

MUSIC LAW AND MUSIC REVENUES

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The music industry is founded on various forms of intellectual property. Whether through copyright or trademark, most revenues flow from rights flowing from legislative and common law rights.

The *Copyright Act* of Canada (and related copyright acts around the world) creates two main copyrights that come to play in the music industry. One is the copyright in the composition or musical work and the other is the copyright in the sound recording. The discussion below sets out the nature of these two copyrights and the incomes flowing from each copyright. In addition, the *Copyright Act* has provisions for Neighboring Rights (copyrights in performances) and creates a levy on recorded media.

Trademarks and tradenames are protected under the *Trade Mark Act* of Canada and the common law right of passing off. Personality rights are protected under common law.

## **A. Basic Copyright Law**

**The University of Victoria provides a really good summary of copyright law [My comments are in square brackets]:**

### **Copyright Primer**

#### **What is Copyright?**

Canadian copyright legislation, *Copyright Act*, falls under federal jurisdiction.

The Canadian Copyright Act provides legal protection to original works of authorship, which includes literary, dramatic, musical and artistic works, as well as, performer's performance, communication signals and sound recordings.

#### **Exclusive rights**

The copyright owner of a work has the sole right to produce, reproduce, perform, publish, or alter a work. The copyright holder may authorize someone else to copy their work. Therefore, anyone who wants to use the work in some way may need to get permission first.

Copyright law does provide some exceptions to these exclusive rights.

#### **Moral rights**

The author of a work has the right to the *integrity* of the work [stop the work from being changed or used in a way that could diminish the value and/or reputation of the work ie. use in an adult film or use by a political party] and the *right to be associated with* the work [writing credit]. Moral rights may not be assigned but may be waived in whole or in part. Moral rights for a work exists for the same term as the copyright in the work.

#### **Types of works protected by copyright**

Copyright applies to all original works. For example:

literary works - books, pamphlets, poems and other works consisting of text, tables, computer programs and compilations of literary works [this would include lyrics (printed without the music), liner notes and other written materials

created in support of sound recordings and songs]

dramatic works - films, videos, plays, screenplays and scripts [this would include all of an artists film and video footage and audiovisual recordings]

musical works - compositions that consist of both words and music or music only (note that lyrics without music fall into the literary works category) [this is about songwriting and not the sound recording – sound recording is a separate and distinct copyright]

artistic works - paintings, drawings, maps, plans, photographs, engravings, sculptures, works of artistic craftsmanship and architectural works [album artwork, band photographs, posters and other artwork created for or by the artist is copyrighted]

performer's performance: performers such as actors, musicians, dancers and singers have copyrights in their performances [this is important for musicians and singers as their performance on a sound recording has its own copyright and must be assigned – even if a third party owns sound recordings, they cannot release a sound recording without an assignment or license of the performer's rights] [as an extension of this right, the *Copyright Act* has created a so-called neighbouring right in performance which allows the maker and performers on sound recordings to receive royalties for radio play in the same way as songwriters do]

communication signals: broadcasters have copyrights in the communications' signals that are broadcast

sound recordings: makers of recordings, such as records, cassettes, and compact discs, which are called "sound recordings" in the *Copyright Act*, are also protected by copyright.

### **What is not protected**

Copyright applies to an idea that has been expressed in some *fixed* format. [this

includes making a chart or recording a song – this does not include writing a song without creating some fixed format to express it] Facts, titles, names and short word combinations, factual information are not usually protected by copyright. They are part of the public domain. [if an artist is covering a public domain song and arranges the song, then SOCAN and CMRRA will recognize a copyright in the arrangement and allow for part royalties to be paid. This is to recognize the new creation expressed in the arrangement].

### **Length of copyright term**

The term of copyright is measured by the life of the creator plus 50 years [in the case of a co-write, the copyright extends for 50 years from the death of the last remaining co-writer] [for sound recordings, photographs and videos, copyright extends for 50 years from the date of the recording]. Works enter the public domain when the term of copyright has expired.

### **Automatic protection**

Copyright protection exists as soon as an original work is created in a fixed form. [This would include creating a music chart or recording a song]

[please note that while copyright is automatic once in a fixed form it is advisable to always put the following copyright notice on all recordings and printed materials:

(p) 2009 Blue Records Inc. (this is the owner of the copyright in the sound recording)

© 2009 White Publishing Inc. (this is the owner of the copyright in the musical works)

If the artist has not assigned its copyrights to company, then copyrights are normally owned as follows:

(p) 2009 The Artist Name (an artist with more than one member is normally considered a partnership under the *Partnership Act* of BC – usually the band owns the copyrights in the sound recordings if the band paid for them)

(p) 2009 The Songwriters (the names of the actual songwriters would be placed here – often this is one or two members of a band, or a co-write with a third party producer or songwriter)

Please note that there is also a copyright in your artwork and it is advisable to put a

copyright notice on any posters, inserts, CD covers and other printed materials:

© 2009 The Artist Name]

### **Fair dealing**

The fair dealing provision allows copying for private study, review and criticism. When used for criticism, however, the user is expected to provide the source of the work (i.e. author, artists and producer of a sound recording, etc.)

There is no definition for fair dealing and court rulings are judged on a case by case basis.

### **Exceptions to the *Copyright Act***

The *Copyright Act* has an exception for non-profit educational institutions. Instructors at these educational institutions are allowed to make copies and perform works in the classroom, subject to restrictions. They are also permitted to make use of copyrighted works on the premises of an educational institution for educational or training purposes as long as there is no substitute of the work available in the marketplace.

