

New Media and Emerging Technologies

Staying Interactive in the High Tech Environment, a White Paper and Licensor Oriented Content License Agreement

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I. Introduction

The term "Multimedia" is used to describe a broad range of computer-based products and applications that involve the integration of various forms of content, such as text, images, audio, video and graphics, with software that allows the user to retrieve, view and manipulate the content on an interactive basis.

The commercialization of multimedia products should be done with careful attention to the relevant intellectual property rights.

This paper focuses on the intellectual property issues that must be addressed at the three main phases of commercialization of multimedia applications.

1. The acquisition of the rights necessary to create multimedia products.
2. The licensing of third parties to create and distribute the multimedia product.
3. Proprietary protection of the multimedia product.

Because museums and cultural organizations must address issues specific governing the uses of images and text, the authors draw attention to *Sample CD-ROM Licensing Agreements for Museums*, a 1995 publication of MUSE Educational Media distributed to the institutional members of American Association of Museums, The American Federation of Arts, and the Association of Art Museum Directors.

See also, Steiner, Christine "Controlling Your Images—The Museum and the Licensing of Imaging Products," *Museum News* 71, 4 (July/August 1992): 62-64; and "Electronic Media Agreement Issues: Negotiating Museum Licensed Products," ALI-ABA, *Legal Problems of Museum Administration* (March, 1994): 183-202.

For a comprehensive review of the legal issues in the field, see Raysman, Brown and Neuburger, *Multimedia Law*, Law Journal Seminars-Press (1994).

II. Securing The Necessary Rights

A. Product Planning

One of the most important steps in every multimedia project is thorough project planning. The creation of a detailed project plan will flesh out all of the unrecognized legal and business issues which are presented by the project. Project planning will reduce unnecessary, expensive and time consuming problems in the rights clearance process. Rights clearance should not be limited to content, however, and should extend to the software tools and related technology, which may be covered by patent, trade secret or copyright protection.

Since most multimedia projects involve multiple parties, often in the context of a "joint venture" or a "strategic alliance", it is also important at the outset to analyze the parties' expectations with respect to rights in the resulting product, the parties' obligations with respect to confidentiality and trade secrecy of the project, and the disposition and/or licensing of intellectual property rights in the event of termination of the project.

Although planning may take some time in the early part of the project's lifecycle, it is likely to save time and money later on when deadlines are closing in quickly. Set forth below is a project planning checklist which identifies some of the issues which must be considered in the product planning process:

The Product and Its Market

(1)

What is the nature of the product? For example, will the product contain a video game, virtual reality application, or an encyclopedic type of application?

- (2) What is the product's title?
- (3) Are competitive products in existence? Are they anticipated?
- (4) What is the expected life span of the product? How long will it be expected to sell? What percentage of its sales will be within each year during the life span?
- (5) Are sequel products anticipated? Will the product be substantively updated, replaced, or superseded? Are technical upgrades to the product anticipated?
- (6) Is the product to be sole under a specific trademark? If so, who owns the trademark? What is the scope of the contemplated use?
- (7) Are associated products anticipated (i.e., screen savers, trivia games, calendars, etc.)? Is the product the first of a series of products?
- (8) Is a unique "look and feel" or user interface planned for the product of products?

Technical Issues

- (1) For which platforms (including hardware, software and devices) will the application be developed?
- (2) What are the intentions with regard to future technologies?
- (3) How much data storage capacity is required? Will there be extra space left over on the device? If so, is there enough for advertising, screen savers or other fillers?
- (4) What are the other technical requirements for the application? What type of data transfer rate is required for the device embodying the application? Are there any technical limitations which need to be addressed?

Project Participants

- (1) Who will be involved in developing the product? (e.g., employees, independent contractors, etc.)
- (2) Will third parties have a role in the physical development, production, distribution and marketing of the product?
 - (3) Who is providing the software?
- (4) Who will own the software?

- (5) Who will own the product?
- (6) What rights will each participant have to the software or to the end-user interface produced by the software?
- (7) What are the parties' expectations with respect to confidentiality and non-compete issues as they relate to the protection of the parties' investment in the product?

Content

- (1) What works will be incorporated as content into the product?
- (2) What elements does each work consist of?
- (3) What elements of each work will be used? For example, if the work is a song, will both the music and lyrics be used?
- (4) If the work is a song, will it be synchronized to specific images or a movie or video?
- (5) Will the work be incorporated into the product in full or will it be altered or abridged in some way?
- (6) If the work is text, will the entire text be included, or will only excerpts or sections be used?
- (7) If the work is music, film or video, will the use be limited to certain sections, or a certain length of time?
- (8) Will a "black and white" work be altered, in whole or in part, to appear in color (a process known as "colorization")?
- (9) Is digital sound sampling involved?
- (10) Does the work embody a trademark, product, or, in the case of individuals, images?
- (11) Is the work fiction or non-fiction?
- (12) Are photographs of living or deceased people involved?
- (13) Will the work be modified, altered or adapted in any way?
- (14) In what form is the "master" copy? In most cases, the work will have to be digitized. Are any other conversions anticipated?

(15) Does the work have to be translated from one language to another?

(16)

Will the work be performed or displayed?

(17) If the work is textual, is a dramatization or reading of the work to be used?

(18) Will the work be used in conjunction with other works?

(19)

What is the nature of the other works that will be part of the product?

(20) Is the work to be used on packaging or promotional materials?

(21) Based on the foregoing, what intellectual property rights are involved?

(22) Is exclusivity needed with regard to any particular rights?

(23) What rights can the right holder reserve? Can the right holder retain approval rights?

(24) Who owns the necessary rights? What entities or individuals must be involved in the process?
From who will the works be obtained? Are any compulsory licenses involved?

(25) How will the right holders be compensated? What types of royalty provisions and minimum payments are appropriate?

Distribution

(1) Who will be involved in the distribution process?

(2) How will product be distributed? How long will the product be in distribution? Is satellite broadcast or cable transmission distribution involved or anticipated for the future?

(3) Will the product be bundled with other products? What will the nature of those products be?

Financial Issues

(1) How is the project being financed? What are the risks associated with the project for each entity involved? What are the benefits which each party stands to gain?

(2) What are the implications of termination? What licenses survive termination? Who owns the relevant intellectual properties? What non-compete obligations survive?

(3) In the event of a less than amicable termination, what should the rights and remedies of each party be?

The answers to these questions will help identify the number of “right holders” that need to be involved in the clearance process; the scope and nature of rights that need to be secured; the rights, if any, that can be reserved by the right holders consistent with the publisher’s marketing needs; the need and extent of non-compete and confidentiality agreements; and the structure of compensation/royalties to the right holders that would be economically feasible.

Rights and Right Holders

The publisher of a multimedia application must obtain the rights to use each work which will be part of the multimedia product. This can be a complex and expensive undertaking. At times, the costs and complexity of the necessary effort has even been fatal to multimedia projects.

