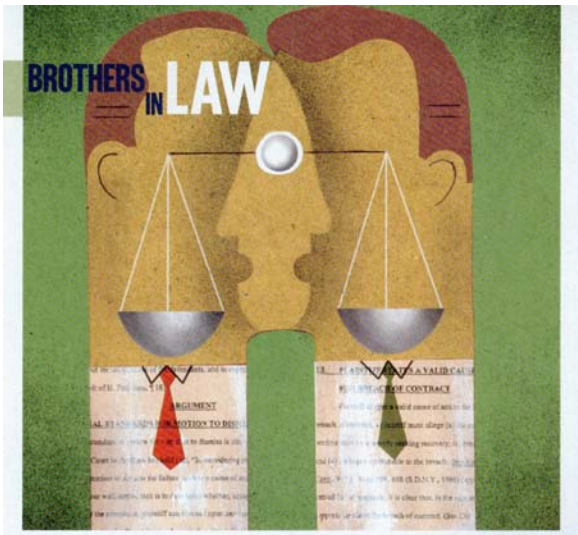

Image Control

When a collector proposed selling T-shirts and posters based on art she owns, it seemed like an enterprising idea. But there was a catch.

By Thomas & Charles Danziger

In our practice we sometimes find that the information our clients neglect to provide us is actually more important than what they do tell us. This is especially true in the tricky area of intellectual property rights. Why are lawyers always the last to know?

One of our clients retained us to represent her extensive collection of paintings by a famous, recently deceased artist. We located a museum that wanted to show the collection, and over a period of several months we negotiated the legal and business aspects of the exhibition. Just before the parties signed the agreement (and after the press releases had been printed), our client casually revealed to us her true motive in mounting the show: to launch a business that would create and sell merchandise based on the paintings in her collection, including posters, postcards, T-shirts and the like. Apparently, she had her eye on the enticing Japanese market, where museum-goers customarily carry home bags of expensive gifts and souvenirs, and where the merchandising of artworks has traditionally been big business.

At that point (it was close to midnight), we suggested that our client immediately come to our offices for what turned into a thorough primer on the ins and outs of intellectual property law as it relates to the ownership of art. First we gave her the good news: As the owner of the collection, she could indeed display it in public and charge the borrowing museum a loan fee for the right to present the exhibition. In this case, the fee was several hundred thousand dollars. Then we told her the bad news: Creating and selling reproductions or derivative works based on her paintings - at least doing so legally - was a far more complicated matter. After we asked a few pointed questions regarding the copyright to her works, our client slowly began to appreciate the potential legal roadblocks that lay ahead.

She had assumed that by purchasing a work of art, she automatically acquired both the rights to the work itself and the underlying copyright, including the right to reproduce the work for commercial purposes. We had the unhappy task of informing her that under current U.S. law, ownership of a work of art is distinct from ownership of the copyright. A collector may own a painting without necessarily owning the right to copy it and, conversely, own the right to reproduce an artwork without owning the work itself.

Under the U.S. Copyright Act of 1976, the buyer of an artwork does not acquire the

copyright unless the copyright holder expressly grants it in writing. The statute specifically reverses the prior common law presumption that a buyer generally acquired the copyright upon purchase of an artwork. Following customary practice in the art world (where works worth millions routinely change hands without benefit of legal documentation), our client had not requested a bill of sale or any other instrument that would have granted her rights in the underlying copyright to the works at the time she bought the collection. As a result, she was the proud owner, not of the foundation for a new merchandising business, but of a group of beautiful pictures for her walls.

This news didn't go down too well with our client, who loudly protested that since gift shops from Manhattan to Manhattan Beach sell posters of the Mona Lisa without any problem, why shouldn't she do the same with her works? We patiently explained (it was now 2 a.m.) that the copyright on the Mona Lisa had expired and the work is now in the public domain, whereas the paintings in her collection were likely still protected under the Copyright Act of 1976. (For artworks created after January 1, 1978, the duration of copyright is generally the life of the artist, plus 70 years after his death; however, works created before that date are subject to different rules, depending on how and when they were made). Our client left our offices near daybreak, somewhat the worse for wear.