If instructors copy any other type of radio and television broadcasts, they may keep this copy for evaluation purposes for a period of 30 days. If the copy is then used for educational purposes, a royalty must be paid.

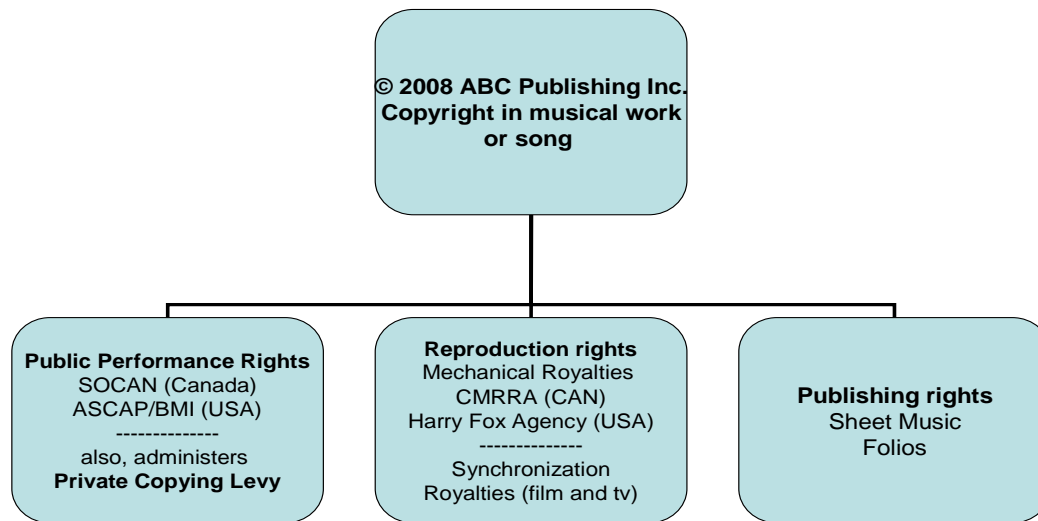
Libraries, archives and museums may make a copy of published or unpublished works protected by copyright in order to maintain and manage their collections. This can be done if a copy in an alternate format is not already available in the marketplace.

### **Public Domain**

An author's work is protected for a term that is generally measured by the life of the author plus fifty years. If the author has been dead for more than 50 years, the work moves into the public domain. Once the work moves into the public domain you can use them for cultural, educational, personal and social purposes.

B. SONG WRITING and COPYRIGHTS IN MUSICAL WORKS

## REVENUE FROM SONGWRITING



*When musical works are used in theatrical shows and/or operas that combine the music with staging, dialogue and costuming, it is referred to as a "grand" right. These rights are not covered by SOCAN licensing and involve direct licensing between copyright holder and theatrical production company.*

© 2009 ABC Publishing Inc. This is the copyright notice as to the ownership of the underlying copyrights of the songs on the album. Initially the ownership vests with the author of the musical work, however the author may assign these copyrights to a publisher.

The above example assumes that the writer of the song has assigned the copyrights in his or her songs to a publishing company. This is referred to as a publishing deal.

Under the *Copyright Act*, an author of a work may assign the underlying copyrights to a third party publisher. Traditionally, a publisher took 100% of the copyrights in works in exchange for the writer receiving an advance against future royalties recouped against 50% of any revenues generated by the copyrights. After recoupment, the writer and the publisher would share 50/50 on all revenues. In regard to public performance royalties

(SOCAN) the publisher shares in up to 50% of the public performance royalties generated by such copyrights (as set out below). What is more common today is the co-publishing deal where the writer may retain part ownership of the copyrights in the work and up to 75% of the income generated by the copyrights. Another method of dealing with publishing is the publishing administration deal where the copyrights remain with the writer, but the publisher administers the publishing and charges a percentage commission for doing so (usually 15-25%).

The author of the work may have retained his or her “moral” rights. A moral right is the right to “paternity” (songwriting credit) and the right to maintain the “integrity” of the work (not to be used in a manner that would devalue the work ie. used in pornography or for a dog food commercial). “Moral rights” may be waived but not assigned.

Formal registration is not legally required to protect copyright. Copyright in a work is protected automatically under the Copyright Act once the work is in a tangible or fixed form (such as a chart, sheet music or embodied in a sound recording). Notification as to the copyright ( © ) is not strictly required, but it is very important to give notice to the world as to the ownership of the underlying copyrights in a work: Radio will then know what publisher/writer to place on the reports to SOCAN; Film producers will then know what publisher/writer to place on the “cue sheet” to be registered with SOCAN; Artists wishing to use the song on other recordings will then know what entity to approach if they want to cover the song.

Copyright registration is not required, however if a composer’s musical work is being released in any way in the USA it is advisable to register copyrights with the Library of Congress. The online registration is at <http://www.copyright.gov/eco/>. This is a very economical and relatively easy registration option. In addition to having both the sound recording and musical works registered concurrently, this registration also opens the door to “punative damages” in the USA for copyright infringement, which could be substantial depending on the nature of the infringement. Canada also has a copyright registration system. You can go to: [http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h\\_wr00003.html?OpenDocument](http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/h_wr00003.html?OpenDocument) and register each musical work title. Unlike the USA system, the Canadian Intellectual Property Office does not accept actual copies of musical works or sound recordings. This is not to be confused with the National Library, which requires the deposit of all sound recordings created in Canada, but does not offer any copyright registration protection.

