



THE ARTIST'S SURVIVAL GUIDE

A POCKET GUIDE TO ART LAW

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Information contained in this book is intended to provide general information about significant legal developments and should not be construed as legal advice on any specific facts and circumstances, nor should this information be construed as advertisements for legal services.

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ABOUT THE AUTHOR

Jay Landrum, an attorney, has been practicing in the art industry for over 20 years. While serving as Senior Vice President and General Counsel for Media Arts Group, Inc., a NYSE company known for developing the popularity of such artists as Thomas Kinkade, Jay was an integral part of the team that developed one of the largest artist-based brands in the world. His creative, business-oriented solutions were pivotal in the management of over 5,000 dealers, and his development of minimum pricing policies greatly impacted how limited edition art has been sold within the industry.

He currently represents artists, writers, agents, art publishers, and other art industry leaders as part of his legal practice, assisting clients in art licensing, artist and art publisher representation, the development of tailored intellectual property protection and enforcement programs, and providing counsel on employee theft and trade secret misappropriation.

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INTRODUCTION

Whether you are a painter, photographer, sculptor, writer, songwriter, or dancer, your original works are a combination of innate talent and hard work...certainly nothing you would want to jeopardize.

This guide is intended to be an easy to read, thirty thousand-foot view of art law. It covers protections that are available for your work, as well as the hazards that could impact your creations.

By taking simple actions to protect your rights, and by identifying potential pitfalls, you can put your works in the best position for long-term success.

Art law can be tricky. Keep in mind that while a number of general concepts apply, answers to hypothetical questions quite often end up being “it depends.” In large part, that is because the answer typically rests on specific factors unique to that situation. It will also depend on what law applies; federal laws may vary within different appellate courts and state laws may vary by state. So, while this guide does make general statements about the law, this guide is obviously no substitute for legal advice.

The world of art law is constantly evolving, and if issues or risks arise, it's important to secure legal representation.

If this guide achieves its goals, you will walk away more informed and educated in the world of art law than when you started. If it *really* achieves its goals, you will not only be more informed, but you will also put that knowledge to use...taking actions that better protect you and your creations.

Good luck and happy creating!

THE FOUR HORSEMEN OF INTELLECTUAL PROPERTY

Intellectual property refers to those intangible creations of the human mind...those ideas, designs, methods, sayings, and so forth that have value...but unlike tangible property, intellectual property can't be protected by locking it in a safe.

Intellectual property falls into one of four categories:

1. **Copyrights**
2. **Trademarks**
3. **Patents**
4. **Trade Secrets**

Each of these will be discussed in detail, but in general:

Copyrights are used to protect original works of authorship fixed in any tangible medium of expression, including writings, artwork, choreography, songs, movies, etc. Copyrights are exclusively governed by federal law (specifically, the U.S. Copyright Office).

Trademarks are words, phrases, logos and symbols used in conjunction with certain goods or services. Shapes, sounds, fragrances and colors may also be registered as trademarks. Trademarks are issued

and monitored by the federal government (the Patent and Trademark Office), but they may also be regulated by state law.

There are five requirements for *patentability*:

1. it must be a **patentable subject matter**, which falls within four general categories: a *process* or *method* (way of doing something), a *machine* (a device with fixed or moving parts), a *manufacture* (a “thing” that is manufactured as opposed to something found in nature), or a *compound* (something composed of two or more substances);
2. it must have **utility** (usefulness);
3. the idea must be **novel** (new);
4. the idea must be **nonobvious** (not something that would be easy to come up with); and
5. the application must provide the **enablement** (a clear description of how to make and use the invention).

Patents grant a patent holder the exclusive right to make, use, import and sell the patented innovation, in exchange for disclosing all details about the invention. Patents are exclusively governed by federal law (the Patent and Trademark Office).

Trade secrets can be viewed as the opposite of a patent. With a patent, a patent holder is granted an exclusive use for a period of time in exchange for full disclosure about the invention. Trade secret law allows a party to keep the idea a secret, and prevent others from using it, *so long as the secrecy is maintained*. The Uniform Trade Secrets Act, adopted by most states, provides protections in regards to trade secrets. However, unlike patents, if someone obtains the same trade secret by lawful means (such as independently discovering the same idea later), the second party cannot be prevented from using the trade secret or from revealing it to others.

Which method of intellectual property protection is best will depend on the facts and circumstances. For example, suppose a sculptor has discovered a process in which she treats the molds in a certain manner, allowing her to accelerate production of sculptures. Even though that process might qualify as a patentable process, she may decide, based on the cost of securing a patent and the cost and difficulty of enforcing the patent, that it might be best to keep it as a trade secret, rather than revealing it to the world.

Artists may often find that they can avail themselves to multiple forms of intellectual property protection:

- the work itself may be copyrighted;
- the artist's brand may be trademarked;
- the artist's customer list will be protected by trade secret; and
- the processes to create the artwork may be the subject of a trade secret or patent.

Knowing your options will help you decide the best way to protect your creations...every creator has intellectual property to protect, so read on, and let's learn how to do it!

COPYRIGHT BASICS

What can be protected by copyright?

Copyright law protects *original works of authorship*, such as literary works, musical works, dramatic works, pictorial and sculptural works, motion pictures, audiovisual works and architectural works.

The type of artistic expression protected by copyright law is broad, ranging from the familiar to the less expected, including artwork, cartoons, posters, fabric designs, games, puzzles, collages, toys, bumper stickers, jewelry designs, sculpture, stained glass designs, technical drawings, architectural drawings, weaving designs, plays, movies, choreography, and even pantomime.

What is not protected?

Ideas cannot be protected under copyright law. Neither can discoveries, principles, formulas, procedures, processes, systems, methods of operation, and concepts. Also, words, symbols, titles, slogans and short phrases cannot be copyrighted (but as discussed later, can potentially be protected under trademark law).

**Authorship vs. idea:**

J.K. Rowling can copyright a Harry Potter book (a work), but she can't keep someone else from writing a book about a young boy who goes to a school to learn magic (a concept or idea).

Under copyright law, you, as the copyright owner, have the *exclusive* right to make copies, prepare derivative works, sell or distribute copies, and display the work in public. Anyone else doing so, without permission, will infringe upon those intellectual property rights.

How is a copyright created? Do I need to file something?

Prior to March 1, 1989, it was required that the copyright owner place a “copyright notice” on all works that were *published*. Omitting the notice on a work published before that date would mean the work lost copyright protection (unless the omission was cured within five years following publication).

Copyright notices must include *three* components:

- The word “Copyright” or the © symbol;
- The date of publication; and
- The copyright owner’s name.

For example: “© 2013 John Smith” or “Copyright 2013 John Smith.”

For works created on or after March 1, 1989, use of the copyright notice is optional. So, as the creator, are you required to put the copyright notice on your work? No. Is it a good idea to do it anyway? Yes.

At the very least, placing the copyright line may prevent your copyrighted material from being stolen by someone else who does not understand you claim copyright to that work. (Also, for maximum protection and ability to collect damages, you should also file your created work with the Copyright Office).

Publication is achieved when there is distribution of copies of the work, by sale, rental, lease or lending. Even the offering of copies for distribution or display constitutes publication; however, when only a single work exists, such as an original painting or a unique sculpture, public display does not constitute publication. Publication is an important concept, as it will impact the type and number of copies that will need to be submitted when copyright registration is applied for.

How long does a copyright last? What happens after that?

The simple answer is that, for any qualifying work *created on or after January 1, 1978, copyright protection lasts for the life of the author plus an additional 70 years.*

If you are looking to use someone else's creative work in any way,

determining when a copyright expires can be important; upon expiration, the work is in the *public domain* and you can freely use it. However, depending on when a work was created, calculating the duration of the copyright is not as easy as it might seem. To answer it, you may need to explore multiple versions of the U.S. Copyright Acts, including the 1909 Act, the 1976 Act, and the 1998 Sonny Bono Copyright Term Extension Act, looking at when each copyright period started and when it expired.

For works created before January 1, 1978, each work was protected by a common law copyright when it was created, which ran until the work was published. Upon publication, the owner had to comply with the 1909 Act requirements (including affixing a copyright notice to the work); if not, the work entered the public domain. If federal copyright protection was secured, the copyright ran for 28 years, with a potential renewal of another 28 years (with another possible extension under a later Act).

The Copyright Act of 1976, which is now the basis for U.S. copyright law, changed the starting point of copyright protection from date of *publication* to the date of *creation*. Under the 1976 Act, copyright protection generally lasted for the life of the author plus an additional 50 years, or 75 years from creation for corporate authorship (such as by the studio of Disney artists).

As if that wasn't enough complexity, the 1998 Copyright Term Extension Act added another twist, extending protection of the author to life plus 70 years, and for works of corporate authorship to 120 years after creation or 95 years after publication, whichever is earlier.

At some point, however, copyrights expire...and when they do, they cannot be renewed. At that point, the work is available for use by anyone, anytime, anywhere, without restriction.

So, what is the bottom line when calculating the life of a copyright? Generally speaking,

- For works created **on or after January 1, 1978**, copyright protection lasts for the life of the author plus an additional 70 years (or for corporate authorship, 120 years after creation or 95 years after publication).
- A work published **before January 1, 1923** would have received, at most, 75 years of protection. With that in mind, any work published before January 1, 1923 would have now entered the public domain.
- Works which fall in between these dates need to be reviewed on a **case-by-case basis**, as numerous factors will influence whether the work has entered into the public domain, including whether it was published, and if so, when it was published.

- **How do you find the relevant dates?** In a book, the publication date should be right inside the cover. For other works, searching the Library of Congress website (www.loc.gov) can help you determine the publication dates of many creations.

One final point to keep in mind regarding public domain works... although certain works may now be in the public domain, new works incorporating the public domain work into new treatments may still be protectable under copyright law in their own right, such as Andy Warhol's contemporary images of the Mona Lisa. Before you use a work you think is now in the public domain, it is important to confirm whether it is or not. Otherwise, your actions may constitute copyright infringement.

What is registration? How expensive is it? Do I need a lawyer to do it?

