP for calls and (free) WiFi in lieu of data plans.
  - Phone systems as utilities; access as a commodity.
- 300,000 cable subscribers cancelled:
  - Netflix for movies, Hulu for TV
  - Netflix =  $> \sim 20\%$  of night-time Internet traffic



# TELCO/CABLE SCARE LICENSING ISSUES

Largely indirect effects

- Minimum audience numbers and “makegoods”

Increased possibility of infringing use:

- >600,000,000 Facebook Users

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# “I LIKE” BUTTONS & METRICS

“I Like” Buttons are an example of cross-network links.

- Similar to Facebook/Twitter symbols to post (“hypersyndication”)

Links cause huge traffic spikes and, potentially, huge increases in audience data.

- Advertisers aren’t in it for the money.



# “I LIKE” LICENSING ISSUES

- “Cross linking” and hypersyndication increase scope for IP policing and increase infringement risks.
- Who owns the audience metrics?
  - Potential for merely “access” or “aggregate” data?



# MOBILE IS (AND WILL BE) EVERYTHING

- ~5,000,000,000 mobile phones
  - ~1.1B with Web access
  - ~2-3B with SMS capabilities
- <~1,000,000,000 PCs
- By 9/1/10: 6,500,000,000 downloads from the Apple App Store



# MOBILE LICENSING ISSUES

1. App Dev—Open Source components:
  - Reps & warranties
  - Ongoing obligations?
  - Breaches (attribution, © in the code, etc.)
  - Violation of patents (software & process)
2. App Use—Capturing content (ltd Fair Use?)
  - © and <sup>TM</sup> violations
  - Derivative Works



# ANGELS & LEAN STARTUPS

Startup development is down from \$5m and 2 yrs to \$50K and 2 mos.

- VCs love it because enables POC and customers.

“Lean Startup” Movement fits right in.

- “MVP” (Minimally Viable Product) model
- “Vibefeelr” done in four months



# ANGEL FUNDING LICENSING ISSUES

Chronic pricing pressure for legal work now even greater.

- No money for due diligence
- Burden is always on the entrepreneur (reps & warranties)

Ownership after the “Fall?”

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# TRULY GLOBAL IP

- Anything you start here gets started “there.”
  - (China) Google>Baidu
- “Prior Art” includes scientific publication in “smaller” foreign languages.
- Italian startups 1<sup>st</sup> step: Go to America.
- EU policies now being applied to Internet companies (and vice versa: Massachusetts)

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# GLOBAL IP LICENSING ISSUES

What's the best IP foreign registration strategy?

- “Startup Fest” disclosure here extinguishes opportunity for foreign patents

Domain registration: What's in your name with other TLD's?

- Trademarks not always adequate protection; must show “bad faith” in UDRP.

EU Data Privacy Policies:

- Reps & warranties violated on the 1<sup>st</sup> day.



# ADDITIVE MANUFACTURING (3D PRINTERS)

“Prototyping” 3D printers now being used for  
“one-offs” and “short-runs.”

- 20% of output now final products (> to 50% by 2020)
- Lamps and lampshades

Consumer customization ( a la Scion)

- Design your own mobile phone case.



# 3D PRINTER LICENSING ISSUES

1. Is the “trade dress” of an item adequately protected? (Hint: no)
  - Can a licensee be reasonably expected to protect against “additive manufacturing” copying?
2. Derivative Works: Does the copier have a defense?
3. Is this a form of “reverse engineering?”



# REUBENS, ET AL. & *TRON*: MOTION CAPTURE LIBRARIES

## Canaletto, Brueghel & Reubens: Great Artists

- Effective production lines: mass customization of great art.

## *Polar Express* and *Tron*

- 1<sup>st</sup> (major) movies with non-human characters created by motion capture

## Motion Capture Libraries

- Purchase “video” clips of “entities” moving as you desire—attach to wireframe character and . . .

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# MOTION CAPTURE LICENSING ISSUES

Does underlying license cover all possible uses?

- Any risks of “likeness” violations?

“Outbound” (use) license:

- Is policing against “re-use” even possible?  
(Watermarks?)
- Derivative Works defense for re-use?
- Who owns the new “characters?” Do they get copyrighted?



# Thank You.

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