MAPL. Canadian Content regulations set up by the CRTC. In order to qualify as Canadian Content for radio play on Canadian radio, recordings must have two of the four requirements. MAPL stands for “Music, Artist, Production and Lyrics”. If a song qualifies, then it can be used by radio stations to fulfill their Canadian Content minimum play requirements. It is imperative that the MAPL logo filled correctly be placed on all commercial releases to ensure that radio is aware of Cancon status. Many commercial stations are mandated to play at least 35% Canadian Content. As a Canadian artist this gives the artist a distinct advantage in securing Canadian radio play.

Income flowing from this copyright:

1. **Public Performance Royalties--Radio, Television, Theatrical, Live Performance and performance of pre-recorded songs.** When a publisher signs up with SOCAN (the only body authorized to collect public performance royalties in Canada with some exceptions), the publisher agrees that it may only receive up to 50% of this revenue. The writer's share is paid directly to the writer (or in the case of a co-write, royalties are split according to the writing percentages allocated for the song). A "work notification form" is filed with SOCAN to enable SOCAN to pay out royalties to the correct parties. This income is administered exclusively by SOCAN in Canada and primarily by ASCAP and BMI in the USA. Each country has its own public performance rights society to administer these revenues. The Canadian copyright board has watered down SOCAN's exclusivity by allowing broadcasters to secure a "modified blanket license" directly with film/television composers.
2. **Mechanical Licensing Fees.** If the song is reproduced on a "mechanical contrivance" such as a CD, cassette tape or other media, the Label or individual pressing such album pays the publisher/writer of the song a fee of approximately \$0.077 per song per record sold. In Canada this is a "prescribed rate" set by agreement between the recording and publishing industry. In the USA, the rate is a "statutory rate" set by legislation. If an Artist or label wishes to record a song, they must first secure a "mechanical license" from the owner of the copyright. This can usually be done through the CMRRA in Canada and the Harry Fox Agency in the USA. If the writer is not represented by these agencies, then the Artist or label would have to contact the publisher or author of the work directly to secure such mechanical license. In the USA, once a song is publicly released, a mechanical license is automatically available for a statutory rate.
3. **Synchronization Licensing fees.** When a song is placed on a film or T.V. soundtrack, the producer of the film or T.V. program is responsible to pay the publisher or author of the work a "Sync Fee". This fee is paid in order to allow the producer to synchronize the song to film. It is a similar concept to the mechanical license.
4. **Ring tone and master tones.** Use of songs on cel phones has become a lucrative business for music.
5. **Private Copying Levy.** Owners of copyrights in musical works have been denied revenue due to pirating of copyrighted material for decades. Part VII of the Copyright Act creates the so-called "Blank Tape Levy" on recordable media including Cassette Tapes, CDs and other media as determined as commercially viable under the legislation.

A blank media levy was introduced in Canada in 1997, by the addition of Part VIII, "Private Copying", to the Canadian Copyright Act. The power to set rates and to set the

distribution allocation is vested in the Copyright Board of Canada. The Copyright Board has handed the task of collecting and distributing the funds to the Canadian Private Copying Collective, which is a non-profit private organization.

- The levy applies to "blank audio recording media", such as CD-Rs.
- The levy is paid by importers and manufacturers of such media sold within Canada (and typically passed on to the retailer, and passed on to the purchaser).
- The levy is collected regardless of the purchaser's end use of the media.
- The private copying levy is distributed as per the Copyright Board's allocation as: 66% to eligible authors and publishers, 18.9% to eligible performers and 15.1% to eligible record companies.
- The Canadian Private Copying Collective has developed a methodology by which the proceeds are distributed to rights holders based on commercial radio airplay and commercial sales samples, ignoring radio/college airplay and independent record sales not logged by Soundscan. This methodology has been criticized as favouring major-label artists at the expense of the long-tail. As of September 7, 2007 over one hundred million dollars has been distributed.
- In conjunction with the levy, the Copyright Act allows individuals to make copies of sound recordings for their own private, non-commercial use. They may not distribute the copy.
- On December 17, 2004, a Canadian judge ruled that the blank media tax no longer applied to MP3 players such as Apple Inc.'s iPod. Before this, the rates were \$2 for players with less than 1 GB of capacity, \$15 for players up to 15 GB, and \$25 for players 15 GB and over.
- On 2007-2-12, CPCC asked the Copyright Board of Canada to reintroduce the levy of \$5 to \$75 into the sale price of MP3 players in Canada.[1] In addition, CPCC also proposed levies of \$2 to \$10 for memory cards (since withdrawn), 8 cent increases to CD, CD-R Audio, CD-RW Audio and MiniDiscs.[2]
- On 2007-9, Canadian Recording Industry Association filed lawsuit to Federal Court of Appeal to repeal private copying levy, claiming it legalizes copying for the private use of the person making the copy, regardless of whether the source is non-infringing or not.[3] On 2007-10-26, the court granted CRIA's request to intervene in the private copying/iPod levy judicial review.[4]
- On 2008-01-11, The Federal Court of Appeal rejected the Copyright Board of Canada's proposed new levy on MP3 players, stating that the board erred in law, ruling that they do not have the regulatory authority to impose such levies. [5]

#### CPCC Member Collectives

Canadian Musical Reproduction Rights Agency (CMRRA)

Society of Composers, Authors and Music Publishers of Canada (SOCAN)

Society for Reproduction Rights of Authors, Composers and Publishers in Canada (SODRAC)

Neighbouring Rights Collective of Canada (NRCC):

ACTRA Performers' Rights Society (APRS)