Copyright registration is when you file your copyright with the U.S. Copyright Office. You will receive a registration number and that filing will serve as evidence of the fact that you created the work



A basic registration can be done online and the cost is only \$35! At that price, it's easy to register the creations you think most important to protect.

on or before your filing date. The process is fairly simple, does not require a lawyer, and is definitely something you

can learn to do on your own, but if you don't feel comfortable with it (or if you have a more complicated filing), it might be worth hiring a lawyer to help on the first filing or two, and then maybe you'll be able to fly solo from there.

What is infringement?

As a copyright holder, those who violate your copyright rights are *infringing* on your rights. Infringement ultimately rests on a finding of *substantial similarity* from an *ordinary observer* point of view. This “audience test” is a subjective test, and has been used by many courts and modified many ways, but it essentially asks whether someone who was not trying to determine the ways in which two works differed would generally overlook those differences and regard the two works as the same. Put another way, it asks whether the defendant wrongfully copied so much of the plaintiff's work to cause the average person to immediately see the two works as similar, without anyone suggesting to that person how the works are similar.

FIVE COPYRIGHT MYTHS

There are a number of myths that exist about copyright law. Maybe these myths are based on outdated law, or maybe they were just made up by copyright infringers trying to rationalize their conduct—either way, these myths are widely held, and are wrong. So, let's clear up a few of them:

Myth #1: If I don't make any money from it, it's not copyright infringement.

While not making any money may decrease the amount of monetary damages awarded to the rightful copyright owner, it won't eliminate them. Damage has still been done by your infringement. Imagine that you copied your favorite Bruce Springsteen album for all your friends. While you might have meant well (and made your friends happy), the result is that none of your friends need to buy the album any more...so Bruce and his E-Street Band just lost out on all of those sales. Bruce is unhappy, and you have a problem.

Truth #1: *Infringement is the act of copying it, not the selling of it.*

Myth #2: If I copy 20% or less, it's not copyright infringement.

This is the “*it's not stealing if I only steal a little bit*” defense. Unfortunately, there's no clear cut rule about exactly how much of the prior work you can use before it becomes infringement.

Whether it's 5%, 10%, 5 notes, 1 sentence, or making it in a different size, the real test is if a “reasonable person” would find your work to be “substantially similar” to the original. Since “reasonable person” and “substantially similar” tests are decided based on the unique facts of the case, relying on the “*I only used a little bit*” defense requires some real unbiased evaluation first.

Truth #2: *There's no standard measurement for how much is “safe” to use vs. how much equals infringement—it all depends on the facts.*

Myth #3: If there's no copyright notice, there's no copyright protection.

If the work was created in the last 35 years or so, even if the creator leaves off the © line, the creator still has a copyright on her original content from the time of creation...automatically.

Truth #3: *No copyright notice may be required. Never assume the work is public domain...do your research!*

Myth #4: If I give credit to the copyright owner, it's not copyright infringement.

Sorry—just identifying who you stole it from doesn't make it right. Controlling the use of the original work is exactly what the owner has a right to do. What kind of law would it be if you could get around it simply by referencing the original creator? If you need to use part of someone else's work, get permission.

Truth #4: *Giving credit is nice, but it's not enough.*

Myth #5: If I hire someone to create an original work, I own the copyright.

Maybe. In the case of your employee...yes. But it's not necessarily true if you hired an independent contractor for the same exact project. This question is a very tricky one, and we cover it in more detail in a later chapter.

Let's assume you hired an artist to paint a portrait of your cat. Who owns it? Without a contract otherwise, you may own the actual painting, but the painter owns the copyright. Can the painter do anything with the image he wants (such as make and sell posters)? Most likely. One more note for those of you familiar with the independent contractor “*work made for hire*” concept...it is only operative in certain circumstances, so without other language

clearly assigning ownership of all copyrights to you, it still may not be enough, even if you specify that the work is “work made for hire.”

Truth #5: *He who pays for the creation and he who owns the copyright are not necessarily the same person.*

TRADEMARK BASICS

Trademarks are authorized under federal law (the Lanham Act) and are also governed by laws of each State. Registration of trademarks can also be accomplished internationally under different international treaties.

Trademarks can be obtained by use (which provides the user with common law rights) or by federal registration with the U.S. Patent and Trademark Office or with individual states. In order to apply for a federal registration, the applicant must *establish either actual use of, or an intention to use, the Mark in interstate commerce*. To receive registration, you must show use in interstate commerce.

While you can **file** for a trademark with only an **intention** to use it, the mark will not **register** until you provide evidence of **actual use**.



Interstate commerce requires that goods or services be offered across state lines. For example, a restaurant located in California which does not advertise in or render services to anyone in any other state would likely not qualify for a federal trademark (although it could potentially qualify for a state trademark).

What is the benefit of a federal registration?

- Nationwide protection of the mark;
- The right to sue in Federal Court;
- Use of the ® symbol;
- Incontestability after five years of proven continuous use;
- Priority of use is established from the date of the application;
- Greater recovery of damages for infringement, including attorney fees and statutory damages;
- The right to claim priority for registering internationally; and
- The right to stop the importing of goods which infringe upon the mark.

In the United States, the first party to use the trademark, *not the first to file an application*, has superior rights to that trademark. For example, if I open “Dandy Jay’s Dry Cleaners” in San Francisco and never file for a trademark, I still have common law rights relating to that trademark. If, several years later, someone applies for a federal registration of “Dandy Jay’s Dry Cleaners,” they will not be able to prevent my use of that trademark in San Francisco, even if they are granted a federal registration. However, the federal registrant will be able to prevent me from using it elsewhere.

“Marks” can take several forms:

1. **Trade name:** identifies a company or business
(Verizon®)
2. **Trademark:** identifies certain goods of a company
(Life Savers®)
3. **Service Mark:** identifies the services of a company
(Roto-RooterSM)

Marks that identify and distinguish a specific product from others in the market can take many forms, such as a *word* (Adidas), *name* (Smith’s Food and Drug Stores), *logo/symbol* (Nike swoosh), *slogan* (Melts in your mouth, Not in your hands), *domain name* (www.google.com), *design* (Pepsi logo), *device* (Coca-Cola contour bottle), *sound* (NBC’s chimes), or *color* (pink Owens Corning fiberglass).

Trademarks can be words, names, logos, symbols, slogans, domain names, designs, devices, sounds, and even colors.



The primary purpose of a trademark is to indicate the *source of origin* of the goods or services. In other words, it is to ensure that when you buy a product such as a pair of shoes with the Nike swoosh, you can be confident that those shoes were manufactured by Nike and not from some other source.

Trademarks help guarantee the quality of goods carrying the mark, and as the trademark develops more recognition, it can carry a high monetary value to a company. Products carrying the mark eventually create a demand for those products, such as with Gucci sunglasses or a Louis Vuitton bag.

When a trademark is applied for, the mark must identify a particular *class of goods* or *services* to which it belongs. There are currently 45 international classes of goods and services, and your mark must fall within one of these classes. For example, you might think “art products” is one class; however, paint is in one class, chalk is in a different class, coloring books are in a third class, etc. Depending on your products or services, applying for trademarks in several classes may be necessary if you wish to fully protect your mark.

Before a trademark can be registered with the United States Patent and Trademark office, the trademark must be reviewed by a trademark examiner for distinctiveness. *Marks cannot be generic*, and the more “fanciful” the mark is, the more likely registration will be granted.

The distinctiveness of a trademark follows the following spectrum:

- **Fanciful**, meaning the word has essentially been created by the applicant (such as Kodak, Exxon, or Zappos);

- **Arbitrary**, meaning the word exists in our vocabulary but is not typically associated with those types of goods (such as Apple computers, Tide detergent or Camel cigarettes);
- **Suggestive**, where the word suggests properties of the product (such as Caress soap, Coppertone sunscreen, or Sweet’N Low sweetener);
- **Descriptive**, where the word describes the product attributes (such as Spray ‘n Wash or Hamburger Helper); or
- **Generic**, where the product is named for exactly what it is (such as bleach or gas).

Certain words, such as aspirin, became generic based on their use. As a result, companies try to take actions limiting the use of their trademarks in a generic form. Xerox would like you to say you are making photocopies, not xeroxes, and Kleenex would prefer you call it a facial tissue.

Trademarks should be used as *adjectives*, not nouns. For example, it would be proper to advertise that consumers should “Use Kleenex facial tissues when you have a stuffy nose” but it would be incorrect to advertise “Use a Kleenex when you have a stuffy nose.”

Trademark conflicts generally revolve around “likelihood of confusion.” When a trademark is applied for, it will be compared to other

existing marks, and if a similar mark is used in conjunction with a similar type of goods or services, the registration will be denied.

When reviewing whether a likelihood of confusion exists, the trademark examiner will look at several factors, including:

- whether the goods/services compete with each other;
- how similar the marks are, in spelling, sound, appearance and meaning (including translations);
- how strong each mark is (on the fanciful to generic scale); and
- whether the two marks share the same customers.

The same mark can exist with different trademark holders where no likelihood of confusion exists. For example, Delta Faucets is allowed for plumbing fixtures at the same time as Delta Air Lines is allowed for air transportation—since there is no likelihood of a consumer thinking an airline is also making faucets, both marks can coexist.

Before using a mark or filing an application for registration, at the very minimum, be sure to take some time to surf the Internet to see if anyone is using a similar mark in a similar class of goods or services—it will save you money and heartache when you avoid using a mark that someone else has already invested time and treasure to develop.

Prior to trademark registration, you are permitted to use the ™ symbol. Once a trademark registration is granted, you are permitted to use the ® symbol. In both cases, the purpose is to put others on notice that you are claiming trademark rights in that mark.

Trademark Registration:*Before:* Use the ™ symbol.*After:* Use the ® symbol.

Trademarks achieving registration are registered for 10 years (although there is a “Section 8” filing required between years 5 & 6, declaring the mark is still in use or there is excusable non-use). After the mark is registered for 5 years, and the mark is still in use in commerce, you can also file a “Section 15” declaration of incontestability, which will protect you from challenges that your mark is not distinctive and lacks secondary meaning, is confusingly similar to a mark that predates your registration, or that it is a “functional” mark which simply describes a product feature. The mark can be renewed indefinitely, so long as there is continuous use of the mark (unless the mark becomes generic).

