
Original Article

Business rights management: A primer

Martin Brooks

has been involved with software development and management strategy since the earliest days of microcomputers. Originally a recording engineer and producer, he was responsible for the development of more than 60 software titles at CBS Educational & Professional Publishing. He later joined Reed Reference Publishing, eventually becoming Senior Vice-President of Electronic Publishing, where he was responsible for the development of more than 30 CD-ROM and online titles, including the fourth CD-ROM released in the United States, Books In Print PLUS. He was also a founding member of the Optical Publishing Association and he authored numerous articles about the industry. At Bertelsmann, he helped manage the development of BOL.COM, an e-commerce venture in 22 countries. He has also been a consultant with such clients as Ingram Customer Systems, Lexis-Nexis, R.R. Bowker, Martindale-Hubbell, Good Times Entertainment and Dolby Laboratories, among others. At RSG Media Systems, LLC, he has led the design of RightsLogic, an enterprise rights management enterprise software solution.

Laurel Meredith

has helped to develop over the last 7 years what was initially a brand-new business unit overseeing products at RSG Media Systems. Laurel offers extensive experience in project management and new product development for media companies. At Universal Television Group she worked on a year-long project to develop an Affiliate Sales system, the Affiliate Sales Toolkit which continues to be used by NBCU today. At Lonely Planet Publications, she was responsible for business development and new product development for new digital consumer products that leveraged world class Lonely Planet content. As Vice President, Product Management at Bertelsmann's BOL, she oversaw all front-end development for a multinational e-commerce website which went live in over 13 countries and languages. At RSG Media Systems, she often finds herself calling on her background as a literary agent at Brockman, Inc. to unwrap the complexities of Rights Management. She received a BA from Cornell University.

ABSTRACT As media businesses look to monetize their assets across a variety of emerging technology and distribution platforms globally, they are challenged in understanding their inventory and where that inventory may be licensed out. Contracts are increasingly complex; media businesses are increasingly scrutinized around compliance. This article explores the ways in which a robust Business Rights and Royalties Management system can introduce best practices for operational efficiency, and provide workflows to support the capture of a multi-faceted deal all the way through to royalties management and revenue recognition.

Journal of Digital Asset Management (2010) 0, 000–000. doi:10.1057/dam.2010.21

Keywords: intellectual property; business rights management; contractual rights management; rights management; royalties

INTRODUCTION

From an intellectual property rights perspective, the media and entertainment business used to be relatively straightforward.

Record labels, for example, would release LPs and cassettes. They would push their songs to be played on the radio to drive sales. Consumers bought the physical media as a result. The labels may have chosen to license an 'oldie' through their special products divisions for use in a movie or compilation labels, but the labels did not look to drive licensing revenue.

The record labels saw media – the music – as a way to drive LP pressing or cassette duplication business for their production division.

Before cable television (and the broad array of programming that resulted) became commonplace, a television producer would find limited customers for rights to a show. Ideally, the network would keep the show running for at least 100 episodes after which one could sell the show into syndication. The producer might attend a trade show and sell the show to independent over-the-air broadcast stations in

Correspondence:

Laurel Meredith
RSG Media Systems, LLC,
14 East 38th Street – 9th
floor, New York, New
York 10016, USA
E-mail: Laurel.Meredith@
rsgmedia.com

different markets. The markets were limited, so tracking the rights was relatively simple. Typically, the producer would license the rights to one station in each market only and in good faith, the network would not monetize the property except to broadcast the episodes as supplied, according to the simple rules defined in the agreement.

Cable programming was also far simpler. The business was comprised of one or two domestic channels. The cable programmer would negotiate for a few plays of a show or movie (typically, according to a fairly standardized windowing policy, after the syndication run). The cable programmer paid a simple license fee.

Film studios typically sold rights into different play windows to maximize revenue and to capitalize on prior marketing investments. For example, following the theatrical release, a film aired on a cable network, then a Pay TV channel, then a second Pay TV channel, a broadcast network, then into video.

A toy was a toy. A book was a book. Occasionally, and mostly in the case of children's programming, there was merchandising revenue, but these rights were held by the program's original creators, not the network or studio.

But business is no longer so simple.