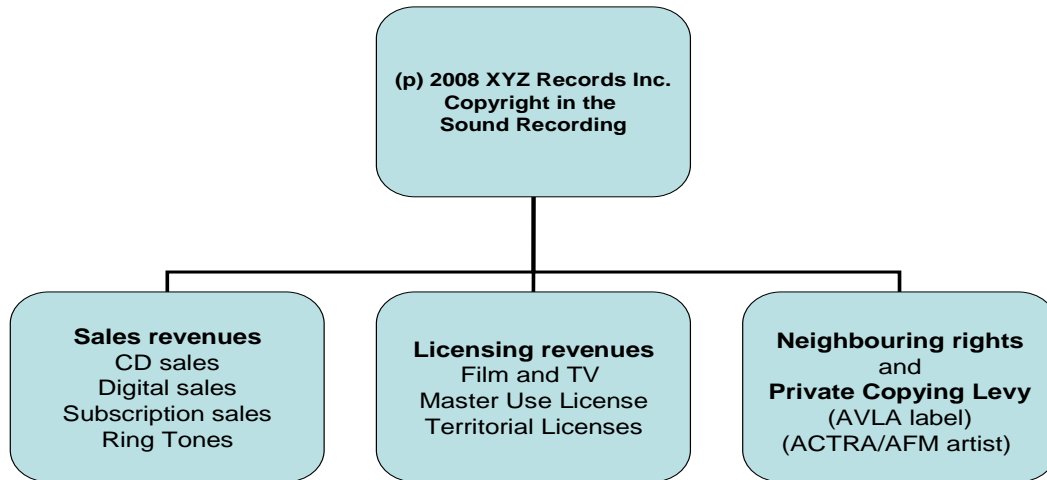
Société de gestion collective de l'Union des artistes inc. (ArtistI)  
American Federation of Musicians (AFM)  
Audio-Video Licensing Agency Inc. (AVLA)  
Société collective de gestion des droits des producteurs de  
phonogrammes et de vidéogrammes du Québec (SOPROQ)

The Private Copying Levy is paid to labels, performers, publishers and songwriters. If an artist is not published and not signed to a label, then it is important to register with the AVLA and CMRRA as well as SOCAN and ACTRA/AFM.

6. Sheet Music and Folio sales. While this is another income stream for publishing, it is generally not a high income area.
7. Grand Rights licensing fees. When a musical work is used as part of a dramatic or theatrical production, opera, ballet, musical or other such dramatic use, then the theatrical production company must obtain a "grand rights" license from the composer of the music. This will not apply to any "public domain" music such as musical works created by composers who passed away prior to 1960. Copyrights extend for a period of 50 years from the death of the composer.

## C. SOUND RECORDING COPYRIGHTS

# REVENUE FROM SOUND RECORDING



(p) 2009 XYZ Records Inc.. This is the copyright notification as to the owner of the copyrights in the “sound recording”. This is usually a record label, however in the case of an independent Artist, the Artist may own such rights. Again, copyright registration is not required as it is automatic once the sound recording is in a fixed form, however the same registration issues may apply as set out above in musical works/songwriting.

A recording Artist may sign an Artist deal with a record label. In this case, the Artist will usually assign all master recording and recording performance copyrights to the record label. The label pays for all costs of recording, pressing, promotion and marketing (including video production). The label will often pay an advance against future royalties with a royalty rate of 10-13% of retail selling price. So-called “net deals” are quite common now where labels split any profits with Artists 50/50.

If the Artist records his or her own masters, the Artist may license such recordings to a third party label. The label would not be responsible for the costs of production in that case, but would take on the costs of pressing, marketing and promotion (video production would probably rest with the Artist). The Label would usually pay an advance against royalties with a royalty rate of 15-18% of retail selling price. Again, net deals are beginning to materialize for licensing.

The Artist who produces his or her own masters may release directly. In this case, the Artist becomes the de facto record label. The Artist would be responsible for all costs of production, pressing, marketing and promotion. The Artist would probably have a distribution deal with a third party distributor which would pay a wholesale price of

\$7.00-\$9.00 per CD sold. Out of that, the Artist would have to pay all costs of pressing, marketing and promotion.

Artists and Labels often release digitally now through aggregators such as CD-Baby, IODA or the Orchard which allows them access to such internet stores as iTunes, Napster and Puretracks. Revenues vary, however the iTunes model is \$0.99 per download. The retailer usually takes a percentage and the aggregator takes a percentage of this net amount. Often on a digital sale a label/Artist will make approximately \$0.55 per track out of which the mechanical royalty at \$0.077 must be paid to the owners of the copyrights in the musical work.

Income generated from this copyright:

1. Record Sales Revenue. This includes revenues generated by direct sales and sales of records through third party distributors of physical product including Vinyl, CDs, Cassettes, DVDs, Data Sticks and other physical delivery mechanisms. Traditionally, labels or artists would distribute physical product to dedicated music retail stores. While such retail stores as HMV, Best Buy, Future Shop and other retailers of physical product are still in existence, many stores such as Sam the Record Man, Tower Records and A&B Sound have gone out of business. This has led to many independent distributors winding up or going out of business such as Fusion III, Festival Distribution and PHD Distribution. Major label distribution has downsized to the point that the majors have been forced to lay off tens of thousands of employees. The predominant consensus is that the massive prevalence of P2P and other free download sites have resulted in the collapse of the traditional recorded music industry. Even large recording artists are experiencing dramatic decreases in traditional sales. Ironically, music is more listened to than ever before in history.