To obtain the necessary rights, three tasks must be performed:

Determination of Rights. For each work being incorporated into the multimedia product, the publisher must determine what rights, if any, are needed. Does one need the rights to use a photograph? A musical score? A chart? Is a particular work in the public domain? The more complex the product is planned to be, the more rights are likely to be necessary.

Determination of Right Holders. After identification of the necessary rights, the publisher must determine who owns the rights. This could involve some detective work, including the sometimes lengthy review of a variety of types of contracts to trace the chain of title in the necessary rights. Rights could be passed by contract or by operation of law, and may be owned by authors, agents, actors, composers, models, photographers, publishers, estates, family members, collective licensing agencies, etc. Often the rights to a work are owned jointly, in which case the publisher may need all of the owners’ consents. At times, the right holders may not realize that they are, in fact, a right holder.

Negotiation. Finally, the publisher must negotiate with the right holder to obtain the rights. The publisher will be interested in obtaining as broad a grant of rights as possible, while the right holder will seek to restrict the scope of the grant, retain rights to future technologies, and maintain quality control over the final product.

Acquiring the Necessary Rights From The Right Holder

1. Publisher Concerns

a. Grant of Rights

A publisher must obtain the rights necessary to enable it to produce the multimedia work in known technologies as well as in technologies yet to be created.

For example, if the work consists of an image or text, the grant of rights to use that work in a multimedia product should, in most cases, include the right to:

- (1) modify the work and duplicate the work and any derivatives thereof for the purpose of incorporating the work or its derivatives into a product;
- (2) duplicate copies of the product incorporating the work or its derivatives;
- (3) distribute copies of the product incorporating the work or its derivatives by sale, lease, license or lending; and
- (4) transmit, download or otherwise transfer or distribute the work or its derivative as fixed in the products.

Each of the rights should apply to formats and technologies now known or thereafter to become known. In addition, a grant of rights relating to public display or performance may be necessary depending on how the product is to be commercialized. If the work is a recording or composition, certain additional rights, such as the right to synchronize a recording to images, may be required.

b. Rights of Attribution and Integrity

If the work constitutes a “work of visual art” under the United States Copyright Act, 17 U.S.C. § 101 *et. seq* (the “Copyright Act”), the author may have certain nontransferable rights of attribution under Section 106A of the Copyright Act. These rights provide, among other things, that the author can claim authorship of the work and prevent the use of its name in conjunction with certain modifications of the work. Although these rights are nontransferable, they can be waived by a written instrument, signed by the author, which specifically identifies the work and uses of the work to which the waiver applies. Although it is not clear that such rights would apply to the creation of a multimedia work, it is prudent to obtain a waiver from the right holder. Set forth below is an appropriate clause:

Owner hereby waives, forfeits, relinquishes and abandons all rights of attribution and integrity as to any Work, Product, Derivative Product or Product Compilation which is contemplated under this Agreement.

These provisions should be accompanied by the

Owner’s disclaimer of any rights to the Product:

Owner acknowledges that Publisher or its assignee shall own and possess all right, interest and title to the Work, Product, Derivative Products and Product Compilations, and Owner disclaims any and all proprietary interest therein.

c. Future Exploitation

If the right holder's grant is less than a complete grant of all rights to the work, the publisher may be concerned about the author's ability to license its reserved rights to others. The publisher can minimize the likelihood of such an event by including a "right of first negotiation and a right of last refusal" with respect to the exploitation of the reserved rights.

d. Other Issues

License agreements should address a number of other concerns, which are not necessarily specific to multimedia projects. For example, the right holder should represent and warrant that it is the rightful holder of all of the rights it is licensing, that it has the authority to convey the rights it is granting and that the work does not infringe another's intellectual property rights. The publisher should obtain an indemnification from the right holder for any claims brought against the publisher by third parties relating to or arising from the breach of the right holder's warranties.

2. Right Holder Concerns

a. Limitations on Grants

Right holders are generally unwilling to agree to broad transfers of future rights to their works in unknown technologies. Such requests are often viewed with some degree of distrust and skepticism. Museums, libraries and other sophisticated entities which control or own many of the notable works in the public domain are especially reluctant to entertain such a request.

It is not uncommon to have right holders seeking to limit the scope of the grant by narrowing the range of devices or formats that the grant will apply to, or by reserving key rights and reserving all rights other than those specifically granted. For example, instead of a broad definition of the "product form" in which the work can be incorporated, a right holder may only be willing to grant the rights to specific media for use in specific platforms, e.g., optical-based CD-ROM devices for use in the Macintosh platform.

b. Retention of Control

A right holder is often concerned with retaining control over the exploitation of its work, and retaining its ability to capitalize on future technological developments and new types of embodiments. A right holder may also seek to limit the term exclusivity of the license to a short period, which may conflict with the publisher's need for a long-term license or exclusivity period to allow a reasonable return on the publisher's investment.

c. Limitation on Derivatives

Right holders of audio or video materials will also usually attempt to limit the length of the segments that are used in the multimedia product. Such right holders are often concerned that extended segments in the product could effectively supplant the demand for other exploitations of the work such as recordings, movies or videocassettes.

Sophisticated right holders will also often ask for a reversion of all rights if the publisher fails to produce the multimedia product within a specified time.

D. Future Technologies

How can a publisher obtain the rights to create multimedia works in future technologies? Based on court decisions to date, the prudent approach for the publisher would be to seek a broad grant of rights to exploit a work by "any means or methods now or hereafter known," and for the right holder, by contrast, to clearly express its intention to reserve its rights in the agreement and limit the grant of rights.

1. Technologies Existing At the Time Of The Grant

Broad and general grant of rights to exploit a work have been interpreted to apply to exploitations in all technologies known or foreseeable at the time of the grant. In Bartsch v. Metro-Goldwyn-Mayer, Inc., 270 F.Supp. 896, 897 (S.D.N.Y. 1967), aff'd, 391 F.2d 150 (2d Cir.), cert. denied, 393 U.S. 826 (1968) the court sought to determine the meaning of the following clause from a 1930 contract:

Owner hereby grants and assigns unto Purchaser . . . the motion picture rights throughout the world, in and to a certain musical play . . . for the full period of all copyrights and any renewed and extended terms thereof, together with the sole and exclusive right to use, adopt, translate, add to, subtract from, interpolate in and change said musical play, and the title thereof . . . in making of motion picture photoplays and to project, transmit and otherwise reproduce the said musical play or any adaption or version thereof visually and audibly by the art of cinematography or any process analogous thereto, and to copyright, vend, license and exhibit such motion picture photoplays throughout the world

270 F. Supp. 896, 897 (S.D.N.Y. 1969).

The issue was whether this grant included the right to broadcast the motion picture, which was based on the play, on television. The district court found the language of the grant to be “sufficiently broad” to include television rights. On appeal, the appellate court narrowed the issue to whether a broad assignment of a right “to copyright, vend, license and exhibit such motion picture photoplays throughout the world” included the right to license a broadcaster to exhibit the copyrighted picture by telecast.