Once a trademark is granted:

- Use the trademark *exactly* as it is registered;
- *Highlight* the trademarked word, either by using bold, italics, all capital letters, underlining, or using a combination of these;
- Use the trademark as an *adjective* and *not as a noun*.

PATENT BASICS

Patents grant you, as the patent holder, the exclusive right to make, use, import and sell the patented innovation, in exchange for disclosing all the details of the invention. It's a trade: you have an idea, and in return with sharing it with the world, you get an exclusive period to exploit the invention – typically 20 years from the date of your application.

First, be sure your idea qualifies for a patent. For patentability, it will need to meet five requirements:

1. It must be a **patentable subject matter**, which falls within four general categories:
 - *a process or method* (way of doing something);
 - *a machine* (a “thing” that has fixed or moving parts, or a combination of devices);
 - *a manufacture* (a “thing” that is manufactured from a variety of materials which take on a new form, made by a human or by a machine, as opposed to something found in nature); or

- *a compound* (something that is composed of two or more substances that are combined, such as multiple gases, powders, fluids or solids).
2. It must have **utility** (meaning it has to have usefulness);
 3. The idea must be **novel** (i.e. a new idea, not something that has been thought of previously);
 4. The idea must be **nonobvious** (not something that would be easy to come up with);
 5. The application must provide the **enablement** (a clear description of how to make and use the invention).

Types of patents include:

1. **Utility patents** are by far the most typical, covering any new and useful process, machine, article of manufacture, or compositions of matters, or any new useful improvements to those categories;
2. **Design patents** cover new, original, and ornamental design for an article of manufacture; and
3. **Plant patents** are granted to those who invent or discover and asexually reproduce any distinct and new variety of plant.



Utility patents are the most common form of patent.

So, let's assume you have a patentable idea. *Beware! There have been some critical changes to U.S. patent law in the past few years*—these changes, which went into effect as of March 2013, are very significant. Following previous strategies as to when to file a patent can result in your losing the opportunity to *ever* patent your invention (so be careful about relying on what your friends think they know about patents).

Old laws don't count...

Previously, U.S. patent law operated on a “first-to-invent” basis, meaning that even if you filed your patent application *after* someone else filed on the same invention, your application could still prevail provided you could prove that you invented the claimed invention first. *This concept is now inapplicable.*

On March 16, 2013, the “*first-inventor-to-file*” provisions went into effect. Under 35 U.S.C. § 102(a)(2), an applicant is not entitled to a patent if the claimed invention was described in a U.S. patent or in a published U.S. patent application which names another inventor and has an effective filing date preceding the effective filing date of the claimed invention. *In simple terms, this means that the inventor who files first wins.* In contrast to the prior law, it no longer matters if you invented the claimed

In the land of patents,
the first to file beats
the first to invent.



invention first. This first-to-file policy places the U.S. patent law in line with that of many other countries in the world, which generally reward the first person who files a patent application.

Some inventors want to be able to test demand for the invention before spending money to file their patent. If the claimed invention is described in a printed publication, or put in public use, on sale, or otherwise made available to the public before the effective filing date of the claimed invention, the inventor has twelve months from that disclosure date to file the patent application; however, disclosing prior to filing the patent application may put your international patent rights at risk. Note that if the disclosure is made under a *written nondisclosure agreement*, it will not be considered a disclosure that starts the twelve month clock and is also not considered a disclosure with regards to foreign rights.

What does all of this mean? Inventors need to move more quickly than ever in order to establish some level of patent protection over their inventions. This means getting a patent application on file *as soon as possible*.

Patents are exclusively governed by federal law (the Patent and Trademark Office), so your application for a patent will be filed with the Patent Office and assigned to a patent examiner. This examiner will work with you during the application process and notify you of any deficiencies in your application.

If you are still refining your idea, or you need to get the money together for filing your patent, you might consider filing a *provisional application*. A provisional application is still a patent application, but has less burdensome requirements than a non-provisional application. Cheaper and faster to draft than a full-fledged patent application, this step can buy you some time to test the market and craft language for your non-provisional application.

A provisional application still establishes an official United States patent application filing date for the invention and permits you to use the term “*Patent Pending*” in connection with the invention. However, after filing a provisional application, *you must file the non-provisional application within the following 12 months*. While the language in provisional patents can be very general or very specific, you should still try to describe the invention in as much detail as possible, to prevent a dispute later as to the scope of your invention.

After filing a provisional application, you have 12 months to file your full patent application.



Be aware that while you can file patent applications on your own, this is an area where a *do-it-yourself* approach can lead to *disastrous* results if you have no experience doing so. Failing to properly state your claims within the patent may result in a patent that does not cover important aspects of your idea...meaning those novel ideas will not be protected.

TRADE SECRET BASICS

Virtually every company has intellectual property assets, including trade secrets. Is there something that you think gives your company an advantage because other companies do not have that information? If so, you may have a trade secret. Trade secrets can take a variety of forms, but generally involve information that is not publicly available. Examples can include customer lists, manufacturing methodologies and other business “know how” that are valuable because the information is closely held by the company. Unlike patents, trade secrets do not have a specific term. They are a trade secret so long as they are properly maintained as a secret.

Don't overlook trade secrets—chances are you have some!



Trade secrets are governed by both state and federal law, depending on the violation. The Uniform Trade Secrets Act (“UTSA”) has been adopted by at least 40 states.

The UTSA defines a “trade secret” as:

- information, including a formula, pattern, compilation, program, device, method, technique, or process;
- that derives independent economic value, actual or potential, from not being generally known to or readily ascertainable through appropriate means by other persons who might obtain economic value from its disclosure or use; and
- is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Obviously, a trade secret must be a “*secret*” to begin with. But how is that decided? Several factors help determine if certain information rises to the level of a trade secret:

- the extent to which the information is known outside of that particular business;
- the extent to which it is known by employees and others involved in that particular business;
- the extent of the measures taken by the business to guard the secrecy of the information;
- the value of the information to that particular business and to its competitors;

- the amount of effort or money expended by the business in developing the information; and
- the ease or difficulty with which the information could be properly acquired or duplicated by others.

Have your employees *sign confidentiality agreements*, and *remind them regularly* about the assets the company considers to be trade secret. This goes a long way in protecting valuable trade secret information.

If a trade secret exists, someone who discloses or uses it without a right to do so may be liable, if:

- he discovered the secret by improper means, or
- his disclosure or use constitutes a breach of confidence placed in him by the other in disclosing the secret to him, or
- he learned the secret from a third person with notice of the facts that it was a secret and that the third person discovered it by improper means or that the third person's disclosure of it was otherwise a breach of his duty to the other, or
- he learned the secret with notice of the facts that it was a secret and that its disclosure was made to him by mistake.

In the event there is a *misappropriation* of your trade secrets, you may be entitled to *injunctive relief* (where the court orders the other party to stop using the trade secrets), *damages* (where the court orders the other party to pay you money) and possibly even repayment of your *attorney's fees* (when the court finds that the misappropriation was willful or malicious).

However, not all uses of your trade secrets by someone else are illegal. Trade secrets can be obtained by lawful means, such as independent discovery, reverse engineering, or disclosure that results from the trade secret holder's failure to properly protect the trade secret.

Sometimes, such as with equipment designs, your trade secret might also qualify as a patent; other times, such as with customer lists, it will not. Assuming that filing a patent is an option, what are the advantages and disadvantages?

Compared to patents, maintaining information as a trade secret can be less expensive (no registration costs) and provides an unlimited term of use. However, unlike patents, if someone legally discovers the same process at a later time, you will not be able to prevent them from using that process (while you would have the right to do so if it was patented). Also, as the holder of a patent, you have the opportunity to license that know-how to another party; doing so with a trade secret is much more difficult.

Don't underestimate the value of your trade secret assets. You would never turn over your customer list to a competitor, so don't overlook protecting the trade secrets of your business.

THE BERNE CONVENTION

The Berne Convention for the Protection of Literary and Artistic Works, or more commonly called the Berne Convention, was first adopted in 1886, and the United States ultimately became a party to the Berne Convention in 1989.

Under a core set of principles and provisions, the Berne Convention protects authors, painters, cinematographers, poets and a host of other creators in the literary, scientific and artistic domain, whatever the mode or form of expression. This includes creative works such as books, lectures, sermons, dramatic works, choreographic works, musical compositions, cinematographic works, drawings, paintings, architecture, sculpture, engraving, lithography, photographic works, illustrations and maps.

Approximately 170 countries have signed up to the convention, which provides authors from any signatory country with the same basic rights in all member countries, and each country guarantees authors of other member countries no less than the same rights it grants to its own citizens. These include rights such as the exclusive right to reproduce the work, the right to authorize translations, the right to authorize public performances and broadcasts, the right to authorize arrangements and other adaptations, the right to recite

the work, the exclusive right to adapt or alter the work, and certain *moral rights* such as the right to claim authorship and object to treatment of the work that is “prejudicial to his honor or reputation.” The convention also addresses issues such as *fair use*.

Under the convention, copyrights exist the moment the work is created or “fixed” as opposed to registration being required, and authors are granted protection until the expiration of the 50th year following their death (although member countries can grant longer terms, as the United States has).

Prior to joining the Berne Convention, United States copyright law required a notice consisting of the symbol © along with the first year of publication in the name of the copyright owner. However, *the Berne Convention prohibits formal requirements that affect the exercise and enjoyment of the copyright*, and upon joining, the United States made the use of the copyright notice optional. However, it is important to note that *while now optional, continued use of the*

copyright notice still provides advantages, such as defeating a defense of “innocent infringement.” Required or not, it’s best if you keep using a copyright notice (such as © 2017 Jane Doe).



While you are no longer required to use a copyright line, you still should!

THE FAIR USE DOCTRINE

Fair use is a concept under copyright law that allows someone who is not the copyright owner to still use the copyrighted materials for certain limited purposes. This includes using the copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship and research.