Traditional sales under traditional artist deal result in the following incomes:

Retail Sale \$14.99

Wholesale Price \$10.00

To Label from Distributor \$6.50

Mechanical Royalties \$0.81

Manufacturing \$1.50

Artist royalties \$1.00

Left for Label \$3.19

In today's music market most independent artists make sales from physical product through (a) off-the-stage sales (treating CDs as merchandise) and (b) sales through mail-order and website driven sales. Traditional retail store sales of physical product are now only a small part of anticipated revenues for recording artists. The advantage to independent artists is that the retailer, wholesaler and label are cut out of the

picture and artists are able to make the lions share of the revenue. Where under an artist deal, artists made about \$1.00 per record recoupable against recording costs, now an artist can sell CDs for \$10.00 and clear from \$5.00-\$6.00 net per CD after mechanical royalties, manufacturing and venue commissions. In this way an artist can make the same revenue from 1/5 of the number of sales that they did under an artist deal. Artists with an established following may consider direct marketing as a profitable sales model.

2. Online Digital Sales. From the outset it is imperative that all artists/labels encode their masters with ISRC codes – received from CRIA ([www.cria.ca](http://www.cria.ca)) office for digital tagging of sound recordings. This is required by all major online digital retailers ie. iTunes, Puretracks, Napster to tracks sales online. Sales through such models as \$0.99 per track iTunes (up to now DRM protected tracks with limited transferability) have dominated the legitimate download arena. In fact, iTunes represents 95% of the overall digital sales revenue. This success has been driven by the explosion of the iPod and related products by Apple Computers. Also, the iStore which is linked to the iPod software has driven sales like no other online retailer. Unfortunately, the approximately \$10 billion per annum worldwide loss in traditional sales has not been even close to replaced by digital download sales. Most artists and label access the myriad online retailers, subscription services and mobile phone retailers through aggregators such as IODA, CD Baby and The Orchard. Aggregators usually charge a fee of between 9-15% of digital sales revenues. Online retailers, subscription services and mobile phone companies include:





## **What is the ISRC? (from CRIA website)**

The ISRC (International Standard Recording Code) is the international identification system for sound recordings and music video recordings. Each ISRC is a unique and permanent identifier for a specific recording which can be permanently encoded into a product as its digital fingerprint. Encoded ISRC provide the means to automatically identify recordings for royalty payments.

The ISRC system is the key to royalty collection for recordings in the digital information age. ISRC is a unique, reliable, international identification system. ISRC provides a unique tool for the purpose of rights administration. ISRC is a useful identification tool in the electronic distribution of music. ISRC coding is compatible with standards developed in the field of consumer electronics and is readable by hardware already used in the recording industry.

ISRC is cost effective - it can be put into operation without requiring special investment in equipment or technologies. The ISRC consists of twelve characters representing country (2 characters), registrant (3 characters), year of reference (2 digits) and designation (5 digits). It is divided into four elements separated by hyphens and the letters ISRC should always precede an ISRC code.

3. Territorial Master Use Licenses. This revenue stream involves licensing masters to third party labels to release records in specific territories such as Europe, Asia or Australia. Some territories, such as Japan and the U.K. still have a relatively strong traditional CD sales market. In Tokyo, the last Tower Records retail store still thrives. In Japan, piracy is very rare. Statistically, while Canadian consumers pay for 1 download for every 50, in Japan it is about 1 paid for every 1 free download. There are opportunities in some countries for licensing deals, where an artist or label will license masters for an 18-22% of PPD – a wholesale base – usually about \$1.70 - \$2.00 per CD sold.
4. Compilation Master Use Licensing. Compilation CDs from film, television and specialty market CDs had a good run a few years ago. In fact, for some time compilations sat at the top of retail charts. With the demise of traditional CD sales, compilations are less impactful than they have been. There are still, however, certain compilation series that remain popular. Normally, owners of the sound recording copyrights share pro rata with other tracks on compilations for royalties. These usually work out to from \$0.10 - \$0.20 per track. It is important to note that these licenses often include the right to sell through online retail stores, which may contravene exclusive distribution agreements with artist/label aggregators.
5. Film, Television and Video Game Master Use Licenses. Film, TV and video game producers require a master use license to use a sound recording on any audiovisual presentation. A film requires two licenses—the above mentioned “Sync License” from the publisher and a “Master Use License” from the label. These are flat fee

licenses that range anywhere from gratis to hundreds of thousands of dollars depending upon the use and the stature of the artist. The licenses have become very important in the music industry, not only from a marketing point of view, but also a key income stream. In fact, placements on highly rated television shows can result in massive marketing boosts for artists. The show “Grey’s Anatomy” was instrumental in launching many music careers. This phenomenon has also made music supervisors such as Alexandra Patsavas of Chop Shop Supervision one of the most powerful people in the music business.