Play windows are becoming shorter or disappearing altogether, thanks to almost simultaneous release in theaters with cable (just a few years back, unheard of). Contracts have become mind-numbingly complex. Media businesses are licensing content to exploit across as many different media as possible to slake the ever-increasing thirst for entertainment, with the sole objective of increasing revenue and cash flow by reaching viewers whenever and wherever they wish to tune in. To address the demand for time shifted viewing experiences, new technologies have emerged to support increasingly sophisticated forms of video-on-demand, streaming content over the web, repurposed content, iTunes, and others to increase viewership or to promote linear programming content.

With change comes opportunity. The technology is ready, but the businesses models are not yet proven. Content programmers have experimented widely to explore how making episodes available for

'catch up' on their website either drives new viewership or creates stickiness for the series. The big question has been: What are viewers willing to pay for and are viewers willing to endure pre-roll, mid-roll and post-roll advertising to view the content gratis. Which models will prevail: pay per view, all you can eat, subscription?

The leading content providers, the supporting technology and the payment models are changing from day to day. With all the choices for the end consumers, the viewers, comes increased competitive pressure from the top to garner every dollar, pound, euro and yen one possibly can (but without getting sued in the process). But in order to earn revenue from exploitation of an asset – no matter the business model – the entity must understand the rights that it has to that asset.

Here's one typical scenario: A business development person will call an attorney and say, 'we can earn \$50,000 if we can sell six of the 13 episodes of the "Real Exterminators of Southern Texas" reality show to the DaVinci cable channel in Bulgaria, but they also want to stream the content on the web, sell a "Best Of" DVD in Bulgaria and four neighboring countries and market a Santuko knife with an engraving of the show logo. Can we do it?'

And the lawyer will usually respond, 'I don't know. I'll get back to you in about three weeks'. This lawyer already has a stack of requests. Her team is typically overwhelmed with these requests which may only be answered by reviewing paper.

Two weeks later, the Bulgarian DaVinci channel picks up season four of 'Gilligan's Island' instead and the sale is lost.

There are also complexities created by the use of 'content within the content' or elemental rights. For example, an episode of a television program may contain music or art that may have a different rights definition than the program it is contained within. Or, the program itself may be promoted in any country, but the starring actor's contract says that she cannot be used to promote the program in Brussels. In some cases, businesses are seeking the 'lowest common denominator' for rights to understand, at the simplest level, what common set of content is fully cleared for use in a particular

geographical location over a particular medium, for example. Rather than pay to clear the content for additional use, they will simply use the cleared pieces where they can by editing out the offending element. The challenge here is knowing the time code parameters, and understanding the rights ‘collage’ for those time codes so that the edits can be made.

Intellectual property is extremely fluid and malleable so attorneys are forced to place parameters around usage. It is commonplace to see a book turned into a movie, which is then leveraged for games, Broadway shows and toys and vice-versa. Just about anything is a candidate for intellectual property licensing from special editions of expensive smart phones to boxer shorts to car accessories.

In other cases, the question is much simpler, but the answer is just as difficult to find: A cable station wants to play ‘The Pit & The Pendulum’ on Halloween. They have aired the movie before, but they do not know if they have the rights to play it again and even if they do, they do not know how much footage they can use to promote the showing. They do not know how many plays they have left, if they have VOD rights and even if they do, what the VOD window is. So the content programmer can’t finish the schedule for October and must wait for an answer from Legal, which has the contract buried in a file cabinet in ‘the old building’.

And these are relatively simple questions. There are also issues of media rights, delivery platforms, finance models, sliding license dates, options, promotion rights, editing rights, payments, license fees, revenue participation, royalties, guarantees, asset values, insurance, obligations, exhibition rights, planning, scheduling and delivery requirements, just to name a few. Adopting a system is a must for any business managing a critical mass of intellectual property rights.

Considering that programmers are in the business of creating or acquiring media assets, it is astounding to see the issues crippling these businesses, such as:

- Not having information at hand has led to inefficient use of internal asset exploitation and lost revenue opportunities for external exploitation.

- Manual, inefficient contract tracking resulted in high internal cost.
- A lack of industry ‘best practices’ resulted in poor communications between content owners and content acquirers.
- Without an enterprise-level system, well-meaning staffers frequently take the initiative of developing independently produced spreadsheets and other tracking mechanisms, but the lack of consistent format and language made it impossible to search these documents effectively. In addition, loss of knowledge (and sometimes the spreadsheets and personally developed databases) result when employees leave for other positions.
- Without an enterprise-level system, local storage of documents results in poor business practices from both an archival and security perspective.
- A lack of sophisticated security enables low-level employees to view highly confidential financial data, such as the salaries of highly compensated stars.
- Generic database and financial systems do not provide the structure, organization and business knowledge unique to the particular demands of rights management.
- Without the consistency provided by an enterprise-level system, inconsistent business practices have developed between different units or departments within the same organization.

