

Guidelines to ISBA / IPA / CIPS above the line agreements

Menu of options for clauses dealing with copyright

Background

There are many different ways in which IPR can be handled. Previous versions of the standard agreement included a number of different copyright clauses in the agreement itself which tended to be confusing. It presented both agencies and clients with a menu of possible clauses, to which it was not easy to negotiate changes, from a commercial and practical perspective.

The new approach endorsed by ISBA and the IPA is to give their members a menu of wider options and guidance in a separate document to the standard agreement.

Ownership of IPR should not be considered in isolation. It should be considered together with the length of appointment, remuneration, exclusivity and other aspects of the agreement. The Client will want to ensure that it owns IPR in material it has paid for. The Agency will want to retain some protection against non-payment by the Client by retaining IPR until it has been paid for the relevant materials. Both parties must also take account of the realities of the advertising industry and the fact that the Agency can only give the Client such rights as it owns itself or has obtained from third parties.

It will often be impractical, unnecessary and uneconomic for the Agency to obtain a complete buy-out of all IPR in Commissioned Material. Commissioned Material is therefore treated differently from Agency Material and requires specific wording to be added, clarifying the extent of the Agency's obligations in respect of a buy-out of the rights in Commissioned Material. Many large advertisers will have established policies in this area that should be checked. All IPR provisions must recognise that third parties will often have an interest in advertising created by the Agency, and that securing global buy outs of rights from all concerned may be more expensive and time-consuming than can be justified. However, the Agency should always be obliged to obtain usage rights in Commissioned Material to enable the Client to use the materials in its campaign.

As IPR is a particularly complex area, both parties should seek legal advice.

How to use the menu of options

The IPR clause needs to include the following elements:

- A. Ownership of Agency Material
- B. Ownership of Commissioned Material
- C. Existing Material
- D. Moral Rights
- E. Use of Advertising by Client after the end of the Term
- F. Use of Advertising by Agency
- G. Character Merchandising

The following menu of options sets out suggested options following the lettering used above. For example, the options for dealing with Agency Material are numbered A1, A2, A3, A4 and so on, whilst the options for dealing with Commissioned Material are numbered B1, B2, B3 and so on. The parties will probably wish to choose one option from each section to include in the Copyright and IP Clause at Clause [23]. For example, the parties might decide to use A2, B1, C2, D1, E1 and F1. These would be added as sub-clauses to Clause [23], to make a complete Copyright and IP clause.

Section A: Menu of options for ownership of Agency Materials

VERSION A1 – *Where there are a number of clearly defined campaigns or projects, IPR to be assigned to Client on request on completion of the campaign or project, subject to payment of fees and compliance with agreement.*

If the Services comprise a number of defined campaigns or projects, then, upon completion of the Agency's work in respect of such a campaign or project and upon the Client's written request, the Agency shall assign to the Client with full title guarantee all Rights in the Agency Material [and Commissioned Material] in respect of the campaign or project, together with the right to sue for damages for past infringement, provided that the Client has complied with all of its obligations under the Agreement (including, for the avoidance of doubt, any obligations relating to payment).

During such a campaign or project, the Client will not make use of the Advertising in nor outside the Territory without the Agency's prior written consent.

***Drafting tip:** If version B1 is used, delete "[and Commissioned Material]" throughout this clause. If version B2 is used, ensure that the square brackets around "[and Commissioned Material]" are removed.*

Note to Version A1: This gives the Client comfort that it will have all rights assigned to it at a defined point, provided that it is not in breach of the agreement. The Agency will also have some comfort in relation to payment of Agency fees.

VERSION A2– *Upon the request of the Client, the Agency assigns copyright in Agency Material to the Client at the end of the Term, provided that the Client has met all of its obligations (such as payment of fees).*

Upon the Client's written request at the end of the Term, the Agency shall assign to the Client with full title guarantee all Rights in the Agency Material [and Commissioned Material] together with the right to sue for damages for past infringement, provided that the Client has complied with all of its obligations under the Agreement (including, for the avoidance of doubt, any obligations relating to payment and the period of notice).

During the Term the Client will not make use of the Advertising in or outside the Territory without the Agency's prior written consent.