The appellate court noted that there was no language in the license which explicitly or implicitly limited the scope of the grant. The court found that the grant was broad enough to cover the disputed use (television broadcast), which was known at the time the grant was executed. The Bartsch court stated its general rule to be applied to interpret contractual grants in light of future technologies:

As between an approach that a licensee of rights in a given medium (e.g., ‘motion picture rights’) includes only such uses that fall within the unambiguous core meaning of the term (e.g., exhibition of motion picture film in motion picture theaters) and exclude any uses which lie within the ambiguous penumbra (e.g., exhibition of motion picture film on television) and another whereby the ‘licensee may properly pursue any uses which may reasonable be said to fall within the medium described in the license’, [Professor Nimmer] prefers the latter. So do we.

391 F.2d at 155.

The court held that it was fair to impose upon the grantor the burden of framing and negotiating an exception to the license, and concluded that the grant of the right to “exhibit” incorporated the right to “show” or “display” by any means, including the right to broadcast the motion picture on television.

Similarly, in a recent case, Bloom v. Hearst Entertainment, Inc., 33 F.3d 518 (5th Cir. 1994), the issue was whether a 1988 grant of “worldwide motion picture and television rights” to a book titled “*Evidence of Love*” included home-video rights. The court found the language of the grant to be ambiguous, and, therefore, extrinsic evidence was admitted to determine the parties’ intent. Based on such evidence, the court found that home video use was foreseeable at the time of the grant, and concluded that the negotiators of the contract intended the grant to cover home-video rights.

In Landon v. Twentieth Century-Fox Film Corp., 384 F.Supp. 450 (S.D.N.Y. 1974), the court also addressed the application of a grant to a known, but at the time of the grant, speculative, technology. At issue was a 1944 agreement in which an author granted fairly broad “motion picture rights” based on her book to the defendant. In 1972, the defendant produced 13 films based on the book and exhibited them by broadcast on television. The plaintiff brought suit, alleging that the grant gave the defendant the right to produce motion pictures intended for first exhibition in movie theaters, not those intended for first exhibition on television. The District Court for the Southern District of New York noted that the granting clauses did not make a distinction between motion pictures made for first exhibition on

television and those made for movie theater exhibition, and that the grant in fact included the exclusive right to broadcast on television any of the motion picture versions produced pursuant to the agreement. The court held that the:

contract is sprinkled with references to television and one does not have to roam far into the penumbral meanings of 'motion picture versions' to conclude that the term was intended by the parties to embrace rather than exclude the right to produce a television series.

384 F.Supp. at 455.

The court granted summary judgment in favor of the defendant.

2. Technologies Not Existing At the Time of the Grant

In many jurisdictions, when a license contains an ambiguous grant which can be construed to cover a new, disputed use, the controlling factor in determining the scope of the license is whether the disputed use was known and could have been contemplated when the parties entered their agreement. Absent contractual language to the contrary, uses which are unknown at the time of contracting will generally be held to be outside the scope of the grant. Kirke La Shelle Co. v. Paul Armstrong Co., 263 N.Y. 79, 82-86 (1933). But see Frohman v. Fitch, 164 A.D. 231, 149 N.Y.S. 633 (1st Dep't. 1914) (the transfer of the exclusive right to produce a play included the right to make motion pictures, notwithstanding the fact that motion picture technology was unknown at the time of the grant, because the scientific advances enabling production of a play in some manner not contemplated at the time of the grant should not destroy the value of the right.)

In a situation where the licensing language explicitly grants the right to exploit a work by "any means or methods now or hereafter known," the grant has been held to include the right to exploit the work through new technologies, even though the technologies may not have been contemplated when the grant was executed. In Platinum Record Co. v. Lucasfilm, Ltd., 566 F. Supp. 226 (D.N.J. 1983) the court examined the following grant:

[Y]ou agree that we have the right to record, dub and synchronize the above mentioned master recordings, or portions thereof, into and with our motion picture and trailers therefor, and to exhibit, distribute, exploit, market and perform said motion picture, its air, screen and television trailers, perpetually throughout the world by any means or methods now or hereafter known.

566 F.Supp. at 227.

The District Court for the District of New Jersey granted the defendant's motion for summary judgment, holding that the granting language was extremely broad, completely unambiguous, and precluded the need for an exhaustive specific list of potential uses of the film. The court, relying on

Bartsch and finding that it was “obvious that the contract in question may ‘fairly be read’ as including newly developed media” held that the language should be interpreted to grant a right to “exhibit” the movie in videocassette and video disc formats.

The plaintiff argued that the showing of the movie on video discs and cassettes is not an “exhibition” of the film as contemplated in the Agreement. The court disagreed, holding that “[a] motion picture is exhibited when it is presented for viewing by an audience on a theater or television screen; the video cassette and video disc operate as a means of exhibition, not as something of an altogether different nature from exhibit.” Id. at 228.

The plaintiff also argued that the court should look behind the written contract to determine the parties’ intent. The court rejected this, finding that there “was no mistake as to the terms of the contract,” and that it was “immaterial whether plaintiff anticipated all future developments in the manner of exhibiting motion pictures.”

The court held that the granting language was extremely broad, unambiguous, and precluded the need for a specific list of potential uses of the film. The court held that the language should be interpreted to grant a right to exploit the movie in videocassette and video disc formats.

Thus, in Cohen v. Paramount Pictures Corp., 845 F.2d 851, 854 (9th Cir. 1988) the court held that a license of the right to synchronize music to a motion picture, and the right to exhibit the motion picture “by means of television” did not include the right to use the composer’s music in a videocassette version of the motion picture. The Ninth Circuit noted that exhibition by television and videocassette were entirely different, that videocassettes were not invented at the time the grant was executed, and that the grant did not include the words “methods now or hereafter known.” The court held that the licensee did not have the right to use the music in the videocassette version of the motion picture.

Similarly, in Rey v. Lafferty, 990 F.2d 1379 (1st Cir. 1993), the Court of Appeals for the First Circuit held that a 1979 license to use “Curious George” characters for a television broadcast did not grant the rights to use them in videocassettes. The court noted that videocassette technology was apparently unknown at the time of the license, and the license did not include a grant of rights in technologies yet to be developed.

Even in cases where the grant refers to future technologies, courts may seek to determine the intent of the parties. In Tele-Pac, Inc. v. Grainger, 168 A.D.2d 11, 570 N.Y.S.2d 521, 522, 525 (1st Dept. 1991), app. dismissed, 79 N.Y.2d 822 (1991), the plaintiff granted to the defendant:

The license to distribute the [movie] . . . for broadcasting by television or any other similar device now known or hereafter to be made known. This shall include but not limit the said license to pay television, home television, theatrical television, etc. throughout the territories.

The court held that this grant did not include the right to distribute videocassettes of the movie because exhibition by videocassette technology was not a “similar device” as broadcasting by television.