Rights Management Tools have evolved to meet emerging business models and more complex financial and legal structures. By addressing these issues, an enterprise rights solution can provide the following benefits:

- Greatly increased efficiency across the enterprise, resulting in lower costs.
- Easy-to-access and interpret business information, resulting in increased sales.
- Sophisticated tracking of relationships between related assets and/or related contracts, resulting in increased business opportunities.
- Safeguards against violating contract terms, resulting in decreased legal liabilities.
- Sophisticated security, so employees have access only to the data that is appropriate to their responsibilities and level.

WHAT SHOULD SUCH A SYSTEM DO?

There are a number of rights management solutions in the marketplace, each having different strengths and weaknesses, but with the 'best of breed' constantly evolving to meet the needs of the changing marketplace. The solution detailed below is but one of many possible organizations for an ideal rights management system. Generally, systems will include sections for entering information about an asset, information about the contractual terms of the deal, financial operations, such as making payments or calculating amortizations, royalties or backend participations and other operations, such as program planning and scheduling.

ASSETS

As a starting point, one needs a place to manage asset-level metadata. Unfortunately, unlike other parts of the industry such as Book Publishing, which has adopted a very robust standard metadata schema, such as ONIX, the television industry has yet to explore standardization beyond a few fields (Dublin Core, for example). This metadata is essential for any business looking to do a high volume of transactions with its content. Typically requests come in for a particular type of content and all the descriptive information needs to be searchable.

The asset database should enable the import or input of data about each asset – potentially to and from a Digital Asset Management system. Assets can include programming assets such as series, seasons, episodes and stand-alone programs; promotional assets such as promos, shorts, trailers and packaging promotions; home video such as DVD, Blu-ray, streaming video, video files; merchandise, such as apparel, toys, housewares, novelties and games; publications, either printed or electronically delivered; elemental assets, such as incidental music, talent, footage, photography, audio, graphics and product placement; and theatrical assets, such as movies. One must also be able to easily add new asset types and subtypes to fit one's unique business model. Some assets, such as program assets, may have a hierarchical structure

(Series > Season > Episode > Version) and it might be desirable for all assets to be linked to an appropriate intellectual property identifier for reporting purposes.

A comprehensive asset database could include the following broad categories of data:

- *General information:* An ideal system would include detailed information about each asset, including genres, keywords, ratings, target demographics, guild associations and languages. Multiple synopsis records may be stored for each asset in different pre-determined controlled lengths and in different languages. In conjunction with the Program Planning & Scheduling module, these data can be used to populate TV guide listing services and CableLabs format files to multiple system operators (MSOs). Assets may be linked to an IP name to facilitate easy reporting across related properties.
- *Contributors:* Includes production people as well as performers, including rank orders for marketing purposes, which can vary by network.
- *Evaluations:* Can be used to review assets for potential acquisition or to evaluate already acquired assets for appropriate internal usage or other exploitation. Previous ratings history can also be stored.
- *Awards:* Awards of any type, including the awards sponsor and title and whether the asset 'won' or was nominated. This is useful not just for programming and marketing purposes, but also in the cases where the winning of awards triggers bonus payments for contributors.
- *Premiere:* Premiere data for each territory can be used to automatically determine event dates that are based upon premieres, including but not limited to license and payment dates.
- *Related assets:* An ideal system would enable the creation of relationships between assets that don't exist naturally. For example, merchandise related to a particular program (or a season or episode(s) of that program) would be linked to that program. Establishing the relationship in one direction automatically would establish the relationship in the opposite direction. Tying merchandise to a program would also automatically tie the program to the merchandise.