Section 107 of the U.S. Copyright Act addresses four factors for evaluating whether a use falls under the fair use exception:

- 1. The purpose and character of the use, including whether the use is of a commercial nature or is for nonprofit educational purposes.**
 - Is the purpose of the use to make money? Courts are more likely to find noncommercial uses to be fair use, such as nonprofit educational use. However, in some cases, noncommercial use can be found to not qualify as fair use, where certain commercial use is found to be fair use.
 - Is the use transformative? If the use is something new or has a different purpose or character, the use is more likely to be considered fair.

- While this commercial nature component is an important factor, the balancing test looks at the purpose and character of use along with the other factors below.

2. The nature of the copyrighted work.

- How creative is the work? The more creative, the less likely that fair use claims will prevail. Use of creative works, such as songs, books and poems are less likely to be considered fair use, as opposed to works that are more factual in nature (such as news reports and technical manuals).
- Has the work been published? If not, it is less likely a fair use exception will apply.

3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole.

- The greater the amount of the work that is used, the less likely fair use will be found. Contrary to a common belief that you can use a certain percentage without violating a copyrighted work, there is no percentage use that creates a safe harbor.

- Using a very small part of the work can be found to be not fair if it is the “heart” of the work, such as a summary of a biography which excerpts the most unique and interesting stories.
- Since it is only one factor in the four part test, it is possible that using the entire work can be found to be fair use under some scenarios.

4. The effect of the use upon the potential market for or value of the copyrighted work.

- Does the use impact the value of the underlying copyright? When the current or future market value of the copyrighted work is hurt, fair use is less likely to be found. For example, if the use of a video by a news outlet impacts the ability of the videographer to sell the video to other news outlets, fair use is less likely to be found.

Because fair use is determined by weighing the above four factors, and potentially other factors, it is always a case by case analysis.

The facts drive the determination of whether fair use exists, as opposed to the number of words or percentage of the work used by the unlicensed user.

Facts determine whether it is fair use, not **what percentage** of someone else's work is used.



Keep in mind that images posted in social media, whether on Twitter, Facebook or other social networking platforms, are protected by copyright just as much as those printed in a book. While social media platforms are built for “sharing” and are less formal, use of images from such sites must still meet the same fair use exceptions.

Finally, remember that just because use is related to one of the general exceptions, such as criticism or news reporting, finding fair use is not automatic. For example, use of someone else’s photo-



Images on social media are also protected by law.

graph in your news story may not be permitted under the news reporting exception unless the photograph itself is the news story. Use of an

image on a t-shirt distributed to students at a school may not fall under the “teaching” exception.

The fair use exception essentially grants the right to use someone else’s copyrighted, creative expression without their permission, but *the exception is narrow*. If you intend to be an unlicensed user of someone else’s copyright, your use should be evaluated very carefully before you move ahead with it.

USE OF SOMEONE ELSE'S IMAGE IN YOUR WORK

If an artist wished to create a painting with famous sports figures in the painting, including golfer Tiger Woods portrayed in three different poses, with the likenesses of famous golfers looking down upon him, would that infringe upon the rights of any of those portrayed parties?

According to one Federal Court of Appeals that reviewed the matter, the answer is *no*. Although Tiger Woods held a trademark that included art prints, the Court found that, as a general rule, a person's image or likeness cannot function as the trademark. The Court reasoned that ordinarily, a purchaser would have no difficulty discerning between whether the party in the work was simply the subject matter of the artwork, as opposed to being used in a way to indicate sponsorship. While the Court clarified that a particular photograph of Woods that had been consistently used on specific products could rise to the level of a trademark, the manner in which he was portrayed in the artwork in question was insufficient to create a trademark claim.

In this particular case, the Court reviewed a First Amendment defense, agreeing that artwork is protected speech, and speech is

protectable even carried out in a form that is sold for profit. Since creation of artwork and the subsequent sale are not considered “commercial speech” under the law, those actions are entitled to the full protection under the First Amendment. That left the Court to decide whether Tiger Woods’ intellectual property rights must yield to the artist’s First Amendment rights.

The Court also reviewed Tiger Woods’ right of publicity, which is essentially the right to control the commercial use of his identity. Recognizing the inherent tension between the right of publicity and the right to freedom of expression under the First Amendment, the Court found that the artist had added significant creative components of his own to Woods’ identity.

Because the artist did not paint a photographic reproduction of Woods, but rather created a collage of images with substantial transformative elements, the artist and his resulting work were entitled to full protection under the First Amendment.

One last word of warning: even the proper use of celebrities within your work can still get you sued. The line between the celebrity’s right of publicity and your right to freedom of expression can be a difficult one to determine, and celebrities may file a lawsuit against you even when your work is clearly permitted under the law. The cost of having an attorney defend you in litigation, even when you are within your rights, can be quite high—so proceed cautiously!

USE OF SOMEONE ELSE'S COPYRIGHTS IN YOUR WORK

You have found a photograph taken by someone else that you wish to use as a source work in your painting. Assuming there's no question that the photograph is still protected by copyright, are you allowed to use it?

Ultimately, the answer to this question revolves around fair use, discussed earlier in detail.

Artists are permitted to use other copyrighted works within their own work provided their own work is sufficiently *transformative*. For example, creating a sculpture from a photograph where every effort is made to make the sculpture a three dimensional representation of that photograph will *not* be sufficiently transformative. However, use of a portion of the copyrighted work in a collage may very well be found to be transformative enough to avoid a copyright infringement claim.

It goes without saying that artists are inspired by the work of other artists, and artists frequently rely on source materials when creating their own artwork. The key when using these copyrighted materials is to *avoid over-reliance*; the less reliance on the materials,

the more likely the work will be transformative. In written and musical materials, reuse of copyright protected materials can sometimes be unconscious, so if something sounds too familiar, you may want to check your research.

It's important to note that copyright protection attaches to a number of materials you might rely on as source materials for your own artwork. A cast iron car you use as a model for the car in your painting may already be copyrighted. Photographs, particularly those within books, are sometimes overlooked as being copyrighted properties. For example, if the living room you paint on your canvas comes directly from the photograph in an interior design book, it's highly likely that work will be infringing, unless the artistic imagery you add sufficiently transforms that underlying work.

USE OF SOMEONE ELSE'S TRADEMARKS IN YOUR WORK

Suppose you decide to paint Times Square in New York City. Are you allowed to paint all of the trademarked signs and logos that appear there? Or what about Andy Warhol's use of the Campbell soup cans? Is that a trademark violation?

When, as part of the work, *the logo is transformed into something that is artistic* (such as Warhol's soup cans), that transformational element distinguishes the artistic use from the typical corporate use of that trademark on goods and services. *This transformational process creates a fair use* of the trademark.

However, if the public could still be confused as to the source of the goods, transformational use will not be deemed a fair use. For example, a painting which features an exacting depiction of the Coca-Cola emblem and a bottle of Coca-Cola may be difficult to defend, as the public still may believe that painting was sanctioned by the The Coca-Cola Company.

If the painting incorporates the logo as a way to poke fun at the either the company or the trademark itself, the fair use exception may be available based on free speech. Parodies of products are

typically allowed since, by virtue of their mocking, they would create no likelihood of confusion (like when *Saturday Night Live!* spoofs a product). Of course, parody that goes too far may result in trade libel, if it can be shown there is a false statement of fact that caused financial or reputational harm and the claims made were not sufficiently researched before publication.

Generally speaking, most corporations choose to not prosecute if their trademarks are incorporated into works of art, provided that the distribution is limited. So, incorporating a logo into an original painting of Times Square will most likely not meet any objections; T-shirts featuring the logo may create a lawsuit.

In general, however, the courts have supported free speech over trademark rights, with one court stating “First Amendment interests in artistic expression so clearly outweigh whatever consumer confusion that might exist.” In that case, the Court was hearing a matter relating to an artist painting the University of Alabama football team, where the university contended trademark infringement while the artist contended, *and prevailed*, based on free speech grounds (which can take place under commercial settings as well). The courts have narrowly construed the Lanham Act when deciding whether an artistically expressive work infringes upon a trademark, believing it is proper to carefully “weigh the public interest in free expression against the public interest in avoiding consumer confusion.”

However, if the trademark is used in a manner where there is no artistic relevance to the underlying work, or it explicitly misleads as to the source or content of the work, the use will likely violate the Lanham Act.

Trademarks may also be used in the nominative way. You may notice as you watch certain reality shows that product labels are constantly blurred out. Much of that is unnecessary, as the simple act of having someone drink a Coke does not imply endorsement by The Coca-Cola Company.

The conservative approach is to secure a license from the trademark holder; if you're painting Times Square, that is both impractical and likely unnecessary. However, since every creative work is different, it's important to consider all factors before electing that version of artistic expression.

EMPLOYEE VS. INDEPENDENT CONTRACTOR: HOW DO YOUR RIGHTS DIFFER?

While the test as to whether someone is technically an employee or independent contractor considers a variety of factors, those factors fall within three general categories:

1. How much does the employer control the work?

Does the employer determine how the work is done? Where is the work done? Does the employer provide equipment or other tools to create the work?

2. How much does the employer control the employee?

Does the employer dictate when the employee has to be at work? Does the employee have the right to work on other assignments and for other employers? Who determines the method of payment? Who has control over hiring the employee's assistants?

3. What is the status and conduct of the employer?

Is the employer in the business of creating works such as the ones he has hired an employee to create? Does the employer

provide the employee with benefits, such as health insurance? Does the employer withhold taxes from the employee's payments?



The more control over the hired party, the more likely an employee relationship.

The more control the hiring party places over the hired party, the more likely an employee relationship will be found rather than an independent contractor relationship.

For example, where someone is hired to create work for a short term project, is paid monthly without withholdings, works from home during the hours she chooses, has other clients besides the hiring party, and does all the creative work using her own computer and own tools, she is more likely to be found to be an independent contractor. Conversely, where someone is hired to create work on an ongoing basis, paid every two weeks like other employees, has taxes withheld, must be in the office from 9 a.m. to 5 p.m., is not permitted to work for other clients, and does the work on a computer provided by the hiring party, she is more likely to be found to be an employee.

Why does it matter whether you are an employee or independent contractor?

It matters because, as an employee, all creative works you create for the company, and all copyrights associated with those works, will be owned by the company. However, as an independent contractor, absent a written agreement to the contrary, you may very likely be the copyright owner of those works you have created.