A court may consider the nature of the licensor in interpreting the scope of the license. For example, in Ettore v. Philco Television Broadcasting Corp., 229 F.2d 481, (3d Cir.), cert. denied, 351 U.S. 926 (1956), the court held that the grant of movie rights by an individual did not include television rights, even though television existed at the time of the grant, because the grantor was not an experienced businessman and relatively unsophisticated.

In Bourne Co. v. Tower Records, Inc., 976 F.2d 99 (2d Cir. 1992), the court was asked to interpret a non-exclusive license from the Irving Berlin Company to the Walt Disney Company of 12 songs to be used with Disney’s Pinocchio cartoon. The license granted the right:

to mechanically and/or electronically record the said musical composition and/or lyrics, if any, in synchronism with any and all of the motion pictures which may be made by [Disney] . . . and the right to give public performances of such recordings in connection with the exhibition of the motion pictures with which said recordings were synchronized. . . .

Disney contended that this grant included the right to freely synchronize the songs with any of its advertisements and video productions. Disney in fact freely used the songs for a number of years on television, videocassette and in connection with advertising and promotion. Plaintiff ultimately filed suit and sought a preliminary injunction based on the use of one of the songs on a videocassette trailer.

Judge Stanton, authoring an opinion for the Southern District of New York, granted the motion for the preliminary injunction. Citing Kirke La Shelle Co. v. Paul Armstrong Co., 263 N.Y. 79, 82-86 (1993), the court stated that “if the disputed use was not invented when the parties signed their agreement, that use is not permitted under the contract.” Noting that it was undisputed that videocassette technology was not available in 1939, the court said that “[o]ne may thus conclude that Bourne has the better argument [that the license] did not permit videocassette uses.”

The court’s injunction was subsequently reversed by the Court of Appeals for the Second Circuit, on a finding that by virtue of the plaintiff’s delay in bringing suit, the plaintiff failed to demonstrate irreparable harm. The court said “Disney’s conduct over the decades clearly signaled its intentions to use the songs for a multitude of purposes and in new media forms as technology developed. Whatever [irreparable harm] presumption Bourne might have enjoyed over a generation ago is long gone.” Bourne Co. v. Tower Records, Inc., 976 F.2d 99 (2d Cir. 1992).

The case was bifurcated for trial on liability and damages. In March, 1993, after twelve days of trial on liability, a jury found that the license in question granted to the defendant the right to use the compositions in videocassette productions, but did not include the right to use the compositions as part of advertising trailers. The parties subsequently reached an out of court settlement on the remaining damages issues.

Other litigations which involve Disney's use of rights to use Igor Stravinsky's "Rite of Spring" in the videocassette version of the movie "Fantasia." Disney was sued by the copyright holder in the composition, who alleged that Disney's use of the composition in the videocassette version of the movie was outside the scope of the original license granting the right to use the composition in motion pictures.

E. What about agreements which already exist?

A Publisher may seek to exploit multimedia opportunities with regard to works to which it already has been granted some form of publication rights. The feasibility of this depends on the scope of their preexisting license. It is recommended that the preexisting license agreements be carefully reviewed with at least the following considerations in mind:

1. Does the agreement convey rights to the works in any electronic formats? Does it use language which contemplates media "now or hereafter known?" Does it exclude future media, either by explicit term or by the implications of its other provisions?
2. What technologies were known and could have been contemplated at the time the agreement was entered into?
3. What does the agreement convey regarding the intent of the parties?
4. What is the scope of the license to use the work? Can it be used in a compendium or compilation? Can it be altered or adapted?
5. Is the level of sophistication of the licensor an issue?

An example of the risks inherent in relying on existing agreements is presented by the pending case Tasini v. New York Times Co., 93 Civ. 8678 (S.D.N.Y. Dec. 16, 1993). There, a group of free-lance writers have sued several media publishers for copyright infringement based on the electronic reproductions of their articles on an on-line electronic database without their consent. Plaintiffs allege that the New York Times Co., Newsday, Time Inc. Magazine Co., Mead Data Central Corp., which owns the Nexis computer database, and University Microfilms International, which produces CD-ROMs, infringed their copyrights by reproducing their works on the NEXIS electronic database and CD-ROM disks without their consent. The writers contend that the electronic reproduction of their

printed works exceeded the scope of any first production rights, while the publishers argue that the first production rights implicitly included sales to on-line commercial providers.

As summarized in the plaintiffs' Amended Complaint, the Tasini case raises the following questions yet to be answered by the courts:

Who owns the electronic rights to articles free-lance authors have written? The authors themselves? Their publishers in the print media? Electronic and/or CD-ROM Database producers that have purported to buy those rights from the companies responsible for printing them in the first place? The database services that thereafter transmit, broadcast or sell the articles in their new electronic incarnation? Or, the end-user or consumer who pays for the privilege of viewing the articles on-screen, sitting at his or her computer terminal?

F. Patent Issues

The continuing trend in the United States toward granting patents on computer software has significant implications for the multimedia industry. There are thousands of unpublicized patents issued relating to the hardware and software associated with multimedia systems, compact disks and associated devices. This is illustrated by the following examples:

International Business Machines Corporation is the owner of U.S. Patent No. 5,367,621 issued November 22, 1994 for a "Data Processing Method to Provide a Generalized Link From a Reference Point in an On-line Book to an Arbitrary Multimedia Object Which Can be Dynamically Updated."

Apple Computer is the owner of U.S. Patent No. 5,305,295, issued April 19, 1994, for an "Efficient Method and Apparatus for Access and Storage of Compressed Data."

International Business Machines Corporation is the owner of U.S. Patent No. 5,268,846, issued December 7, 1993, for a "Method and Apparatus for Nonsequential Multimedia Data Interchange in a Data Processing System."

Electric Power Research Institute is the assignee of Patent No. 5,208,745, issued May 4, 1993, for a "Multimedia Interface and Method for Computer System," designed to add video and voice capabilities to expert computer systems.

Intouch Group, Inc. is the assignee of U.S. Patent No. 5,237,157, issued August 17, 1993, for a "Kiosk Apparatus and Method for Point of Preview and for Compilation of Market Data," related to the use of CD-ROM stored audio and video data in a point-of-sale preview apparatus.

These examples establish that in the United States, patent law is available for the protection of certain aspects of multimedia products, e.g. development tools and drivers. This avenue must be kept in mind not only after the development of the product, but also at the initial rights clearance stage if one is to avoid costly surprises later.

III. Licensing CD-ROM Producers To Create The Product

In many cases, publishers will not have the capability of producing the multimedia product, and will need to license a producer to create the product. Often, these licenses include distribution rights.

Obviously, the publisher will need the ability to pass through the necessary rights to the CD-ROM producer. A publisher must therefore have the right to license some portion of the rights obtained from the original right holders. A sophisticated right holder will seek to control this as much as possible, and may seek to impose a series of rights of approval over all agreements which convey any rights to its Work to third parties.