- *Break formats*: Standard broadcast break formats can be linked to assets and be available for reference when performing program scheduling. Break formats would generally be linked to specific length-appropriate versions of program assets.
- *Copyrights and trademarks*: This data category includes copyright text and trademark descriptions.
- *Chain of title*: Tracks the ownership of titles, which is especially useful for titles that are part of film libraries which may have been sold from organization to organization over time, in order to avoid ownership disputes resulting in legal liabilities.
- *Related tracks*: Enables the association of music tracks to programming assets to facilitate easy creation of cue-sheets. These data can also be imported from an external cue-sheet database.
- *Versions*: Assets, especially programming assets, may have multiple versions. In some cases, the difference between versions are trivial (perhaps a show that has been cut to time) and the new version has the same rights as the original asset. In other cases, a version might be created specifically to work around rights issues and the new version might have different rights than the core asset.
- *Documents*: A desirable system would have the ability to link assets to related contractual or other business documents, such as PDF, word processing, spreadsheet files or associated image files.
- *Asset navigator*: An ideal system would provide a graphic representation of the relationship between related assets. One way of accomplishing this is with an asset navigator which displays the relationship between assets of the same general type in a hierarchical display. This can also serve as a navigation tool.

RIGHTS DATA

Businesses that are engaged in both acquiring rights and distributing rights require a system that enables the tracking of both incoming and outgoing deals. We will refer to these respectively as 'Rights-in' and 'Rights-Out'. An ideal system will validate any Rights-Out deals that are created against the Rights-In deals for the same asset, as

one generally shouldn't be marketing rights that you don't have.

Rights-In

Such an application or module is used to input and track data, usually from the perspective of a company acquiring contractual rights from a program supplier whether via a Commission, Co-Production, Acquisition or Original Production type deal. Contracts stand alone or master agreements (similar to templates) for future, similar agreements, can be created. Attachment contracts are then linked to master contracts and appropriate data are copied from the master to the attachment, greatly reducing the amount of data that needs to be keyed.

In order to accurately capture the complexity of real-life deals, a system should support the relating of agreements to create packages. For example, one might create a multi-season series for which the cast (or contributors) changes over time. The first season features one set of actors, while the second season includes some additional actors or writers. Anyone concerned with fulfilling obligations related to these media assets must also be concerned with all the related agreements – be they talent, writer, music or waiver agreements. A deal package is not cleanly hierarchical, but rather spider-web like. This is important to note for two reasons: (1) when trying to determine what rights are cleared for use across a certain platform or geographical region, for example, you must layer these agreements to understand what is cleared for use, what is not cleared, and why (and maybe even across what time codes); and (2) capturing these relationships is key when it comes to tracking backend participation obligations and third-party payments. One talent agreement may be tied to many primary deals, the assets for which are sold around the world, potentially. The talent agreement is likely to define different royalty formulas or rates according to asset type or distribution method. One must be able to trace the asset being sold to the deals governing the asset in Rights-In to pay the participant the correct amount. (Of course it is actually far more complex than described. We will spare you the descriptions of some of the aforementioned formulas.)

Deal types need to be very flexible.

A robust Rights-In system could include the following broad categories of data:

- *General information:* Detailed information about each contract including contract names and IDs, deal type, contract status and entry status, date effective and executed, project IDs, profit center, contract currency and budget line. Multiple parties may be linked to each contract. Customized business rules may be established to indicate the required number and type of parties associated to each deal for each deal type.
- *Media rights:* An enterprise rights management solution should support the use of hierarchical rights trees, which can contain nodes, based on industry best practices or be completely customized by each client using a simple user-interface. For example, one such system supports up to four different rights trees, which are typically organized around media rights, venues, packaging and end-user rights, but may be customized as appropriate. Business outlets (networks), territories and languages may also be linked as well as flags for holdbacks, blackouts, sublicensing rights and exclusivity. License dates may be absolute, estimated or driven by events. For example, a license term may be 'three years starting on March 1st or the execution date of the contract, plus 30 days or the premiere broadcast date minus two days, whichever comes earlier, but not later than March 15th, but if the events haven't happened yet and therefore no date can be calculated, use an estimated date of March 17th'.
- *Promotion rights:* As with media rights, promotion rights would support the use of hierarchical trees, customized for each client. In addition, optional fields would link those rights to specific media and/or territories. Promotion rights may be limited by time code or time limits and dates may also be event driven. For example, the promotion rights start date might be 'the execution date of the contract plus two days' and the promotion rights end date might be 'the license end date minus 30 days'.
- *Editing rights:* Similar in structure to promotion rights and should also be completely customized by the client.
- *Exhibition rights:* Enables the creation of exhibition windows and the assignment of exhibition days. Plays can be limited to networks, day parts, day types and territories. A single exhibition can be defined as any number of plays within a given timeframe on the same network or on different associated networks. Exhibitions can be pooled across networks. The overall exhibition window is validated against Media Rights data. If used in conjunction with a program planning and scheduling module or application, all scheduled plays should be validated against the exhibition data, creating an optimized system of checks and balances.
- *Options:* Enables the tracking of contractual options, including those for additional periods, seasons, media, territories and services. The projected exercise start date can be derived from other events, such as 'the first play of the last episode in the immediately prior season' and the negotiation deadline can be derived from the exercise start date. In addition to entering to options data being available for reference, it would be desirable to have a system that provides automatic notification of options coming due in the near term.
- *Obligations:* Enables the recording of obligations between parties. Obligations data can optionally be restricted by media and include obligation dates, status (ongoing, fulfilled, and so on) as well as the financial value of the obligation.
- *Services and credits:* For talent or personal services contracts, such data provide detailed information about the nature of the services, the dates the services will be provided (which may be event driven), guild associations and optional data attributes concerning credit treatment.
- *Project team:* Members of the production team or the contract review team may be indicated. Notifications, either manually sent or automatically scheduled based upon events, may be sent to these members, either as an email or to a home page gadget.
- *Tracking events:* Standard and customized events may be linked to a contract. These events are used to calculate event-derived dates, such as license dates, promotion rights dates, options dates and payment dates or simply to provide