As the copyright owner, you would have the right to exploit those copyrights, create derivative works, and license works to others. As an employee, you would not.

One example of where this issue arises is with website development. A company hires someone to develop a very unique style for their website, and pays significant sums to do so, only to later see the same template used on another site. Without the proper agreements, the independent contractor has the right to use that design with others, and the hiring party has no right to stop him.

When using an independent contractor, you should not rely solely on the employee versus independent contractor test or on the “works made for hire”

One more thing—if someone is misclassified as a contractor when they should have been an employee, the hiring party may be liable for taxes they failed to withhold from the worker!



doctrine, which is limited to nine categories of works *and* requires a written agreement between the parties specifying that the work is a work made for hire.

Every contract should be in writing and explicitly provide that the designer *assigns* any and all copyright rights to the hiring party, and that the designer will execute all documentation required to make such assignment effective.

OWNERSHIP OF ARTWORK VS. OWNERSHIP OF COPYRIGHT

Suppose that I love my dog (which I do), so I hire an artist to paint an original oil painting of my dog, so I can hang the painting in my living room. The final work is beautiful, and as each of my friends visit to see it, they all wish they had a copy of it as well. In order to accommodate everybody, I create a poster from the artwork, so I can share it with all of my friends. Being the nice guy that I am, I also send a poster to the artist. Unfortunately, when he receives it, he doesn't thank me...instead, he is irate, telling me I wasn't allowed to do that without his permission. I tell him he's wrong... it's my dog, I hired him to paint the painting, I paid him for the painting, and it was "work made for hire," so I can do whatever I want. Who is right?

In this case, the artist is. While I might have ownership of the original artwork, the artist retains the copyright, absent a written agreement stating he will transfer the copyright to me.

"Work made for hire" does not apply in this example, because (1) the artist was not my employee, and (2) the work I commissioned does not fit within one of the nine different work made for hire

exceptions. Also, even if it did fit into an exception, without a written agreement between the parties specifically stating the work is a work made for hire, I am out of luck.

Without control over the copyright, I am not entitled to create or distribute a poster, t-shirt, birthday card, or anything else, regardless of whether I sell those items or I give them away.



Paying for the work does not necessarily mean you own the copyright.

On the other hand, I also don't have to give the artist access to the original work. If the artist failed to digitally capture the work before he gave me

the original, I can essentially prevent him from creating posters or other derivative works of that painting by preventing him access to the original painting. Of course, as the copyright holder, he can still recreate it without any consequences.

The bottom line is this: *Paying for the work, and even having possession of the work, do not trump the artist's right to ownership of the copyright.* When work is commissioned, it should be done under a written agreement that specifically provides for assignment of the copyright to the hiring party.

JOINT OWNERSHIP

Let's suppose you decide to collaborate with another artist on a work, whether a painting, a song, a book or other copyrightable work. Who owns the copyright?

The answer is *you both own the copyright*. Under the Copyright Act, co-creators of a joint work jointly own the copyright in the work that is created as a result of their efforts. It's probably not surprising to hear that this co-ownership regularly leads to some disagreements later on.

A few ground rules on *joint ownership*:

1. Joint ownership requires that *each co-creator must contribute copyrightable subject matter* to the work. Just as an idea is not copyrightable, someone who only provides ideas or suggestions does not have a share of the joint ownership of the resulting work. For example, if someone provides the idea for a book, and someone else actually writes the book, the copyright will rest solely with the author.
2. For joint ownership to be created, *the contributions by the co-creators must be inseparable parts* of the entire work. For example, collaborators who both contribute to the lyrics and

melody (like John Lennon and Paul McCartney) will be co-creators of the resulting song. Where one contributor solely creates melody and one contributor solely creates the lyrics (like the relationship between Elton John and lyricist Bernie Taupin), two copyrightable works may result instead of one, with each owned by the respective creator.

3. Joint ownership *does not distinguish between the levels of contribution*. If one collaborator provides 90% of the work and another collaborator provides 10%, they will both be equal owners of the resulting work, provided their contributions are inseparable and interdependent to the work.
4. When joint ownership exists, *each joint owner has the right to exercise any or all of the exclusive rights in the work*, which includes:
 - granting permission to third parties for nonexclusive use of the work, even without the consent of the other joint authors;
 - transferring his or her ownership interests to someone else, even without the consent of the other joint authors; and
 - modifying the work for his or her own purposes.

While joint ownership does provide each of the co-creators the right to exploit the work, each creator who does so must (by law) account to the other co-creators for any profits received as a result of licensing the jointly owned work.

Because it is common for co-creators to disagree with each other on what is best for the work, *written agreements clarifying the joint ownership are recommended*, so the parties can clearly address issues such as:

- ownership;
- registration of the work;
- permitted or preferred uses of the work;
- sharing of revenues;
- marketing and promotion of the copyrighted work;
- the order in which co-creators are listed for credit, and how they are listed;
- how to handle warranties provided to licensees, such as warranties that the work is original and does not violate third-party copyrights;

- enforcement of any infringement of the work, and the financial responsibilities of each co-creator to fund such enforcement;
- transferability of copyrights, and rights of first refusal to acquire the rights of any selling co-creator; and
- development of derivative works.

Spelling out the rights of the contributors to the work should ideally be in writing, and is critical for managing conflicts later on (conflicts may quickly arise once the work begins to receive recognition).

LIMITED EDITION ARTWORK: LAWS AND CERTIFICATES OF AUTHENTICITY

Over a dozen states have enacted statutes relating to the sale of limited edition artwork, also referred to as print multiples. Those states include California, Georgia, Hawaii, Illinois, Iowa, Maryland, Michigan, Minnesota, New York, North Carolina, Oregon, South Carolina and Wisconsin.

While statutes vary in terms of their requirements, their general purpose is to create specific rights for purchasers of limited edition works, including what disclosures must be made. The statutes also address the remedies those purchasers have if such disclosures are insufficient. All of the above statutes relate to limited edition prints, but some also apply the requirements to other forms of limited edition work, such as sculpture.

The focus of these statutes is disclosure.
In the end, these states are trying to ensure that purchasers of limited edition work know exactly what they

Certificates of authenticity are required by law in some circumstances.



are purchasing. A *certificate of authenticity* is typically the document used for making such disclosures.

Let's assume a collector walks into a gallery, and sees a limited edition print on the wall numbered with 10/25 in the lower corner. Based on that information, the collector might purchase the piece based on its small edition size. However, unbeknownst to the collector, the artist has created 10 sub-editions, based on varying sizes. As a result, the full "limited edition" is much larger than the 25 pieces the collector imagined...maybe even in the thousands.

Whether this misperception was created by the artist inadvertently or intentionally ultimately does not matter; the bottom line is that the collector ended up paying a premium for a level of collectability that didn't exist. In order to curtail abuse in the industry and provide purchasers with full disclosure, states have passed various print disclosure laws that require certain works to be accompanied with a certificate of authenticity.

Some states have a minimum value the art must have before the statute is effective, but other states have no minimum value required. As a result, *artists selling limited edition works nationwide must comply with each state's statutes.*

The certificate of authenticity should provide a number of details, such as:

- the artist's name;
- whether it is a photographic reproduction, and the type of original medium;
- the process used to create the print;
- whether the artist approved the proofs and prints;
- if it is a posthumous edition;
- any prior editions;
- the year the piece was printed;
- the number of signed/numbered pieces;
- the number of unsigned/unnumbered pieces;
- total number of pieces in the edition;
- whether the plates were destroyed after printing;
- the medium used to create the original;
- the type of paper used, and whether it is acid-free;
- the dimensions of the work; and
- the status of the signature of the artist (i.e. whether the piece is hand signed, or signed within the print only)

Because most artists try to sell the artwork nationwide, the best practice is to develop a certificate of authenticity that meets the state requirements for every state.

In the event a certificate of authenticity is not provided, penalties range from refund of the purchase price plus interest on the low end and up to three times the purchase price plus interest in the event of a willful violation. Some states, such as Illinois, also consider the violation a petty criminal offense which is accompanied by as much as a \$1,000 fine.

While certificates of authenticity certainly need to be customized based on applicable state laws, the type of artwork and the processes used, a link to a downloadable *sample certificate of authenticity*, as well as to the current laws of each state, is included in the Additional Resources page at the end of this book.



Certificate of Authenticity
= Marketing Opportunity

From a business perspective, rather than looking at the certificate of authenticity as a technical legal requirement that must be fulfilled, the artist should view it as a marketing opportunity. A well designed certificate of authenticity can be an important tool in the selling process (whether directly by the artist or by a gallery), and provides the collector with an additional sense of value.

So, create a great certificate to accompany your great artwork, and you may find the perceived value of your work is higher than ever!

CONSIGNMENT SALES

Consignment sales allow you to retain title (ownership) of the artwork while another party (such as a gallery) holds physical possession of the artwork. Under this arrangement, the gallery taking consignment of the artwork does not pay you until the artwork is sold. If the work does not sell, you receive nothing, and the artwork is returned to you.

While some artists may be reluctant to tie up their work with a gallery on a consignment basis, if you are not comfortable in a “sales” role, you may find consignment to be an easier way to promote your work.

In the right location, you may actually make more money selling the work on a consignment basis than selling it directly, as the gallery may be better staffed with salespeople; also, since the gallery has not made an investment in the consigned artwork, they may be willing to hold off for a longer period of time to find a sale that maximizes their commission.

Of course, because they have no cash investment in the artwork, galleries also have no pressure to sell the work. Without a proper agreement, they may hold the artwork for months or years with no success.

The commission expected by a gallery selling on consignment will vary, and is negotiable; the more collectible the artwork, the more leverage the artist has to negotiate the commission. Typically the gallery will be looking for 30 to 40% of the selling price, although if the artwork is highly desirable and expected to sell for a higher price, they might be willing to take 20% (or less). While this commission might sound steep to begin with, you should consider the fact that if you sell a work wholesale into a gallery, the selling price to the gallery will typically be approximately 50% of the expected retail selling price. While that wholesale sale puts money in your pocket immediately, it is ultimately less dollars than might be realized under a consignment sale.