As a general matter, from the publisher's perspective, the agreements with producers should be as limited and specific as possible. Many of the original right holder's concerns which were discussed above are now also the publisher's concerns.

Key terms for the agreement include:

1. limitations on the scope of the agreement to the specific tasks which the producer is to perform;
2. restrictions to specific technologies and hardware and software platforms to which the producer's tasks are limited;
3. an explicit statement excluding from the scope of the agreement any technologies which the producer is not to be involved with;
4. quality control provisions;
5. allocation of ownership of the proprietary rights in the product;
6. obligations to use proprietary markings and labels on the product;
7. reversion provisions for the failure to market a product within a specified timeframe; and

8. distribution details, if applicable, including royalties, bundling restrictions, etc.

From both the publisher's and the author's perspective, it may be crucial that the final product is of superior quality. The agreement with the producer should have effective quality control procedures. For example, if the producer will actually be the entity converting the work into electronic form, the producer should have an affirmative responsibility to verify that the work was converted properly:

Depending on the particular arrangement with the producer, a producer may have the right to combine the publisher's product with other products on the multimedia device which it is producing. In such cases, it is particularly important that the publisher retains rights of inspection and approval, which would allow the publisher to examine the product and the relevant devices prior to distribution.

The producer will probably seek a representation by the publisher that the publisher has acquired all rights necessary to create the multimedia product, and an indemnification in the event of an action relating to a breach of such a warranty.

IV. How Can Multimedia Publishers Enforce Their Rights In Their Products?

A. Intellectual Property Laws

Publishers and developers of multimedia products are themselves owners of certain intellectual property, and can look to copyright, patent, trademark, and trade secret law for protection of the various aspects of their creations.

By virtue of existing international treaties and conventions, such as the Berne Convention and the Universal Copyright Convention, publishers and developers of multimedia products may receive the same protection for their works in other member countries as those countries accord to their nationals. While the existing treaties and conventions call for the granting of certain minimum rights, they do not preclude for national variations in the scope and nature of certain rights. Despite recent attempts at harmonization of intellectual property laws internationally (e.g., the GATT TRIPS Agreement, certain provisions in NAFTA, and the various Directives in the European Community) variations still exist particularly with respect to the treatment of new technologies.

The copyright law can provide protection for multimedia works as "compilations" (independent and regardless of the copyrightability of the work's constituent elements), provided that the selection and arrangement of those elements satisfy copyright law's minimal standard of originality. *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 111 S.Ct. 1282 (1991). A multimedia product

will typically have several aspects that satisfy the Feist test, including the selection of the contents, their arrangement as they appear to the user, or the indices that the publisher may create to access the information. If the work is copyrightable, the publisher can rely on copyright law to prevent unauthorized copying, distribution, performance, display, downloading, or transmission of multimedia works.

What can be done if someone makes an unauthorized copy of only one work or element encompassed in the multimedia product? Each element of a multimedia product may or may not be copyright protectable, regardless of the multimedia product's status as a whole. If protectable, does the "fair use" doctrine apply?

Under the Copyright Act (17 U.S.C. § 107), the use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship or research may, under certain circumstances, not be a copyright infringement. The Copyright Act sets out four non-exclusive factors to consider in determining whether a particular use is a "fair" use:

- (1) the purpose and character of the use, including whether the use is of a commercial nature or is for certain educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and
- (4) the effect of the use on the potential market for, or value of, the copyrighted work.

Application of the "fair use" doctrine by courts in the context of multimedia products will involve an interesting application of traditional legal theories to new technology.

B. Contractual Protection

Although some multimedia products are sold, the standard practice with respect to mass-distributed multimedia products in CD-ROM format is to provide the product to end users with a "shrink wrap" license agreement. Software publishers prefer licensing to sale in order to avoid the "first sale" doctrine (under Section 109 of the Copyright Act) which permits the owner, but not a licensee, of a copy to sell or otherwise dispose of the copy. Shrink wrap licenses typically restrict the licensee's rights with respect to the product, including restricting the making of unauthorized copies, decompilations and reverse engineering of the product.

Although the validity of shrink wrap licenses has been litigated in the United States with mixed results, their use in the computer and related industries continues.

Depending on the nature of the multimedia product, if a publisher or producer invests significant resources in the development of a multimedia product, and if the purchase price of the product is high, the publisher, producer and the end-user may wish to enter into a negotiated license agreement.

To the extent that a contractual relationship is practical, the publisher and users can structure a flexible agreement. For example, payment can be based on the number of accesses to a multimedia product, tracked through available metering technology. Multimedia products can be provided to multiple users through an agreement akin to a site "license" or local area network "license". Contracts may also be useful in reinforcing the intellectual property rights in the product.

V. SAMPLE LICENSE AGREEMENT

A model "Licensor-Oriented Content License Agreement" follows. These terms might not apply for all uses, but should provide guidance on the bargaining issues involved in these agreements. At a minimum, an agreement should favor the museum in terms of contemplated uses, control, and compensation.

LICENSOR ORIENTED CONTENT LICENSE AGREEMENT

AGREEMENT by and between Content Provider Inc. ("Licensor"), a California Corporation having its principal place of business at 1000 Broadway, Los Angeles California and Multimedia Company Inc., a New York Corporation having its principal place of business at 1206 Broadway, New York, New York ("Licensee").

WHEREAS, Licensee is in the business of developing and publishing interactive multimedia CD-ROMs;

WHEREAS, Licensee desires to license from Licensor, and Licensor desires to license to Licensee, the non-exclusive right to develop, produce and publish an interactive multimedia product described on Exhibit A hereto (the "Product") for each of the next three years, utilizing materials provided by Licensor and third parties;

NOW THEREFORE, the parties hereto agree as follows:

1. **DEFINITIONS.**

1.1 "**Licensed Marks**" means the trade names, trademarks and service marks of the Licensor identified on Schedule A hereto.

1.2 "**Licensed Product**" means the interactive, multimedia CD-ROMs (in all formats now known but excluding formats hereafter to become known) versions of the Product, compatible with MPC and Apple Macintosh platforms, produced for each period described in Schedule A throughout the Term.

1.3 "**Licensed Sales**" means the sale or distribution of the Licensed Product directly to or for retail outlets, wholesalers to retailers, mail order or catalogs, including electronic and video marketing entities.

1.4 "**Licensor Content**" means (i) the Licensed Marks; (ii) Licensor-owned photographs provided to Licensee by Licensor; (iii) audio and video footage provided to Licensee by Licensor, which footage is provided on a quitclaim basis; and (iv) textual materials provided by Licensor to Licensee.

1.5 "**Net Sales**" means the gross amount of Licensed Sales of Licensed Products in U.S. dollars at the invoiced selling price, net normal and reasonable quantity discounts (if given) and returns for credit (if actually made). No deductions shall be made for costs incurred in manufacturing, selling, distributing and advertising (including cooperative and promotional allowances), or for cash discounts, uncollectible accounts or any other allowances. Net Sales resulting from sales to any party directly or indirectly related to or affiliated with Licensee shall be computed based on the regular selling prices to the trade.