an internal tracking mechanism for the key events over the life of a contract.

- *Payments*: Documents the fixed payments required as detailed in the contract, including License Fees. Payment dates may be manually entered, derived from events or created with templates. These data may optionally be used in conjunction with an external ERP system or tied to a system's financial modules. Generally, this data category includes a section for payables and sections for asset values, but can optionally also contain receivables.
- *Revenue participation*: Backend participations may be broken down by any media rights tree, territory or term. Participation may be a fixed percentage; stepped by dollars, units sold or seasons; or incremental ('3 per cent with a minimum of \$10 000, incrementing 1 per cent per year to a maximum of 7 per cent'). Backend participation formulas are getting increasingly complex, so a robust system should support the use of complex formulas. In addition, some backend participation deals require the system to make two different calculations ('1 per cent of the gross against 3 per cent of the net') compare them and choose whichever is lesser, greater or take the sum of the calculation.
- *Business terms*: This data category enables the storage of generic boilerplate contract language that doesn't lend itself to controlled database fields. Such data may be stored as templates and then either used as-is in a particular deal or modified on-the-fly.
- *Delivery schedule*: A controlled hierarchical list of contractually mandated delivery items may be entered and monitored. These are frequently the delivery items mandated in 'production handbooks'. Data attributes include due dates, delivery dates, quantity, fields related to quality control operations and status. Delivery items may be flagged as either required or essential.
- *Versions*: Either during contract negotiation or modifications to the contract made after execution, versions of the contract may be stored to monitor changes made over time.
- *Documents*: A desirable system would have the ability to link deals to related contractual or other business documents, such as PDF, word processing or spreadsheet files.

Rights-in reporting

There are several approaches one can take concerning reporting An ideal system will include a variety of stock reports and also enable output of these reports to a variety of formats, including Word, Excel and PDF. In addition, it may be desirable to store data in a data warehouse and use a standard reporting solution to build cubes and access the data in customized ways.

Ideally, even within the stock reports provided by the system, users would be able to search by a large variety of different criteria and choose which data fields are included in output. Reports would also include filters so that the data could be further manipulated.

Among the key search and reporting capabilities of a rights-in system are the ability to search for any contract by a variety of means and reports that detail the upcoming expirations of elements, options and contracts.

In addition, there should be a way to generate a document that constitutes a summary of the entire deal.

A rights system must be able to provide information on what assets are available to exploit for a given set of rights. This is far more complex than it sounds because the system must understand that if one, for example, is searching for territorial rights in Europe, that an asset that is part of a deal for which rights exist in France partially fulfills the search request.

For purposes of this discussion, we'll refer to such a report as a Rights Clearance report.

- *Rights Clearance report*: A Rights Clearance report is the core component of an ideal system. This unique report enables users to search for a specific rights set and return results based on whether an asset is partially or fully cleared based upon the rights searched. Especially important, this sophisticated report will detail whether there is a rights limitation based upon an underlying right. For example, the license for a program may be for all territories for a term from 1 March 2010 to 28 February 2013, but the underlying music used in the program may not include rights for South America and the term might be from 15 February 2009 to 31 January 2012. Therefore, even outside of South

America, if the music is not changed or removed, the program cannot be used from 1 February 2012 to 28 February 2013.