Not surprisingly, the more collectible the artwork, the faster it sells. With that in mind, more collectible artwork will benefit from consignment selling than artwork without a recognized market. So, the more collectible the artwork, the more likely it could sell on consignment, and the more likely you can maximize your revenues on that sale.

When putting artwork on consignment, it is important to find galleries who have experience selling that style of art. Certain galleries, and other types of stores, may have no intention of actively trying to sell the artwork; they may be just looking for great artwork to hang on their walls as decoration.

If consignment appears to be a worthwhile strategy, you should consider the following:

1. Will salespeople experienced in selling artwork be handling the sale? Do they have experience selling similar artwork?
2. How long will the gallery need the artwork? Consider granting the gallery an initial period of 6 to 12 months... A gallery that needs longer than that should justify that request.
3. Can the consignment be terminated at any time upon notice?
4. Do you have a continued right to sell the artwork while it is on consignment? And if you independently achieve a sale, does the gallery get paid a percentage anyway?
5. What do they expect the artwork to sell for? A fair price makes it more likely the work will sell.
6. Will it be hanging on the wall? Will it be in a catalog, or only viewable upon request? Will it only be available on their website?
7. How long after the sale will you receive your money? You should expect it within 30 days.

A written consignment contract should be in place, and should indicate, at the very least, the following:

1. The date the work is delivered, the date the work is returned, and who is responsible for shipping costs for transferring the artwork.
2. A description of the artwork, including title, size and medium, and if applicable, edition number.
3. Language which makes it clear that the title to the artwork, and all rights to the copyrights relating to the artwork, remain with you as the artist, and that the gallery is simply granted possession of the artwork for the period of the consignment.
4. Exclusivity. Address whether you are permitted to sell the artwork while it is on consignment, and whether the gallery receives a percentage of that sale, if sold by you during the consignment period.
5. The expected retail price, and any permitted discounts.
6. Will you offer to provide any additional signatures, highlighting, or sketching on the reverse side, and if so, at what cost?
7. The percentage commission the gallery will receive and also the percentage going to you. List both of these, even though it might seem obvious that you receive what is left.

8. Clarify any expenses that can be deducted from the sale. Typically, there should not be any.
9. Whether the gallery is required to display the artwork, and any other obligations the gallery has to actively sell the artwork.
10. How soon after the sale will you be notified about the sale? Do you have any right to any information about the purchaser?
11. How soon after the sale will you be paid, and how payment is delivered (e.g. check, wire transfer, PayPal).
12. Insurance requirements: who will be responsible for insuring the work while it is being held by the gallery?
13. Representations by the gallery that it will not misrepresent the work or you, or cast you in a negative light.
14. Provisions for whether the consignment can be terminated early, and if so, under what conditions.
15. Provisions indicating the gallery is responsible for submitting all sales tax on the total price of the sale (not just on the gallery's percentage).

Finally, be skeptical if the gallery states that they will purchase your artwork for a reduced price if they fail to sell it on consignment. The gallery might be trying to get the work on consignment, know-

ing they will put little effort into selling it, in hopes of buying it cheaper at a later date because it is “difficult” to sell.

While consignment sales may seem like a low risk proposition, finding a gallery you trust is important. Consignment relationships take the artwork off the market and can potentially damage your brand when the artwork is represented by a disreputable gallery... but finding the right relationship will create a new sales opportunity.

THE UNIFORM COMMERCIAL CODE

Hold on to your hats, because it's time to cover some boring (but important) contract terms! Sales, no matter how informal or miniscule, are all governed by contract law. Generally, common law is the law that applies, but special rules have been developed for the sale of *goods*.

These special contract rules are contained in Article 2 of the Uniform Commercial Code, referred to as the “UCC.” *The UCC applies to the sale of any “goods,”* which includes all things that are *movable*, so the rules will generally apply to all tangible, personal property, including artwork; however, it would *not* include art services, such as fees for painting a mural.

Application of the UCC is an *all or nothing* deal, so when a contract includes *both* goods and services, you need to decide whether the goods or the services are the most important aspect of the contract. To make that determination, use the *primary purpose test* and look to see whether the goods or services are the primary purpose for the contract. For example, if you are commissioned to create a sculpture, the UCC would apply to the contract because, while you

will perform the service of sculpting, ultimately the sculpture itself is the main reason for the contract. Therefore, in the context of all types of art sales, you will need to keep the UCC in mind.

Transactions between two private, non-merchant parties will not be subject to UCC requirements, such as when two private parties engage in the sale of an automobile. However, if one of those parties is in the business of selling automobiles (just as you might be in the business of selling artwork), the UCC will need to be addressed.

Now, before determining whether the UCC applies, you first need to confirm there is a contract for the sale of goods, which starts at *formation*—was there a contract to begin with? A contract, plain and simple, is a legally enforceable agreement. A legally enforceable contract requires an *offer* and *acceptance*.

When considering whether there was an *offer*, the UCC does not require that an exact price was discussed; a court can assume a reasonable price, e.g. the fair market value. However, *if there were vague or ambiguous material terms, there was no offer*. For example, in the context of the goods, if it is unclear what is being purchased, the terms are too ambiguous.

Acceptance, often indicated by a promise to perform or the performance itself, can be a promise to pay a certain amount of money, or a promise to perform some other act of exchange (such as fixing my sink in exchange for a painting).

The best way to form a contract is for one party to clearly offer the item and the other to accept that offer by performing some act. For example, at an art show, you offer a painting for a price and the buyer accepts by making the required payment.

There may be instances in which the contract exists, but is not enforceable. One important rule to consider is the Statute of Frauds. The Statute of Frauds requires parties to memorialize and sign their agreements to prevent conflicts and reduce fraud (by requiring evidence beyond just someone's word). Under the UCC, *sales of goods over \$500 must comply with the Statute of Frauds.*

The Statute of Frauds applies to sales of goods over \$500.



The easiest way to satisfy the Statute of Frauds is with a written document. The UCC requires two things in this document—(i) it must specify the quantity you are agreeing to sell, and (ii) it must be signed by the buyer. A standard sales receipt that lists the item quantity and is signed by the buyer suffices for Statute of Fraud purposes. Having a buyer sign a sales receipt should always be part of your sales process, but *when the sale is over \$500, it's required!*

If the UCC requirements are not followed, one party may be able to avoid his or her contract obligations, meaning the sale you thought you had made is cancelled, and you now have no recourse. Be mindful of the requirements, so you can keep the deal you made.

DROIT MORAL AND VARA: YOUR MORAL RIGHTS

Not only can a piece of artwork have a monetary value, but it often also has an important personal and reputational value to the creator. Thankfully, the law provides protection in some instances for these unique values that survive any transfer of ownership of the work.

“*Droit moral*” is the French term for moral rights, which are the personal rights that a creator has in his or her work. Moral rights are never transferable. Even if all other rights to a work are later granted to someone else by copyright, the creator—you—still retain your moral rights, allowing you to prevent any distortion or alteration of the work prejudicial to your honor or reputation, regardless who owns the work.

Different jurisdictions have varying levels of protection for moral rights, and in the United States, copyright law long reigned supreme and placed more emphasis on protecting a work’s financial value. However, in 1990, the Visual Artists Rights Act (“VARA”) was created as part of the U.S. Copyright Code, which recognizes moral rights for visual art.

VARA specifically grants two rights to creators of visual works: (1) *the right of attribution*, and (2) *the right of integrity*.

The right of attribution first allows an artist to prevent the misattribution of a work. Preventing misattribution under this right means you can either claim authorship for a work you created, or prevent the use of your name on any work you didn't create. The right of attribution also includes the right to prevent the use of your name on any work of yours that was distorted in a way that would be prejudicial to your honor or reputation. So, for example, if you are known for creating whimsical landscapes, and the exhibition owner who bought your work scribbles profanity in black marker all over your once tranquil field scene, you can prevent him from associating your name with the work.

VARA's second right would allow you to prevent him from taking that marker to the painting to begin with, *because the right of integrity allows an artist to prevent intentional distortion or mutilation that would prejudice the author's honor or reputation.*

There are some things to keep in mind when it comes to protection under VARA. First, VARA *only protects visual art*, including paintings, drawings, prints, sculptures, and still photographic images, produced only for exhibition. Also, any "works-made-for-hire" are excluded from VARA protection. As well, the work can only exist in a single copy or in limited editions of 200 or fewer copies, signed and numbered by the artist.

Second, *VARA rights only exist with the creator from the creation of the work until the artist's death*. An artist's rights under VARA automatically vests, meaning that an artist doesn't need to do anything to acquire the rights, other than creating a work that fits the description above; and because moral rights are not transferrable, they end with the death of the artist. For example, there is no way for the family of a muralist to use VARA to protect any of his works after he painted his last stroke.

One last element that is unique to VARA is that *VARA allows authors of works to waive their rights*. Most European countries, where moral rights originated, prohibit waivers of moral rights. However, under VARA, any artist can waive his or her rights in writing and allow the owner of the work to disregard the attribution and integrity protections.

DEFAMATION VS. CRITICISM

No one, including an artist, likes to have his or her work criticized. With the popularity of social media, and feedback tools such as Yelp, those “experts” with opinions they wish to voice have a much easier time spreading those opinions to the world. Now, anyone can complain. Is there anything that can be done to stop a negative review?

Criticism is part of our First Amendment right, and that is one reason why “criticism” is a specific “fair use” exception under the Copyright Act. There is no requirement that everyone speak nicely about an artist’s work. In fact, they can be quite rude about it if they wish.

However, *defamation laws* are in place to protect against untrue and damaging statements. Specifically, *libel refers to statements that can be seen* (such as published in a newspaper or posted on social media), and *slander refers to statements that are heard* (such as comments that are spoken for broadcast on the radio).

Libel is written
Slander is verbal



To prove defamation, you must be able to prove four elements:

1. that the other party made a *false and defamatory statement* about you;
2. that the statement was *publicized*, meaning it was spoken or written to a third-party;
3. that the publisher of that statement (the person who said it) *acted negligently or willfully* in publishing the communication; and
4. that *damages* resulted.

Defamatory statements can be just about anything, but often are statements that suggest a person was involved in a serious crime, has a physical or mental defect, or any other false information that would cause others to avoid associating with that person.