1.6 "**OEM**" means a manufacturer of computer hardware (such as computer systems, sound boards, CD-ROM drives, upgrade kits or the like) which distributes CD-ROMs together with such OEMs' computer hardware as a package.

1.7 "**Related Materials**" means all packaging, manuals, tags, labels, advertising, marketing, promotional, display, public relations and other materials with respect to the marketing, advertising, publicizing, promotion, distribution and sale of each version of the Licensed Products.

1.8 "**Sell-Off Period**" means ninety (90) days after the expiration of the Term.

1.9 "**Term**" means the period commencing upon the execution and delivery of this Agreement and expiring on the third anniversary thereof, unless sooner terminated in accordance herewith.

1.10 "**Territory**" means the world.

2. **LICENSE.**

Licensor grants to Licensee a non-exclusive license (the "License") to: (i) digitize the Licensor Content and combine such digitized versions of the Licensor Content with other digitized images, photographs, animation, video, audio, text, software and other content to create Licensed Products; (ii) modify and re-arrange the Licensor Content as necessary or desirable to create Licensed Products; and (iii) to reproduce, manufacture, market, advertise, distribute and, directly or indirectly, make Licensed Sales of the Licensed Products incorporating the Licensor Content.

3. TERM.

The term of this Agreement shall commence as of the date hereof and continue for three (3) years, whereupon the Agreement shall expire unless both parties agree to an extension of the terms hereof.

4. LIMITATIONS OF LICENSE.

The License is subject to the following limitations:

4.1 Licensee shall not sell Licensed Products to OEMs, or permit OEMs to manufacture or distribute Licensed Products without, in each instance, obtaining the prior written consent of Licensor.

4.2 Licensee shall not distribute Licensed Products, or any portion thereof consisting of or including any Licensor Content, through any telecommunications network or by wireless transmission or by any other means now or hereafter created other than by physical delivery of the CD-ROM on which the Licensed Product resides, without the prior written consent of Licensor.

4.3 The License does not constitute and shall not be used to imply the endorsement by Licensor, or any of Licensor's subsidiaries or affiliates of the Licensed Products or any other product of Licensee and Licensee shall neither state nor imply that the Licensed Marks are certification marks or an indication of a particular standard of quality.

4.4 All rights not expressly granted to Licensee are reserved to Licensor for use without restriction.

5. GUARANTEED COMPENSATION.

Licensee shall pay to Licensor the Minimum Guaranteed Annual Compensation as set forth on Exhibit A hereto.

6. ROYALTIES.

6.1 Licensee agrees to pay Royalties the percentage of Net Sales set forth in Exhibit B hereto.

6.2 No Royalties shall be owed or paid with respect to copies of the Licensed Product distributed as "free," "complementary," or "no charge," provided that the total number of such copies distributed in any calendar quarter shall not exceed one percent (1%) of the total number of copies sold by Licensee for such quarter.

6.3 On or before the fifteenth day following each calendar quarter of the Term (including the Sell-Off Period, if applicable) Licensee shall submit to Licensor a full and accurate statement showing, the quantity, description and Net Sales of each of the Licensed Product sold or distributed during such month. Further, Licensee shall simultaneously remit all Royalties due on Net Sales for each such month by check or electronic funds delivered directly to Licensor or in accordance with written instructions given to Licensee by Licensor.

7. LICENSED PRODUCTS

7.1 Licensee shall produce and distribute a new Licensed Product for each period during the Term, each of which shall include all updated or new Licensed Content.

7.2 During the Term, Licensor shall give Licensee access to Licensor's archives at mutually agreeable times to review Licensor Content. Licensor shall deliver copies of Licensor Content, and updates thereto, to Licensee at its request. Licensee acknowledges that use of particular Licensor Content in the Licensed Product and the Related Materials may require third party permissions, which permissions shall be the sole responsibility of Licensee.

8. QUALITY CONTROL.

8.1 Licensee shall, prior to any manufacturing of any Products, furnish to Licensor free of cost, for its written approval as to quality, style, and adherence to the requirements set forth in this Agreement, three (3) prototypes, layouts, or samples of each Product and their cartons, containers, and advertising, promotional, packing or wrapping materials (the foregoing referred to herein as the "Finished Product"). Licensor shall review such material and advise Licensee in writing as to any aspect thereof that it does not approve, and the reasons therefor. Licensee shall modify each version of the Licensed Product and all Related Materials to conform to Licensor's objections. After such Finished Product is approved, Licensee shall not depart therefrom in any material respect without resubmitting each element of the Finished Product for subsequent approval by Licensor.

8.2 All copies of each version of the Licensed Product and all Related Materials shall contain proper acknowledgments of Licensor's copyright and trademark rights in accordance with this Agreement.

8.3 Licensee will comply with all laws and regulations relating or pertaining to the manufacture, sale, advertising, distribution or use of the Licensed Product, shall maintain high quality and standards commensurate with the reputation of Licensor, and shall comply with any regulatory agencies which shall have jurisdiction over the Licensed Product.

9. **LICENSED MARKS.**

9.1 Licensor hereby grants to Licensee the right to use and publish the Licensed Marks solely in connection with the marketing, distribution and promotion of the Licensed Product. Licensee shall add the appropriate trademark symbol or designation (i.e., TM or ®) and shall footnote Licensor's ownership of the Licensed Marks wherever they are first mentioned in any printed materials and in the Licensed Product, or in any manner as Licensor may reasonably designate from time to time.

9.2 Licensee may utilize the Licensed Marks for such selling, marketing, advertising, promotional and display materials for the Licensed Product as Licensee, in its judgment, determines will best promote the sale of Licensed Products, subject to the approval of Licensor. Licensee agrees that it will not use the Licensed Marks or any reproduction thereof in any advertising, promotional or display material or in any other manner without Licensor's prior written approval.

9.3 Licensee shall keep appropriate records and shall advise Licensor of the date when each of the Licensed Products is first placed on sale or sold in each country of the Territory and the date of first use in each country of each different Licensed Mark on the Licensed Products and any promotional or packaging materials. With respect to those countries which require applications to register Licensee as a permitted or registered user of the Licensed Marks, or which require the recordation of this Agreement, Licensee shall execute and deliver to Licensor such applications, agreements or other documents as may be necessary. In such event, this Agreement rather than such agreements will govern any disputes between Licensee and Licensor, and when this Agreement expires or is terminated, any such other agreement shall also be deemed expired or terminated.

9.4 Licensee acknowledges that Licensor is the exclusive owner of the Licensed Marks. Any intellectual property rights in the Licensed Marks that may accrue to Licensee shall inure to the benefit of Licensor and shall be assigned to Licensor upon its request. Any copyright, trademark or service mark used or procured by Licensee in or with respect to or involving the Licensed Marks, or any derivations or adaptations of the Licensed Marks, or any word, symbol or design which is similar to the Licensed Marks so as to suggest association with or sponsorship by the Licensor or any of its affiliates, shall be procured for the benefit of and in Licensor's name, but at Licensee's expense, notwithstanding their creation by Licensee. All of Licensee's rights in and to any such copyright, trademark or service mark already procured or applied for is hereby assigned to Licensor.