The power of this report cannot be overstated. It provides the ability to compare the rights in elemental agreements to those in primary agreements, a process which when done manually is painstaking and time consuming.

In addition, an ideal Rights Clearance report will indicate whether there are any obligations associated with the asset across the media rights searched, whether the asset is already part of an exclusive Rights-Out deal and whether the exhibition rights for the asset do not include unlimited plays. When inputting rights data, it should also be possible to input a customized restriction that will also display in this report.

Ideally, a report may be generated that highlights the specific fields that are causing a partial clearance.

The user can then request either a legal review of the rights or submit a request to step-up the rights to facilitate additional exploitation of the assets.

Deal and asset relationships

As with the asset data, it is desirable for rights contracts and their associated assets to display in a graphical format. One way of accomplishing this is via a 'Deal Navigator' that is used to tie assets to deals and related deals and their assets to the primary assets. All of these relationships would display in an intuitive, hierarchical graphic interface that can also be used to navigate to any of the asset or deal records within the system.

Rights-Out

Such an application or module is used to input and track data, usually from the perspective of a company who is either sublicensing rights to others or distributing media. Deal Types should be customizable for each client and may include syndication, program sales, digital, VOD, merchandising or consumer products licensing and other types of new media deals.

It is important that Rights-Out deals be validated against Rights-In deals for the same asset. This facilitates making sure that rights are not granted that you don't have in the first place. When the validation is triggered, the system can be configured to stop the creation of

an invalid Rights-Out deal or permit the user to override the validation.

Rights-Out data categories include some types of data not necessarily relevant to Rights-In deals:

- *Budget contribution:* This data category is used to input information about other parties, usually internal parties, who are contributing to the show acquisition or budget.
- *Delivery materials:* Not to be confused with the Delivery Schedule data category, this data category enables tracking of contacts and address to send required materials, such as master tape copies.
- *Payment schedules:* Not to be confused with the Payments data category, these data are used to track distribution materials fees. The license fee is then added to the materials fee to calculate a total fee. Ideally, a 'Request to Invoice' report may be generated.
- *Payments:* Documents the fixed payments required as detailed in the contract, including License Fees. Payment dates may be manually entered, derived from events or created with templates. These data may optionally be used in conjunction with an external ERP system or tied to the financial modules. Generally, this data category includes a section for receivables, but can optionally also contain payables.

Rights-out reporting

The issues concerning reporting for Rights-Out data are similar to those for Rights-In data. In addition to the typical reports and functions already defined for rights-in data, rights-out reports might include:

- *Program Distribution report:* A report may be generated for each deal/asset combination that includes incoming license fees and whether or not any backend participations are due as a result.

FINANCE

Once media and entertainment companies get their rights and assets in order, they typically tackle related accounting practices. For example, in a multichannel or multi-business unit business, each network typically has different

branding, marketing and content requirements. It follows that each would have its own strategy, approach to programming, and content budgets across different categories of programming. One network may have a large allocation for animated originals while another network may have a large allocation for news-like informational content while another one is focused on creating documentaries. Regardless of the networks' individual 'look and feel' the Operational Finance departments will each need to track spend on content against an overall 5- or 10-year plan. As the business enters into deals, and as those deals reach a specified stage/status, the liabilities and asset valuation would be available for processing by the Accounting group.

Accounting best practices recommend that amortization be tied closely to the usage and depreciation of the asset. Similar rules apply to media assets with resulting complexities. For example, some businesses choose to use different amortization formulas to different windows of use depending on how much revenue can be attributed to those windows proportionally. Others choose to write down the bulk of the value upon first airing or premiere and then straight line the amortization across the remaining useful life. Even if the media asset types are identical, you will find that no two businesses manage amortization in the same exact way.

Acquisitions finance

Acquisitions Finance capability includes the tracking and processing of financial payments with or without an external ERP system. An ideal system would provide a full sub-accounting ledger capability that provides much flexibility with regard to different transaction types.

Acquisitions Finance includes the following broad categories of data and business functionality:

- Ability to search for deals and budget lines to post assets and liabilities, including the ability to indicate posting dates and to change accounts, which are validated against business rules.
- Ability to post transactions to the G/L.
- Ability to expense short-shelf life content.