6. Neighbouring Rights. This is a right created under the present s. 19 of the Copyright Act. Broadcasters are responsible to pay a tariff to approved collection agencies in order to compensate the performers on records and the labels owing the sound recordings. Established in 1997, the Neighbouring Rights Collective of Canada (“NRCC”) is an umbrella collective that collects a percentage of advertising revenue (as mandated by the Copyright Board), from various users of sound recordings in Canada . The AVLA administers neighbouring rights for Labels (or the makers – which could be an artist) and ACTRA or AFM administer the performers rights. If an artist is the owner of the copyrights in the sounds recording as well as the performer, then the artist should apply for these royalties through AVLA and ACTRA/AFM.
7. Private Copying Levy. Owners of copyrights in sound recordings have been denied revenue due to pirating of copyrighted material for decades. Part VII of the Copyright Act creates the “Blank Tape Levy” on recordable media including Cassette Tapes, CDs and other media as determined as commercially viable under the legislation. There has been a lot of controversy surrounding this levy. A recent proposal by the Copyright Board to institute a tariff on digital audio devices was struck down by the Federal Court of Appeal.
8. U.S. Digital Cable and Satellite. SoundExchange collects revenues for these performances. So, if you are being played on Sirius, XFM of Digital Cable in the USA, your should sign up with [SoundExchange.com](http://SoundExchange.com):

SoundExchange is an independent, nonprofit performance rights organization that is designated by the U.S. Copyright Office to collect and distribute digital performance royalties for featured recording artists and sound recording copyright owners (usually a record label) when their sound recordings are performed on digital cable and satellite television music, internet and satellite radio (such as XM and Sirius). SoundExchange currently represents over 3,500 record labels and over 31,000 featured artists and whose members include both signed and unsigned recording artists; small, medium and large independent record companies; and major label groups and artist-owned labels.

## D. TRADEMARK, TRADE NAMES AND PASSING OFF

Wikipedia gives a very good summary of the law of passing off:

Passing off is a common law tort [Tort law is a body of law that addresses, and provides remedies for, civil wrongs not arising out of contractual obligations. A person who suffers legal damages may be able to use tort law to receive compensation from someone who is legally responsible, or "liable," for those injuries] which can be used to enforce unregistered trademark rights. The tort of passing off protects the goodwill of a trader from a misrepresentation that causes damage to goodwill. The Canadian law on passing off is based on common law originating in the United Kingdom.

The law of passing off prevents one person from misrepresenting his or her goods or services as being the goods and services of the claimant, and also prevents one person from holding out his or her goods or services as having some association or connection with the plaintiff when this is not true.

### Passing off and trademark law

A cause of action for passing off is a form of intellectual property enforcement against the unauthorised use of a mark which is considered to be similar to another party's registered or unregistered trademarks, particularly where an action for trademark infringement based on a registered trade mark is unlikely to be successful (due to the differences between the registered trademark and the unregistered mark). Passing off is a form of common law, whereas statutory law such as the Canadian Trade Mark Act provides for enforcement of registered trademarks through infringement proceedings.

Passing off and the law of registered trademarks deal with overlapping factual situations, but deal with them in different ways. Passing off does not confer monopoly rights to any tradenames or marks. It does not recognize them as property in its own right.

Instead, the law of passing off is designed to prevent misrepresentation in the course of trade to the public, for example, that there is some sort of association between the business of defendant and that of the claimant. Another example of passing off is where the defendant does something so that the public is misled into thinking the activity is associated with the claimant, and as a result the claimant suffers some damage, under the law of passing off it may be possible for the claimant to initiate action against the defendant.

## Elements of Passing Off

There are three elements, often referred to as the Classic Trinity, in the tort which must be fulfilled.

These are:

- 1) Goodwill owned by a trader
- 2) Misrepresentation
- 3) Damage to goodwill

Plaintiffs have the burden of proving goodwill in its goods/services, get-up of goods, brand, mark and/or itself per se.

The Plaintiff also has the burden of proof to show false representation (intentional or otherwise) to the public to have them believe that goods/services of Defendant are that of the Plaintiff; thus, there must be some connection between Plaintiff's and Defendant's goods/services/trade. They must show likelihood and/or actual deception/confusion in the public. Deception/confusion, however, does not consider a 'moron in a hurry'. It is the Court's duty to decide similarity/identity of the marks/goods/services the criterion of which often fall under three elements: aural, visual and conceptual similarity (often applied in trade marks infringement cases).

In relation to the element of damage to goodwill, there may be loss/diversion of trade or dilution of goodwill. The Plaintiff need not prove actual or special damage; real and tangible probability of damage is sufficient. This damage should however be reasonably foreseeable. It is insufficient to simply show likelihood/actual deception and/or confusion.

Ultimately, the Court must use common sense in determining the case, based on evidence and judicial discretion, and not witnesses.

It should be noted that disclaimers may be insufficient to avoid passing-off or cause of action; however, this was expressed in the dicta of the decision [which means that it was part of the discussion of the case and did not form part of the actual ruling].

## **REVENUE FROM TRADEMARKS AND TRADENAMES**

Key properties to be owned and controlled in the music business are the trade name rights in the Artist name and the rights to the exclusive control of the Artist's likeness. In Canada, a "trade name" such as a band or Artist name can be registered at the trademark office in Ottawa. In the USA, band or Artist names are registered as a "service mark"

under US trademark legislation. If a trade name is not registered, an Artist can nonetheless build up a common law right under the right of “passing off” as set out above. If an Artist can establish a prior right to a name in a territory, then such Artist can rely on this right against other Artists trying to use such name. The established Artist can stop another Artist for passing themselves off as the established Artist. This goes for solo Artists as well or Artist who operate under a name ie. Elton John or Sting.

## **PERSONALITY RIGHTS – MERCHANDISING AND ENDORSEMENTS**

As a recording artist it is important to recognize the importance of your rights as an individual to exploit your name and likeness. While band names generally fall in the area of trademark/passing off law, individual artist rights have developed out of privacy law.

The use of an artist’s likeness includes images on film, television, videos, posters, t-shirts and any other public display of the Artist’s image. This right to control the “publicity” and “personality” around ones name flows from privacy laws and the laws of “passing off”. These rights developed both in common law and through legislation must be diligently protected as they represent a significant source of revenue for an Artist through merchandising, commercial endorsements, personal appearances, images in film and other public displays.