***Drafting tip:** If version B1 is used, delete "[and Commissioned Material]" throughout this clause. If version B2 is used, ensure*

that the square brackets around “[and Commissioned Material]” are removed.

Note to Version A2: This clause is similar to Version A1, but means that the exercise of asking for assignment to the Client only happens once, at the end of the Term.

VERSION A3– Upon the request of the Client, the Agency assigns copyright in Agency Material to the Client from time to time.

Upon the Client’s written request from time to time the Agency shall assign to the Client with full title guarantee all Rights in the Agency Material [and Commissioned Material], together with the right to sue for damages for past infringement.

***Drafting tip:** If version B1 is used, delete “[and Commissioned Material]” throughout this clause. If version B2 is used, ensure that the square brackets around “[and Commissioned Material]” are removed.*

Note to Version A3: This clause does not give the Agency any additional comfort in relation to payment of Agency fees, but falls short of being an automatic assignment, immediately upon creation. The crucial difference between this and Version A4 is that the parties will need to sign a written document to assign the copyright, whereas in Version A4 the copyright assignment will be automatic. See note to all clauses at bottom of Section A.

VERSION A4 – Agency retains IPR and grants a licence to the Client.

The Rights in all Agency Material [and Commissioned Material] vest in the Agency unless different arrangements are made in writing. In consideration of the fees set out in this Agreement, the Agency hereby grants to the Client an [exclusive] royalty-free licence for the use of the Agency Material [and Commissioned Material] in [all media] [broadcast] [print] [*specify*] in the Territory for the Term.

[Upon the Client fulfilling all its obligations under this agreement, (including those relating to payment and the period of notice), the Agency will grant to the Client a [...] year licence from the end of the Term (or such other date as appropriate such as the first air date of a commercial), for the use of the Agency Material [and Commissioned Material] in [all media] [broadcast] [print] [*specify*] in the Territory.]

***Drafting tip:** If version B1 is used, delete “[and Commissioned Material]” throughout this clause. If version B2 is used, ensure that the square brackets around “[and Commissioned Material]” are removed.*

Note to Version A4: Under this version, the Agency is able to use copyright ownership as a way of negotiating with the Client for non-payment of agreed Agency fees. The Agency is also able to enter into discussions in relation to licence fees for use of the materials prepared by the Agency after the Term. This is a useful clause when a campaign's shelf-life is expected to be short, because obtaining a buy-out of all rights in Agency Material and Commissioned Material is more expensive than obtaining a licence. This clause might also be considered if an Agency's agreed fees are low.

VERSION A5– The Client automatically owns all copyright in Agency Material, which is assigned automatically, upon creation by the Agency.

The Agency hereby absolutely and irrevocably assigns to the Client, as legal and beneficial owner and with full title guarantee all the Rights in the Agency Materials [and Commissioned Material] (by way of present assignment of present and future copyright) whether in existence now or created in the future throughout the world for the full duration of such Rights (including any renewals or extensions thereof in or arising out of the Agency Material [and Commissioned Material]) together with the right to sue for damages for past infringement.

Drafting tip: *If version B1 is used, delete “[and Commissioned Material]” throughout this clause. If version B2 is used, ensure that the square brackets around “[and Commissioned Material]” are removed.*

Note to Version A5: This gives the Client all rights in all materials automatically on coming into existence. If there is a dispute between the Client and the Agency over payment, the Agency will still be able to sue the Client for the debt, but will not be able to use copyright as a means of securing its payment.

Note to section A and Agency Material:

The definition of Agency Material covers work created by the Agency's employees, ie, materials and works created in-house by the Agency. The definition of Commissioned Material covers work commissioned from third parties (including production companies and freelancers) for the purposes of the Client's campaign.

Copyright assignments have to be in writing in order to be effective. It is possible to assign future rights which are not in existence at the time of entering into the contract, by using the wording in Version A5. However, it is not possible to assign future rights if there are further conditions to be met (such as complying with payment terms). Therefore, the obligations to assign are not effective in Versions A1, A2, and A3 until a further written assignment (which can be short and simple) is signed by both parties. A clause which is commonly seen in client/agency contracts is:

“The Agency hereby assigns to the Client...all the Rights in the Agency Materials (by way of present assignment of present and future copyright) whether in existence now or created in the future throughout the world, subject to payment of all Agency fees”

This clause does not appear in the versions in this note, because it does not work in the way the parties intend it to. It does not legally assign the copyright to the Client automatically on signature of the contract, because there is still a future condition to be met (ie payment of fees).