However, *truth is always a defense* to a defamation claim. Additionally, comments made in the context where it is clear to the recipient that it is only the *opinion* of the speaker, and not a question of *fact*, will not give rise to a defamation claim.

Keep in mind that the courts are very protective over freedom of speech. In Virginia, when a court ordered someone to rewrite a Yelp review, the Virginia Supreme Court reversed that decision, saying the reviews should not be censored and that if they were

defamatory, the plaintiff should focus on getting money damages; in the meantime, no content should be modified while the court sorted out whether defamation truly occurred.

Under federal law, websites like Yelp are shielded from liability, even where the writer has been found to have written defamatory statements. So don't assume there is another pocket to go after if the writer has no money.

LICENSING: FROM THE LICENSOR'S VIEW

The “licensor” (typically the artist or the artist’s representative) is one who grants a license allowing another party (the “licensee”) the rights to use certain artwork according to the license terms.

A licensor of artwork should never lose sight of the fact that licensed art is for business purposes, i.e. the creation of consumer products. A license usually grants rights for the manufacturing of goods which will be distributed in (hopefully) large numbers, not for products which sold on a very limited basis to a gallery or to an art collector.

Assuming you want to see your artwork on consumer-oriented products, certain qualities help licensing efforts become successful.

First, certain styles of artwork succeed more often in licensing programs. For example, artwork that represents something, as opposed to abstract artwork, has more application to products in the marketplace.

Second, artists offering art portfolios will be more successful than random pieces. Licensees look to launch a series of products with complementary images, so having a variety of artwork imagery that

ties together in some way often increases the interest of the licensee. Additionally, as a licensing program is successful, the licensee will look to follow up with other product releases that incorporate different artwork from the portfolio.



Develop your brand for the licensee—don't expect it to be done for you.

Third, because the marketplace is the final destination for licensed products, artists who have a strong brand identity are more successful with

licensing. When something differentiates you in the marketplace, and even better, when there is a compelling story about you and your art, the licensee's task is easier. However, you can't count on the licensee to develop this for you. Self-marketing is the key here.

Assuming everything falls into place, and a licensee is interested in securing rights to your artwork, you need to avoid several pitfalls when entering into a licensing agreement:

- 1. Duration.** How long will the term of the agreement be? Most license agreements run for at least two years, and should not be longer than four years absent a compelling deal. From a licensor's point of view, the license should be long enough to allow the licensee to develop the product, market the product, and prove product viability, but wherever possible, the licensor will want to keep the license term short enough that any failure does not tie up the rights unnecessarily.

- Royalty rates.** Royalty rates vary depending on the commercial success of the artist, the scope of rights granted, and the profit margin within the licensed products. For example, calendars and other printed products may carry a higher licensing rate than plates, coffee cups, or 3-D figurines. On lower margin products with high selling expense, royalty rates might be as low as 3%, while on printed goods licensed by a commercially successful artist, royalty rates might be 15% or 20%. Royalty rates between 8% to 10% of the wholesale price are typical for a wide variety of products. While royalties are sometimes calculated as a flat fee per unit sold, the better practice calculates royalties based upon revenues received by the licensee
- Deadlines.** It's very important to set deadlines for licensee performance, such as the date by which products should be submitted for approval, the date by which marketing should commence, and the date by which sales should commence. A failure to meet these deadlines may signal a lower likelihood the licensee will succeed.
- Product approvals.** It is critical that the artist maintain the right to approve any products created by the licensee, to ensure that such products represent the artwork and the artist in a positive light. Also, all copy written about the artist or the

artwork should be approved by the artist. Copyright and trademark labeling requirements should also be confirmed.

5. **Distribution.** Depending on the licensee's resources, distribution rights should be limited. Limitations can be geographic (e.g. the United States only, instead of worldwide) or by sales channel (e.g. to retailers, but not big box stores such as Walmart). If, for example, licensee has no history in selling internationally, no international rights should be granted. Keep in mind that even if you are not currently in those distribution channels, you may have an opportunity later; so, reserve those rights for someone with a proven track record in that market.

6. **Performance milestones.** *This is a very important, and often missed, contractual provision.* Particularly in a longer license, minimum performance milestones are critical. Without them, a licensee who is not performing can continue to tie up the licensed category, even if they are not actively selling the product. Performance milestones should be set based on the number of dollars the licensor receives, as opposed to the number of dollars of sales of product. Obviously, a missed milestone can always be waived by the licensor if it seems the licensee is acting in good faith, but best practice is for the licensor to retain an option to terminate if the milestone is missed.

7. **Samples.** Request samples of the final product, so you can see what the product actually looks like in full production. Otherwise, samples submitted for approval might vary drastically from final production.
8. **Auditing rights.** It is very important that the licensor reserves the right to audit the licensee's books in the event royalties seem less than they should be. Those rights should not only be available during the term of the contract, but also extend at least 12 to 24 months beyond the termination date of the license. In the event royalties have not been paid, the agreement should provide that the licensee pay interest on all unpaid amounts as well as all costs relating to the audit.
9. **Sell-off rights.** When a license comes to a close, chances are that a licensee will still have product in inventory. The licensing agreement should cover whether the licensee can sell products already in inventory following termination (and if so, for how long). A 90-day sell-off period is not unusual. Also, the license should clarify whether discounting the product during the sell-off period is permitted, and if so, how steep a discount. A licensor may reserve the right to buy the product left in inventory, either at cost or at cost plus a certain percentage.

From a licensor's perspective, it's important that the terms within the licensing agreement clearly communicate to the licensee all expectations of the licensor—avoid issues later by having a solid licensing agreement in place.

LICENSING: FROM THE LICENSEE'S VIEW

As a manufacturer, you found an artist with an art portfolio of work that you would like to license. What are the licensing terms you should be aware of, and concerned about?

First, as a licensee, you would like to see the term of the agreement be *as long as possible*. Otherwise, you spend your capital to develop the products, spend your capital to market the products, ultimately introduce the market to the artist with great success, only to then have the contract terminated...at which time the artist decides to manufacture similar products on his own for sale into the channel you developed.

Second, it is important that the artist make *representations and warranties* stating the artist is the *owner of the copyrights* to the artwork, that the artwork is *original*, that the artwork is *created by the artist*, that the artist has not granted rights to any other party in conflict with your license agreement, and that the artist will *indemnify* you from any damages that result from those representations being false.

Clarify which artwork you will be entitled to use. Is it a specific portfolio of work? Do you have access to new artwork created by the artist during the license agreement term? Also, clarify the manner in which you need to receive the artwork. If a digital file, specify the format and resolution required.

Just as an artist may seek milestones for minimum performance, a licensee may choose to seek automatic renewal options based upon achieving certain milestones.

Will you handle the manufacturing *directly, or subcontract* to a third party? If you intend to subcontract, be sure that the contract allows for such subcontracting. Often, there is a restriction against assigning any rights to the contract, which may include assigning the rights of manufacturing to your subcontractor.

If the artist has approval rights, ensure that those approval rights are based on the artist's "*reasonable discretion*" and are not in the artist's "sole discretion." Otherwise, the artist may try to exert an unreasonable level of control over the product design and manufacturing. Also, provide for the time frame in which an artist must make such approvals, and specify that any approval requests that are ignored are deemed approved after a period of time (e.g. 14 days).

Does the license agreement allow you to use the *name and likeness* of the artist, as well as a licensed artwork? Reserve the right to do

so, even if you think you have no intention to ultimately use those rights.

Determine your *sell-off period*, i.e. the period after the license agreement term during which you can still sell your remaining inventory. Are you allowed to discount the product during that time? If royalties are based on sales of units, rather than sales revenue, are royalties adjusted when you sell the discounted product?

Ultimately, no licensee wants to be in a position where they have built the market for a licensor's product, only to lose the distribution rights after the market is built. Providing for options to renew, or otherwise renegotiating extensions well in advance of the end of the term, can help preserve your rights in the market you develop.

WORKING WITH LICENSING AGENTS

So you've developed a portfolio of artwork, and you think it would be great on everything from coffee mugs to calendars. The only problem is, you don't know anybody who manufactures coffee mugs and calendars. You may find that using the services of a licensing agent can create many advantages.

A licensing agent provides you the opportunity to leverage all of the agent's connections to a vast number of manufacturers, as well as rely on their expertise as to what styles of art are being sought by various manufacturers. Using an agent also provides you the freedom to focus on creating art, removing your need to handle some of the business aspects of running an art business. If you are uncomfortable with the idea of peddling your own artwork, a licensing agent is more than happy to do so on your behalf.

Licensing agents will generally expect to work on an exclusive basis. Typically, they are not paid anything for their services, except for commission on royalties you ultimately receive. Licensing agent fees usually range between 40–50% of all royalties you collect.

Once you decide to move forward with a licensing agent, what are some provisions in the contract you need to look for?

1. **Written contracts.** All contracts with a licensing agent should be in writing; no exceptions! Memories fade, particularly once money is being made. Even if it's a family member, every contract with a licensing agent should be in writing, and preferably drafted by someone with experience in this area of the law.
2. **Exclusivity.** Does the agent require an exclusive arrangement? Develop an understanding regarding the products that agent is familiar with, and consider whether the exclusivity should be based on certain products, rather than across all products. There's no reason to give an agent exclusive rights in a product category in which they do not have any connections.
3. **Territory.** Will the agent be working internationally, or only with US companies? Again, if the agent has no experience with international licensees, there is no reason to give them international territory.
4. **Where do the checks come?** Some licensing agents will request the checks come from the licensee to the agent, with the idea that the agent will pay the artist once the funds are received. Obviously, this shifts the risk of nonpayment to the artist. Consider whether the checks should come in to the

artist with royalties payable to the agent following receipt of funds by the artist.