Again, Wikipedia gives a good summary of these rights:

Personality rights are a common or casual reference to the proper term of art "Right of Publicity." The Right of Publicity can be defined simply as the right of an individual to control the commercial use of his or her name, image, likeness or other unequivocal aspects of one's identity. It is generally considered a property right as opposed to a personal right, and as such, the validity of the Right of Publicity can survive the death of the individual (to varying degrees depending on the jurisdiction).

Personality rights are generally considered to consist of two types of rights: (a) the right to publicity, or to keep one's image and likeness from being commercially exploited without permission or contractual compensation, which is similar to the use of a trademark and (b) the right to privacy, or the right to be left alone and not have one's personality represented publicly without permission. In common law jurisdictions, publicity rights fall into the realm of the tort of passing off. United States jurisprudence has substantially extended this right in America.

A commonly-cited justification for this doctrine, from a policy standpoint, is the notion of natural rights and the idea that every individual should have a right to control how, if at all, his or her "persona" is commercialized by third parties. Usually, the motivation to engage in such commercialization is to help propel sales or visibility for a product or service, which usually amounts to some form of commercial speech (which in turn receives the lowest level of judicial scrutiny).

Many commentators consider the Right of Publicity to be a property right, as opposed to a personal right.

## Canada

Canadian common law recognizes the right to personality on a limited basis. It was first acknowledged in the 1971 Ontario decision of *Krouse v. Chrysler Canada Ltd.* The Court held that where a person has marketable value in their likeness and it has been used in a manner that suggests an endorsement of a product then there are grounds for an action in appropriation of personality. This right was later expanded upon in *Athans v. Canadian Adventure Camps (1977)* where the Court held that the personality right included both image and name. Please note that Quebec uses the Civil Code which has specific coded rights set out for exploitation of personality.

## United States

The right of publicity evolved out of the right of privacy in the United States, and is still often referred to as a "subset" of privacy rights. Roughly defined, it is the right to charge for (or bar entirely) the commercial exploitation of name, likeness, voice or "personality." By some definitions, it only applies to commercial advertising. By others, it is broader, and applies to any commercial exploitation, including such things as t-shirts. The Right of Publicity is a state-based right, as opposed to Federal, and to date, eighteen states have enacted Right of Publicity legislation. In most other jurisdictions without a specific Right of Publicity statute, the Right of Publicity may still be recognized via common law. The Right of Publicity is a rapidly-evolving doctrine with a fascinating history of reported cases in the United States and worldwide. <sup>[1]</sup>

By the broadest definition, the right of publicity is the right of every individual to control any commercial use of his or her name, image, likeness, or some other identifying aspect of identity, limited (under U.S. law) by the First Amendment. The right of publicity can be referred to as publicity rights or even personality rights. The term "right of publicity" was coined by Judge Jerome Frank in the 1953 case *Haelan Laboratories, Inc. v. Topps Chewing Gum, Inc.*, 202 F.2d 866 (2d Cir.).

The extent of recognition of this right in the U.S. is largely driven by statute or case law. Because the Right of Publicity is governed by state (as opposed to Federal) law, the degree of recognition of the Right of Publicity varies significantly from one state to the next. To date, twenty-eight states are on record as recognizing the Right of Publicity. Indiana is believed to have the most far-reaching Right of Publicity statutes in the world, providing recognition of the right for 100 years after death, and protecting not only the usual "name, image and likeness," but also signature, photograph, gestures, distinctive appearances, and mannerisms. There are other notable characteristics of the Indiana law,

though most of the major movement in Right of Publicity emanates from New York and California, with a significant body of case law which suggest two potentially contradictory positions with respect to recognition of the Right of Publicity.

In the United States, rights of publicity are enforced through state law. Some states recognize the right through statute and some others through common law. California has both statutory and common-law strains of authority protecting slightly different forms of the right. The right of publicity is a property right, rather than a tort, and so the right may be descendible to the person's heirs after their death. The Celebrities Rights Act was passed in California in 1985 and it extended the personality rights for a celebrity to 70 years after their death. Previously, the 1979 *Lugosi v. Universal Pictures* decision by the California Supreme Court held that Bela Lugosi's personality rights could not pass to his heirs.<sup>[2] [3]</sup>

- In September 2002, Tom Cruise and Nicole Kidman sued luxury goods company Sephora for allegedly using a picture of them without permission in a brochure promoting perfumes.
- A recent example is John Dillinger's rights of publicity, as seen in *Ken Phillips, Mark Phillips and Dillinger's, Inc. v. Jeffrey G Scalf*, a 2003 Indiana Court of Appeals case. The operators of Dillinger's restaurant are alleged to have violated the right of publicity of Jeffrey G. Scalf, the grandnephew of the 1930s gangster and bank robber John Dillinger, in using without authorization Dillinger's name, image, and likeness in connection with the restaurant.
- In March 2003, eight members of the cast of *The Sopranos* alleged that electronics retailer Best Buy used their images in newspaper ads without permission.
- In the July 2003 case of *Tiger Woods v. Jireh Publishing*, however, a painting of the famous golfer Tiger Woods and others is protected by the US Constitution's First Amendment and treads neither on the golfer's trademarks nor publicity rights. Similarly in the July 2003 case of *Johnny and Edgar Winter v. DC Comics*, a depiction of blues music duo the Winter brothers in a comic book as worms called the Autumn Brothers obtained First Amendment protection from publicity rights suit. The 6 May 2005 *Toney v. L'Oreal and Wella* opinion clarified the distinction between the purview of copyright versus the nature of publicity rights.
- The 2006 New York County Supreme Court case *Nussenzweig v. DiCorcia* determined that personality rights do not trump legitimate First Amendment rights of artistic free expression. This case is currently under appeal in the New York courts.<sup>[nb 1]</sup>

- On May 4, 2007, a federal judge in New York ruled that Marilyn Monroe's rights of publicity ended upon her death, thus allowing the family of photographer Sam Shaw to sell photos of Monroe.<sup>[4]</sup>

These few examples illustrate that litigation on rights of publicity in the United States is very active, rapidly changing this area of the law.