Section B: Menu of options for ownership of Commissioned Material

VERSION B1: Agency obliged to obtain usage rights in Commissioned Material

The Agency shall use reasonable endeavours to obtain all usage rights in Commissioned Material **[either]** [as is deemed reasonably necessary by the Agency] **[or]** [as agreed by the parties] **[or]** [as is deemed reasonably necessary by the Client] at the time such material is commissioned.

The copyright in television, cinema and radio commercials passes to the Agency under standard forms of agreement, including but not limited to the Agreement for the Production of Television and Cinema Commercials approved by the Advertising Producers Association (formerly the Advertising Film and Video Producers Association), the Incorporated Society of British Advertisers, and the Institute of Practitioners in Advertising. As these place restrictions on future usage, all assignments and licences of Rights to the Client under this Agreement will be subject to the rights of third parties and will be made only by special arrangement on terms indemnifying the Agency against subsequent claims by third parties.

Drafting tip: *If this version is used, ensure that the words “[and Commissioned Material]” are deleted from the selected clauses from Section A.*

Note to Version B1: This places an obligation on the Agency to obtain usage rights, but not a buy-out of rights in the Commissioned Material.

VERSION B2: Agency obliged to obtain an assignment of Commissioned Material, which is then assigned to the Client as far as possible

Insofar as Commissioned Material consists of television, cinema and radio commercials, the Rights in these materials pass to the Agency under standard forms of agreement, including but not limited to the Agreement for the Production of Television and Cinema Commercials approved by the Advertising Producers Association (formerly the Advertising Film and Video Producers Association), the Incorporated Society of British Advertisers, and the Institute of Practitioners in Advertising. As these impose obligations affecting future use of the commercials, all

assignments and licences of Rights to the Client under this Agreement will be subject to these obligations.

Regarding any other Commissioned Material, the Agency will use reasonable endeavours to obtain (at pre-agreed cost to the Client) an unconditional written assignment to the Client of all Rights in such Commissioned Material. In the event that the Agency obtains an assignment of Rights in such Commissioned Material, it is the intention of the parties that the Client will own the Rights in such Commissioned Material in accordance with the provisions of this Clause [23]. The Agency shall notify the Client in writing if no such assignment of the Rights can be obtained on reasonable terms and shall negotiate with the owner of such Rights to obtain such usage rights as [*either*] [as is deemed reasonably necessary by the Agency] [*or*] [as agreed by the parties] [*or*] [as is deemed reasonably necessary by the Client] at the time of such negotiations, at pre-agreed cost to the Client.

***Drafting tip:** If this version is used, ensure that the square brackets around “[and Commissioned Material]” are removed from the selected clauses from Section A.*

Note to section B and Commissioned Material: This gives two different approaches for buying rights in Commissioned Material (ie, third party materials commissioned for the purposes of advertising such as production materials. Under Version B1, the Agency is obliged to obtain usage rights, or licences for the Commissioned Materials. This tends to be much cheaper than a buy-out or assignment of rights and tends to be more appropriate where a campaign has a short shelf life, or where limited funds are available. If the Client is concerned about having the right to use Commissioned Materials for a long time, then it may be more appropriate for the Agency to attempt to obtain a buy-out of rights, as in Version B2. However, there may be situations where it is not commercially possible for the Agency to obtain a buy-out, as the Rights will often pass to the Client on the basis of industry standard TV, cinema and radio agreements, which may not include assignments of all Rights. Additionally, a buy-out of rights may be prohibitively expensive for the Client and not commercially necessary for the purposes of the campaign. Therefore, this clause sets an obligation on the Agency to inform the Client if an assignment cannot be obtained, and to negotiate appropriate usage rights.

Section C: Menu of options for Existing Materials

VERSION C1: Agency obliged to obtain usage rights in Existing Material

The Agency shall use reasonable endeavours to obtain all usage rights in Existing Material [*either*] [as is deemed reasonably necessary by the Agency] [*or*] [as agreed by the parties] [*or*] [as is deemed reasonably necessary by the Client] at the time such material is selected or obtained.