5. **Who is signing the contracts?** Sometimes, the licensing agent requests the ability to execute contracts on behalf of the artist. This is rarely a good idea, as artists are better served by maintaining control of that process, to make sure that the licensee meets the artist's criteria.
6. **Product approvals.** Who is approving the products of the licensee? Artists may want to consider whether they want to be involved in that process, to make sure that the products properly reflect their artwork.
7. **Termination.** Many artists make the mistake of not providing for adequate conditions of termination. Setting performance milestones for the agent is critical. If you signed a three-year deal with an agent, and the agent has not produced any deals for you in the first 6-12 months, you want the ability to terminate the agreement based on the agent's lack of success.
8. **Post-Termination Payments.** Is the agent asking for some stream of payments even after the agreement is terminated? It is not uncommon for a licensing agent to request he or she be paid on any deals that enter contract within the 12 months following the termination, provided the agent has reached out

to that company already. This allows the agent to receive the benefit of some of their work if a deal materializes shortly after their termination.

Pursuing a licensing strategy can be a very time-consuming endeavor, and finding the right licensing agent to partner with can be the difference between success and failure. Keep in mind that the artist is the only one who can create the artwork, and developing a team of professionals may be the secret to success.

CALIFORNIA RESALE ROYALTY ACT: DOES IT STILL APPLY

The California Resale Royalty Act, found under California's Civil Code Section 986, essentially provides that when a work of fine art is sold for more than \$1,000, and either the seller resides in California or the sale takes place in California, *the artist has the right to receive an amount equal to 5% of the sale price*. Upon the death of the artist, these rights continue for 20 more years, passing on to the artist's heirs.

Some exceptions apply, such as if the work is sold at a loss, or where the work is sold by an art dealer to a purchaser within 10 years of the initial sale of the work, provided all intervening resales were between art dealers.

The statute specifically applies to work sold at auction or by a gallery, dealer, broker, museum or any other person acting as an agent for the seller, and states the seller must locate the artist and pay the 5% royalty, or must transfer that royalty to the California Arts Council, which will try to then locate the artist.

Based on the California Resale Royalty Act, a group of artists sued several major auction houses, including Sotheby's and Christie's,

and the cases have been making their way through the courts. Initially, a federal judge declared the entire Royalty Act unconstitutional, but the case was moved to the Ninth Circuit on appeal. In 2015, the Ninth Circuit Court of Appeals found the law was



The California Resale Royalty Act is on the ropes—it has been found to be unconstitutional, and will probably stay that way.

unconstitutional to the extent it regulated out of state sales, allowing only the in-state sales aspect to survive. In 2016, addressing that remaining component, a federal judge ruled that the California Resale Royalty Act is preempted by federal copyright law,

specifically the “first sale doctrine.” The first sale doctrine states that the copyrighted work can be resold without restrictions, and the Court held the California’s law was a restriction on that general right.

If the matter survives appeal, which it probably will, the California Resale Royalty Act is going to become unenforceable. If so, it appears the only way to have a resale royalty provision would be through federal legislation. If there is no national resale royalty law, or an amendment to the copyright act, it appears artists may be out of luck on collecting those extra royalties.

ENFORCING COPYRIGHT INFRINGEMENT

Hopefully, before your work is infringed upon, you have already completed *two things*:

1. *Your work already has a copyright notice on it (i.e. © John Doe 2017).* While not required for copyright protection, it is the first step in proving the infringement was intentional; and
2. *You have already filed your copyright with the U.S. Copyright Office.* If you have not, you should do so immediately upon learning of the infringement; however you won't be entitled to certain benefits if this is done after the infringement occurs. For example, if you register your copyright prior to the infringement, you won't need to prove damages, and you can obtain statutory damages that range between \$750 and \$150,000 per act of infringement.

The next step is to serve the party with a cease-and-desist letter. This warning letter identifies your work, states that you own the copyright to the work, identifies the infringing acts they have taken, and orders that all infringement cease immediately or else you will file legal action against them. If you have filed your copyright

already, and have the certificate back from the U.S. Copyright Office, you should attach that to your letter as well. If the infringing product is being sold online, you should also send a takedown notice to the Internet host service, which informs them of your rights to the copyrights and notifies them of the links which have infringing products.

The next step will be to file a lawsuit in Federal Court, where you'll have several remedies:

- requesting *restraining orders and injunctions*, to prevent further infringement;
- requesting *monetary damages*; and
- in some cases, being awarded *attorney's fees*.

Damages against innocent infringers, i.e. those who believed their use was fair use, are typically minimal. While they have to stop infringing, and may have to pay a reasonable royalty rate for their use of the image, that may be the extent of their liability.

Intentional infringement carries much steeper penalties. As mentioned, statutory damages can range between \$750 and \$150,000 per act of infringement.

Additionally, if you believe the infringement rises to the level of a criminal offense, you can file a criminal complaint with the FBI's

Intellectual Property Fraud Unit. Criminal prosecution typically requires that the wrongdoer continued infringement after your warning letter, and committed those infringements for financial gain. Penalties can range from five years in prison to a \$500,000 fine.

Defenses to copyright infringement include:

- a *statute of limitations defense*, which claims too much time elapsed between the infringement and the lawsuit;
- *fair use* under the Copyright Act exceptions;
- the infringement was *innocent*;
- the work was *independently created*, and not copied;
- the use was *authorized* by the copyright owner; and
- the plaintiff is not the legitimate copyright owner, so there is *no standing* to sue

Often times, an innocent infringer will immediately cease all use as soon as you notify them of your copyright. They may believe use was permissible, either because they are ignorant of copyright laws or because they are misinformed (possibly believing some of the Copyright Myths discussed in an earlier chapter).

Of course, willful infringers are aware they are doing wrong, and typically will not stop simply because you send them a letter warning them to do so. At that point, it's probably best to seek an attorney; this will allow you to be fully informed on your options, and also let the infringing party know, based on the fact you have hired legal counsel, that you mean business.

ENFORCING TRADEMARK INFRINGEMENT

If you have a trademark worth protecting from infringement, hopefully you have taken steps to file your federal registration on that trademark already.

Depending on the trademark, your lawsuit will need to be filed either in a state court or a federal court; usually, it will be the latter.

To prevail in a trademark action, you will need to show there was *unauthorized* use of a trademark or service mark on *or in connection with goods or services*, in a manner that is likely to cause confusion, deception, or mistake about the source of the goods or services.

Likelihood of confusion is found when the origin of the goods is uncertain, meaning a buyer believes he is buying it from the company that holds the trademark, but in fact, the buyer is buying it from someone else.

In response, the sued party will raise defenses, such as the fact there is no likelihood of confusion. When considering likelihood of confusion, criteria include looking at the *strength of the mark*, the *similarity of the marks*, *similarity of marketing channels*, *evidence of*

confusion in the marketplace, and the defendant's intent. To make your case on confusion in the marketplace, surveys can be performed, but they are quite expensive and need to meet the court's standards.

Other defenses include challenging the claimed trademark, denying infringement occurred, or asserting a defense to the allegations, such as a statute of limitations defense.

If you prove trademark infringement, you have several remedies available to you:

- *restraining orders and injunctions*, to prevent further use of the mark;
- *an order requiring destruction of articles* containing the infringing mark;
- *monetary damages*;
- in some cases, being awarded *attorney's fees*

If you are awarded statutory damages, the court will determine your judgment and order the defendant to pay it. In the event actual damages are awarded, it might be a judgment in court, but it may also include a forensic accountant determining what financial damage has occurred to the trademark holder.

Whether you are the party whose trademark has been infringed upon, or the party being sued for infringement, it's important to seriously consider the costs of litigation. When balancing the costs of taking the matter to court, negotiating a settlement of the lawsuit may leave more money in the pockets of all parties (except the lawyers).

However, sometimes litigation cannot be avoided; in that case, seek legal counsel early in the process so you can be informed about your options and the strength of your case. Can you win? If you win, what is the likelihood the defendant will have the money to pay the judgment?

Keep in mind that suing for trademark infringement is very expensive, often running well over \$100,000. It is very unlikely a law firm will take an infringement case on a contingency basis, so you will have to pay your attorney's fees while your case is going on.

ART AS CURRENCY: TAX CONSEQUENCES IN BARTERING ART

A furniture dealer comes over to your house to discuss your upcoming purchase, he sees the artwork you have created which is hanging on the wall, loves it, and offers to trade you the sofa you are interested in for a piece of art. Unfortunately, this deal may raise unintended tax issues for you (and the furniture dealer).

Under federal income tax law, if you receive goods or services in exchange for your artwork, you must report the fair market value of those goods or services as gross income. Likewise, the fair market value of your artwork is taxable to the furniture dealer. This transaction is referred to as a “retail trade exchange.” Essentially, income tax law treats the transactions as two sales.

Suppose the sofa was worth \$1,000, and the artwork was also \$1,000. In that case, (1) you would be deemed to have sold the artwork for \$1,000, and (2) the furniture dealer would be deemed to have sold the sofa for \$1,000, and each of you would pay your taxes on such sales. Changing the example slightly, if the artwork

were worth \$1,500 and the sofa worth \$1,000, following the trade you would be treated as having received \$1,000 (based on the sofa price) and the furniture dealer would be treated as having received \$1,500 (based on the artwork price).

As well as federal tax, the barter of goods or services may also subject you to state and local sales taxes as well, which will vary by jurisdiction. If sales tax applies, you, as the seller, may be required to collect and remit sales tax on the artwork bartered to the furniture dealer.

While bartering of artwork is a very common practice, the tax implications are often overlooked. There have been several high-profile artists have ended up in disputes with the IRS involving the amount of taxes owed on the art that was bartered.

To be safe, when you barter art, it's best not to forget about your "Uncle Sam."

ADDITIONAL RESOURCES

The following link gives you access to other useful resources as downloadable, printable PDFs.

<https://berliner.com/industry/art/artguide>

These resources include sample contracts and other legal references, as well as a digital version of this book:

The Artist's Survival Guide (digital version)

A digital version of this book.

Sample Agent Agreement

A sample contract for establishing an agreement with a licensing agent.

Sample Consignment Agreement

A sample contract for establishing a consignment agreement with a gallery for the sale of your artwork.

Sample Certificate of Authenticity

A sample certificate of authenticity for limited edition prints, including a Statement of Editions.

Statutes on Limited Edition Sales

A collection of the legal statutes governing the sale of limited edition art in several U.S. states (California, Georgia, Hawaii, Illinois, Iowa, Maryland, Michigan, Minnesota, New York, North Carolina, Oregon, South Carolina and Wisconsin).