9.5 Licensee further agrees that it will not apply for nor seek to obtain trademark, copyright or any other property right in any of the Licensed Marks or any depictions thereof on Licensed Products or

Related Materials. Licensor may, at its option, obtain in its own name any or all trademark, copyright or other property right protection for the Licensed Marks or other matter (furnished or provided by Licensee or Licensor) for the Licensed Products and Related Materials. Upon request, Licensee will furnish necessary specimens or facsimiles for such purpose free of cost, as well as evidence of the date of first shipment or sale of each of the Licensed Products in commerce.

9.6 Upon Licensee's request, Licensor shall undertake to procure and obtain in its own name, trademark, copyright, design patent or other property right protection of the Licensed Marks or other matter (furnished or provided by Licensor or Licensee) for the Licensed Products at Licensee's expense, including reasonable attorneys' fees.

9.7 If Licensee becomes aware of the manufacture or sale by anyone other than Licensee of Licensed Products or of such products as would be confusingly similar in the minds of the public and which bear or are promoted in association with the Licensed Marks under this License Agreement, or any names, symbols, emblems, designs or colors which may be confusingly similar in the minds of the public to such Licensed Marks, Licensee shall promptly notify Licensor thereof in writing. Licensor shall, in its sole discretion, take steps to enjoin any such manufacture or sale, in its own name. Upon Licensor's request, Licensee shall join in or cooperate in the prosecution of any such action as may be instituted by Licensor; all such prosecution shall be at Licensor's expense. The proceeds recovered in any such prosecution in the form of damages, profits or other recovery shall belong solely to Licensor. Licensee shall not commence any action of its own to restrain or recover damages for any alleged infringements of the Licensed Marks without obtaining Licensor's prior written consent.

9.8 During the Term and thereafter, Licensee will not challenge the title or right of Licensor in and to the Licensed Marks or any copyright or trademark pertaining thereto, nor will it challenge the validity of the License.

10. **OWNERSHIP.**

10.1 Subject to the Licensor's rights in the Licensor Content, Licensor and Licensee agree that Licensee shall retain all right, title and interest to the Licensed Products and all ideas, concepts, software, interfaces, designs, text, plans and other copyrightable material that are created by or for Licensee pursuant to this Agreement, with all rights therein, including copyright, being Licensee's property and such rights shall include the exclusive right to own and register the copyright in Licensee's name. Licensor agrees to execute such documents and instruments as Licensee may reasonably request to evidence Licensee's ownership of all copyrightable material pursuant hereto.

11. **DISTRIBUTION OF LICENSED PRODUCTS TO LICENSOR**

Licensee undertakes to sell Licensed Products to retail outlets owned or operated by Licensor: (i) at the lowest minimum quantities; (ii) at the lowest prices charged by Licensee to any other third party; and (iii) at the most advantageous credit terms and return privileges offered by Licensee to any other third party.

12. REPRESENTATIONS AND WARRANTIES OF LICENSOR.

Licensor hereby represents and warrants to Licensee that:

12.1 The Licensed Content will not violate the intellectual property rights of any third party, and

12.2 Licensor has the power and authority to enter into this Agreement and to perform its obligations hereunder and, upon execution and delivery hereof, this Agreement shall constitute the valid and binding obligations of Licensor enforceable in accordance with its terms.

13. REPRESENTATIONS AND WARRANTIES OF LICENSEE.

Licensee hereby represents and warrants to Licensor that:

13.1 Licensee has the power and authority to enter into this Agreement and to perform its obligations hereunder and, upon execution and delivery hereof this Agreement shall constitute the valid and binding obligations of Licensee enforceable in accordance with its terms; and

13.2 The Licensed Products and Related Materials will not violate the rights of any third party and will not give rise to any claim of such violation, including, without limitation, claims of libel, slander, defamation, copyright infringement, infringement of moral rights, trademark infringement, false designation of origin, disparagement, violation of privacy, publicity, identity or other proprietary rights, violation of patent or shop rights, piracy or plagiarism.

14. INDEMNITY; INSURANCE.

14.1 Licensee hereby indemnifies and agrees to hold harmless Licensor, affiliates and their agents, servants, employees, officers, directors and other officials (collectively, the "Indemnified Parties") from any loss, liability, damage, cost or expense (including reasonable attorneys' fees), arising out of the manufacture, distribution, advertising, marketing, promotion, offering for sale and sale of the Licensed Products including, without limitation, any lawsuits against any of the Indemnified Parties by reason of or alleging any (i) acts or omissions of Licensee, (ii) breach of any representations, warranties or covenants of Licensee under this Agreement, (iii) unauthorized or infringing use by Licensee of any patent, process, trade secret, copyright, trademark, or publicity right or other similar property rights (other than the Licensed Marks covered by this Agreement) or (iv) any alleged defects (design, manufacturing, handling or other) or inherent dangers in said Licensed Products or the use thereof.

14.2 Licensee agrees to obtain, at its own expense, an Errors and Omissions insurance policy covering the Licensed Products and Related Materials on an occurrence basis from an insurer licensed to do business in the State of _____ with a Best's rating of not less than _____ providing protection for Licensor, its affiliates, agents, servants, employees, officers, directors and other officials and Licensee against any such claims or suits in amounts no less than \$1 million per claim or suit.

14.3 The Indemnified Parties shall notify Licensee promptly of any claim hereunder as to which such Indemnified Party is seeking indemnification; provided, that Licensor shall have the right to control the defense of any claim and no such claim shall be settled without the approval of Licensor.

15. **AUDITS.**

Licensee shall keep accurate books of account and records covering all transactions relating to the License (including, but not limited to, sales of Licensed Products). Licensor and its authorized representatives shall have the right, at all reasonable hours of the day and upon reasonable prior notice to examine and audit such books of account and records and all other documents and materials in Licensee's possession or under its control (including records of Licensee's parents, subsidiaries, affiliates and third parties, if they are involved in activities which relate to this Agreement) relating to this Agreement. Licensor shall have free and full access for such purposes and for the purpose of making extracts and copies. Should an audit by Licensor establish a deficiency of more than five percent (5%) between the amount found to be due and the amount actually paid or reported, Licensor's actual out-of-pocket costs of the audit will be paid by Licensee together with the amount of the deficiency, plus interest at the rate of one and one-half percent (1½%) per month from the date such amount became due until the date of payment. Licensee shall pay such amount within thirty (30) days. All such books of account and records shall be kept available for at least three (3) years after the termination of this Agreement.