VERSION C2: *Agency obliged to notify the Client if an assignment of Rights in Existing Material is not possible*

If the Agency intends to incorporate any Existing Material in the Advertising, the Client shall inform the Client as soon as practicable and if no assignment of the Rights is possible, the Agency shall negotiate a grant of the required usage rights at pre-agreed cost to the Client.

Note to section C and Existing Material: The definition of Existing Material covers third party materials already in existence (ie not specifically commissioned by the Agency for the Client's campaign) such as stock footage and images from photographic agencies.

These versions give two different approaches for dealing with Existing Material. It will often not be possible to obtain an assignment of Rights in Existing Material, as agencies supplying Existing Material will often not provide more than a licence.

Section D: Menu of options for Moral Rights and Performers Property Rights

VERSION D1: *Waiver of Moral Rights and assignment of Performers' Property Rights*

The Agency shall ensure that all Moral Rights in the Agency Material and Commissioned Material are waived, but if this is not possible in respect of any Commissioned Material, the Agency will discuss this with the Client in advance of concluding the relevant commissioning contract and proceed as agreed. Performers' Property Rights in Commissioned Material, if any [*either*] [are hereby] [*or*] [shall be assigned by the Agency to the Client at the end of the Term provided that the Client has complied with all of its obligations under the Agreement] subject to any repeat fees previously agreed with the approval of the Client and any legally unwaivable right such as the right to equitable remuneration.

Note to section D and Moral Rights and Performers Property Rights: There is only one suggested option in respect of this sub-clause, but the parties should choose the appropriate options within square brackets to indicate whether assignment is effective immediately, or whether it only takes place at the end of the Term, provided the Client has paid all fees.

Section E: Menu of options for use of Advertising by Client after the Term

VERSION E1: *Client has the right to use the Advertising after the end of the Term*

Drafting tip: Do not use if version A4 was used

The Client shall be entitled to use the Advertising after the end of the Term, [subject to complying with the terms of all licences in respect of Commissioned Material and Existing Material, including payment of any additional licence fees].

VERSION E2: Client to pay the Agency fees for the right to use the Advertising after the end of the Term

The Client shall notify the Agency of any intended use of Advertising after the Term and will pay the Agency a fee equivalent to [...] % of the gross amounts payable for the media in which the Advertising is used. Such sums shall be paid to the Agency within [...] days after the due dates for payment in respect of the media in which such Advertising is used.

Section F: Menu of options for use of Advertising by Agency

VERSION F1: Agency has the right to use Advertising in defined circumstances

Notwithstanding any of the above the Agency shall:

be able during and after the Term to use the Advertising to the extent that it consists of Existing Material;

be able during and after the Term to use Advertising (after first publication, broadcast or transmission on behalf of the Client) for the purpose of promoting its own business by means including but not limited to a show reel of the Agency's commercials, on the Agency's own web site and for purposes associated with the entry and conduct of advertising industry awards schemes; and

retain the copyright in any material contained in any presentation made in competition with any other agency in the event of the Agency's presentation being unsuccessful.

Note to section F: There is only one option in respect of this section. In addition, the Client may wish to include clauses detailing the Agency's use of the Client's trade marks, stipulating that the Agency must obtain the prior written approval before using the Client's trade marks.

Section G: Menu of options for character merchandising

VERSION G1: Agency has the right to use Advertising in defined circumstances

The Client shall not at any time before or after the end of the Term use (or license the use) either inside or outside the Territory of any cartoon figure, model or other character whose visual appearance has been created exclusively for the Client by the Agency or by the Agency's subcontractors except:

in the Client's above or below the line advertising or in the packaging of the Client's products; or

as expressly agreed in writing between the Client and the Agency.

The Agency's consent for any other use of such characters shall not be unreasonably withheld, but where income is to be generated by, for example, activities in the nature of character merchandising, the Agency's consent will be conditional on prior agreement between the parties and where appropriate with subcontractors, on reasonable fees or royalties.

Note to section G: There is only one option in respect of this section which the parties may or may not choose to use. .