The next morning we set about trying to determine if certain copyrights in our client's paintings may have entered the public domain, in which case they would be freely available for use by her or anyone else. If for example, the artist had "published" works - that is, distributed copies to the public - without affixing appropriate copyright notices, the copyright might have been lost. Prior to March 1, 1999, proper notice generally meant the copyright symbol (or "Copyright" or "Copr."), the name of the copyright owner and the year of the work's first publication. The law was changed so that works published after March '99 retain their copyright without notice. As it turned out, the artist had indeed complied with the various copyright formalities, and the works had not entered the public domain.

We also considered whether our client might still be able to acquire the copyright to the works. Although she had bought the collection directly from the artist's estate, we could not assume that the estate owned the copyright, since the artist or the estate might have previously transferred it or licensed some portion of those rights to someone else. We painstakingly investigated the provenance of each work acquired by our client, tracing from the date of creation to the present who in the chain of ownership actually owned the copyright.

It turned out that the artist's estate had retained the copyright to almost all the paintings. We learned that the estate was particularly vigilant in policing whether and in what form the works could be reproduced, to avoid poor-quality reproductions or unseemly products that might tarnish the artist's reputation. Now our client's plans for reproducing the paintings on shopping bags—let alone cheap Japanese sake glasses—really did not seem like such a hot idea.

Next we went back to the estate's attorney to try to secure a license to reproduce the images in our client's collection. Delighted to hear from us, the lawyer said that the estate would happily agree to a license of rights. However it required prior approval

over every element of the design, manufacture, marketing and sale of products using the artist's images, together with the lion's share of the proceeds. The estate would also be nice enough to waive the customary $7 admission fee if our client and a guest wished to visit the artist's home and studio some Saturday afternoon.

We briefly considered whether our client could still proceed with her business plan, even without permission from the artist's estate, under the "fair use" theory. Fair use is a defense against an action for copyright infringement, and it often arises when one person uses another's copyrighted material in a limited, reasonable manner, such as for purposes of criticism or education - but, alas, not for shopping bags. Although the commercial use of an image does not necessarily preclude a fair use defense, the U.S. Supreme Court has stated that "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright."

In short, by selling copies of her paintings without the estate's permission, our client would be effectively inviting a lawsuit. We noted that the estate had already taken the precaution of registering all its copyrights with the U.S. Copyright Office, which is a prerequisite for a copyright infringement suit.

Our client ultimately concluded that life is too short to spend part of it in court, and the art merchandise business was not for her after all. She was still willing to lend her collection to the museum, but wanted nothing more to do with the sticky area of copyright. Since the issue would now be the borrower's problem, we redrafted the exhibition agreement to make the museum solely responsible for clearing all intellectual property rights directly with the artist's estate before it could produce or sell any related merchandise. The exhibition agreement also stated that the borrower would indemnify our client in the event that the state (or anyone else) made a claim of copyright infringement.

Unlike our entrepreneurial client, most collectors are not concerned about selling reproductions of works they own. Nevertheless, it is important to realize that if the copyright to a work you own is held by someone else, that party can authorize reproductions of the work, even if you object.

For instance, we represented a U.S. collector who found to his horror that a major German beverage company had acquired the copyright to a number of watercolors in his collection and was planning to reproduce them on the back of soda cans. After much legal wrangling, all he could do was to deny access to the original works in an unsuccessful effort to thwart the company's plans. (One result is that we can now offer visitors to our offices a choice of artistically enhanced cans of soda from our extensive stockpile.)

Owning the exclusive right to reproduce a work of art can be potentially lucrative. Equally important, this right affords legal recourse if someone attempts to reproduce the work without your consent. The savvy buyer will, as part of his pre-purchase due diligence, inquire whether the seller holds the copyright. If so, this should be noted in a written purchase agreement. The buyer should also seriously consider acquiring a nonexclusive license to reproduce the work in specified ways, even at additional expense.

In short, remember to ask the right questions, and keep your lawyers fully informed before leaping ahead. This approach not only helps avoid future legal problems—it also prevents us from feeling left out.