## **RELEASE CHECKLIST**

### **Band**

- Band agreement for live performance, songwriting, sales, merchandise, band name ownership, leaving members, new members;
- Register sole proprietorship, partnership or limited company

### **Songwriting**

- Determine songwriter splits in writing (songwriting agreement);
- Register songs with SOCAN (work notification forms online [www.socan.ca](http://www.socan.ca));
- Ensure that Private Copying royalties are being collected (i.e. sign agreement with SOCAN to collect these royalties);
- Make sure that MAPL CANCON notifications are on all releases of the song for radio purposes;
- Register musical work copyrights with Library of Congress in Washington, DC – this can be done concurrently with sound recording to save filing fees <http://www.copyright.gov/register/> (and/or with Copyright Board of Canada which registers titles of songs <http://www.cb-cda.gc.ca/info/registration-e.html>);

### **Sound Recordings**

- Ensure that ISRC codes (from [www.cria.ca](http://www.cria.ca)) are digitally encoded on the final master recording (keep these numbers for release information to online distributor);
- Set up online release with plenty of time to allow for the tracks to get up online;
- If the artist has a distributor, then find out what distributor requires with part delivery.
- Make sure that graphic designer has design specs from manufacturer;
- Place copyright notices on all formats released. If CD, then place © and (p) information on actual disk as well as tray card;
- Ensure that there is sufficient information on all formats to reach the artist, management, label and/or publisher. This is important to ensure that in the event a third party wants to secure licensing, that the correct parties are approached;
- MAPL CANCON notification on all physical formats and tray card;
- Place producer and credit information on insert – credit should include producer, engineer, studio, mixer, songwriter credits, mastering house, photographer, graphic designer;
- Use care with thank-yous to include individuals and companies who helped the artist;
- Register tracks with AVLA (as label <http://www.avla2007.ca/>) and ACTRA [http://www.actra.ca/prs/RACS\\_about.htm](http://www.actra.ca/prs/RACS_about.htm) or AFM <http://www.mnrr.ca/> (as

- performer) to ensure that artist receives both sides of the Neighbouring Rights revenue from radio play and the Private Copying Levy royalties;
- Register tracks with [www.soundexchange.com](http://www.soundexchange.com) in order to receive royalties on digital cable and satellite radio play;
  - Register sound recordings with Library of Congress in Washington, DC - include songs as well to save on filing fees (sound recordings cannot be registered with Copyright Board of Canada);
  - Secure bar code (usually from manufacturer or distributor) and create catalogue number for all physical format releases;
  - Place website address on all insert materials;
  - Make sure that all song titles with times are included on tray card – this is important, especially the times for radio and other third party uses that require the song times;
  - Secure any mechanical licenses prior to release. If the artist is also the writer, then the artist can also provide this. If there are third party co-writes or covers are being released, then the artist/label can go to the CMRRA to secure the mechanical licenses:  
[http://www.cmrra.ca/Mechanical\\_Licensing/mechanical\\_licensing.html](http://www.cmrra.ca/Mechanical_Licensing/mechanical_licensing.html) (note if the co-writer is not published, then artist may have to secure a mechanical license directly from co-writer by agreement). Manufacturers require mechanical licenses prior to pressing;

## **Marketing and Promotion**

- Create a marketing plan which sets out a clear strategy for marketing and promoting the artist, including radio, video, touring, online promotion, publicity and other such marketing initiatives;
- Create a time-line for the release and marketing. Make sure that all components of the plan are implemented in a manner which maximizes the impact of the release;
- Consider hiring a radio tracker to release and track radio for the artist;
- Consider hiring a publicist to help with the release and touring;
- Create a website which has a place for fans to sign up for newsletters on the home page. Make sure that the content is current and kept current at all times. Keep away from heavy flash sites – allow for HTML cut and paste options. Create an area for hi-res photo downloads for press (pass protect if necessary). Make sure that there is an easy way to purchase product from the artist – Paypal or links to iTunes;
- Create a presence online including Myspace, Facebook, Twitter, YouTube and all other services that may be effective to promote the artist. Be vigilant in responding to friends and fans. Always personalize and try to avoid mass emails or notices;
- Create a classy newsletter which gets sent out at least once per month via email;
- Work with agents to secure touring and support dates;
- Apply for festivals and showcases through Sonic Bids or through an agent;

- Make sure that all tracks are serviced to film, tv and video game music supervisors for inclusion in productions.

## **Merchandise**

- Consider the registration of the artist name and /or tradenames or marks with Trade Mark Office. This is an online application which can be commenced relatively cheaply. Note that over time, fees will increase for a registration and the process can take up to two years;
- Put a lot of thought into the merchandise being offered. Stay simple and do not have a lot of options to start. Once successful merchandise has been established, then diversify into other merchandising choices. Do not over-extend inventory. Do not give away product unnecessarily as merchandise is way more expensive than CDs;