16. **DEFAULT AND TERMINATION.**

16.1 In the event Licensee violates, breaches or defaults in performing any of the provisions of this License Agreement and does not fully cure such violation, breach or default within ten (10) days notice from Licensor, this License Agreement shall automatically terminate, and Licensee shall pay Licensor within thirty (30) days without further demand all amounts then due Licensor and also shall pay therewith as liquidated damages all amounts still due Licensor as Minimum Guaranteed Compensation for the remainder of the Term. If such payments are not remitted when due, Licensee consents to the entry of judgment for such amount by a court having jurisdiction over Licensee or any of its assets. In addition, Licensor shall be entitled to sue for injunctive relief and other consequential damages, including reasonable attorneys' fees incurred by Licensor as a result of any such violation, breach or

default by Licensee. The rights and remedies provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

16.2 Without prejudice to any other rights Licensor may have pursuant to this Agreement or otherwise, Licensor shall have the right to terminate this Agreement at any time if:

(i) Licensee shall not have begun the bona-fide distribution and sale of the Licensed Products in accordance with this Agreement on or before _____;

(ii) If Licensee shall be unable to pay its debts when due, or shall make any assignment for the benefit of creditors, or shall file any petition under the bankruptcy or insolvency laws of any nation, jurisdiction, county or place, or shall have or suffer a receiver or trustee to be appointed for its business or property, or be adjudicated a bankrupt or an insolvent;

(iii) If Licensee shall attempt to assign or transfer any interest in the License or this Agreement; or

(iv) If there is a change in more than fifty percent (50%) ownership or controlling interest of Licensee or a material change in management of Licensee.

16.3 If any payments to Licensor are not remitted on the due date thereof, Licensee shall pay interest thereon at the rate of one and one-half percent (1.5%) per month from such date until payment thereof is made to Licensor.

17. RIGHTS AND OBLIGATIONS UPON EXPIRATION OR TERMINATION.

Upon the expiration or prior termination of the Term:

17.1 Licensee shall deliver to Licensor, as soon as practicable, a statement indicating the number and description of Licensed Products on hand, and Licensor shall have the right to conduct a physical inventory in order to ascertain or verify such inventory or statement; provided, that in the event Licensee refuses to permit Licensor to conduct such physical inventory, Licensee shall forfeit any right it may have hereunder to dispose of such inventory and, in addition to such forfeiture, Licensor shall have recourse to any and all other legal remedies available to it;

17.2 Licensee will refrain from further use of the Licensed Marks or any further reference to all or each of them, direct or indirect, or any simulation of the Licensed Marks;

17.3 Licensee shall immediately cease the reproduction or manufacture of Licensed Products;

17.4 Licensee shall have the right to continue to sell or otherwise dispose of copies of the Licensed Products which are in Licensee's inventory on the date of expiration (but not the prior termination) of

the Term, but only in the normal course of business and at regular selling prices, such right to continue for the Sell-Off Period; provided Licensee continues to pay Royalties thereon to Licensor; provided that at the end of the Sell-Off Period, Licensee shall destroy any remaining inventory and shall provide to Licensor a certificate attested to by an executive officer of Licensee that all such inventory has been destroyed.

17.5 Licensee shall be entitled to retain copies of the Licensed Products for support of OEMs and End-Users, and for internal use.

17.6 The provisions of this Agreement shall survive to the extent necessary to carry out the purposes and intentions of this Agreement.

18. CONSENTS AND APPROVALS.

18.1 Whenever Licensor's consent or approval is required hereunder, such approval or consent shall be given in the sole discretion of Licensor, and no such approval or consent shall be implied or deemed given unless in writing in each instance.

18.2 Licensee agrees that in the event it should enter into any agreement with respect to CD-ROM products with any other professional business similar to that of Licensor (including any licensing or marketing affiliate), on financial terms and conditions more favorable to such other party than those set forth herein, Licensee shall promptly so notify Licensor and, concurrently with the execution of such other agreement this Agreement shall be deemed amended to reflect such modified terms and conditions.

19. NOTICES.

All notices, demands, solicitations of consent or approval, offers, acceptances and other communications hereunder required in writing shall be deemed to have been given when personally delivered by courier or overnight mail service, with signed receipt, or when deposited in the United States mail and sent postage prepaid by registered or certified mail, return receipt requested, addressed to the following addresses, or to such other address which any party shall have given to the other parties for such purpose by notice hereunder:

To Licensor:

To Licensee:

20. NO ASSIGNMENT, PLEDGE OR ENCUMBRANCE.

The License is personal to Licensee and Licensee shall not assign, transfer or sub-license any or all of the rights granted herein to any third party without the prior written consent of Licensor. Licensee shall not pledge or encumber the License or any of the Licensed Products as security or collateral for any obligation of Licensee.

21. NO PARTNERSHIP OR JOINT VENTURE.

This Agreement, intended solely as a license agreement, does not constitute and shall not be construed as constituting a partnership, joint venture or agency between Licensee and either the Licensor. Neither party shall have any right to obligate or bind the other party in any manner whatsoever, and nothing herein contained shall give, or is intended to give, any rights of any kind to any third persons.

22. ENTIRE AGREEMENT; MODIFICATION.

This Agreement represents the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all previous representations, understandings or agreements between the parties hereto. No waiver, modification or cancellation of any term or condition of this Agreement shall be effective unless executed in writing by the party charged therewith.

23. BINDING EFFECT.

Subject to the limitations herein before expressed, this Agreement will inure to the benefit of and be binding upon the parties their successors and permitted assigns.

24. USE OF LICENSOR NAME.

Licensee shall not use the Licensor's name or logo in the Licensed Product or in connection with the advertising or promotion of the Licensed Work without furnishing Licensor with a copy of all materials which shall refer to Licensor and obtaining Licensor's written approval in advance. Except as provided herein, and without limitation of the foregoing, Licensee shall not refer to Licensor (including without limitation by use of Licensor's name, logo, trademarks or other symbols) in any manner or through any medium whether written, oral or visual for any purpose whatsoever, including but not limited to in the Licensed Product, in connection with advertising, marketing or promotion of the Licensed Product, or for purposes of publicity, solicitation, fundraising or as part of a list or clients, references, business partners or similar compilation.

25. NO ENDORSEMENT BY OTHERS.

Neither this Agreement nor any actions, omissions, approvals, consents, or the like carries with it any right to use the name, likeness, reputation, good will, persona, or any other aspect of the right of privacy, personality or publicity of any individual or group.

26. GOVERNING LAW; ATTORNEYS' FEES.

26.1 This Agreement shall be construed and controlled by the laws of the State of New York of the United States of America applicable to contracts negotiated and to be fully performed within the State of New York.

26.2 If either party employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs, including expert witness fees.

27. JURISDICTION, VENUE AND ARBITRATION.

27.1 Any dispute or disagreement between the parties hereto may be determined in any forum of Licensor's choosing, and Licensee hereby consents to venue and personal jurisdiction in the Supreme Court of the State of New York or any United States District Court within the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the dates indicated below.

Licensor

By: _____

Title: _____

Licensee

By: _____

Title: _____