- Ability to process miscellaneous transactions.
- Ability to handle intercompany transactions that marry up to the windows of use across different borrowing networks.
- Ability to reclassify transactions.
- Ability to define asset valuations and dates and to write down values, which will automatically recalculate amortizations.
- Review transactions waiting to be posted to the G/L.
- Review and process Payables and send output to an ERP.
- Ability to define amortizations, including internal amortizations for each asset.
- Optional ability to process Assets & Liabilities and Amortizations through an approval queue.

Acquisitions finance reporting

In addition to standard Excel output from each search or processing result, there are two additional major categories of acquisitions finance information that is necessary for most operations to track:

- *Assets & Amortizations*: Based on a search by various parameters, creates Excel output that includes level, payment type, deal name, GL codes, gross asset amounts, additions, adjustments and write-downs; amortization expenses, adjustments, write-downs and retired amounts; contract and finance dates, monthly breakdowns and other such data.
- *Liabilities & Payments*: Based on a search by various parameters, creates Excel output that includes budget lines, payment breakdown; gross liability current amount, additions and adjustments; accumulated payment G/L code and amounts; net book value, payments and adjustments; contract dates, values and other fields.

PROGRAM, PLANNING AND SCHEDULING

The demands of a Program, Planning and Scheduling application or module are also changing as the business evolves. 'Playout' is no longer limited to linear television. Media companies are looking to plan and schedule their content across all their channels – international and domestic – in one system.

A system needs to support VOD planning where there are typically different requirements per MSO in terms of refresh rates, hours required and genre breakdown. A system also needs to support new media channels or at least needs to facilitate the creation of a file with asset metadata for assets that may be delivered to a new delivery channel. A fully integrated solution also provides the benefit of supplying validation against the intellectual property rights upon placement or upon publication of the schedule to the log. This system functions as a downstream ‘consumer’ of the rights and asset level information.

A truly multichannel solution for television users permits each channel its own view into their schedule. A planner must be able to conduct complex searches against the metadata defined for the asset, add programs to the bin for later use, or drag and drop them directly onto a programming schedule where they eventually comprise a daily log for output to the traffic system where ads are scheduled and then pushed to automation for airing. The Program Planning and Scheduling system should include the following broad categories of data and functionality:

- *Reminder calendar*: Enables users to enter daily marketing information onto a monthly calendar, such as ‘Monster Movie Week’ or ‘Product Placement for the Zoom Car’.
- *Scheduling calendar*: Enables users to schedule programs for a single time slot or an entire planning period. All programs placed may be validated against their contractual rights.
- *VOD/non-linear calendar*: Enables users to schedule any type of non-linear programming.
- *Usage*: Usage data should automatically be generated based upon final schedules. This can then be searched as a guide to creating future schedules.
- *Exhibition*: In addition to the contractual exhibition restrictions defined in a Rights-In application, users should have the capability of defining additional restrictions, either contractual or non-contractual. Examples of such rules include restrictions or minimum requirements for day parts, minimum time since last play, maximum plays within a period, maximum episodes per period, maximum exhibitions per day type and ‘must play’ requirements. Each rule may be a hard rule (generally when the requirement is contractual) or a soft rule (generally when the requirement is programming based.)
- *Generic assets*: Generic assets can be added as placeholders for future assets, such as a ‘Movie of the Week’.
- *Statistics*: It is desirable to generate programming statistics, including the number of exhibitions, total time, # of titles, genres, and percentage of standard/high definition programming, asset types, MPAA ratings, TV ratings, premiere/encore breakdown and percentage of hours that are closed captioned.
- *Programming tools*: An ideal Program, Planning and Scheduling module or application would include a number of tools designed to greatly improve programming efficiency. Examples of such tools include:
 - *Scheduling tool*: Enables users to schedule a program for multiple dates/times to multiple schedules for one or multiple networks in a single action.
 - *Bicycling tool*: Enables users to automatically program the episodes in a series across a schedule. Options include the ability to set the recurrence, the airing order (air order, episode order, most plays remaining first, longest-ago played first), all or selected seasons, to include or not-include associated one-offs such as specials associated with the series, to skip dates or specific episodes, and to schedule the same or a different episode if scheduled more than once in the same day. The Tool includes sophisticated validation for dealing with scheduling conflicts.
 - *Mirroring tool*: Enables users to automatically ‘mirror’ a given time period on one network to the same or different time period on the same or different network. Multiple targets can be defined at one time.
 - *Replace episode tool*: Enables users to replace one episode of a series with a different episode or a different version of the same episode of that series throughout the schedule.
 - *Replace version tool*: Similar to the Replace Episode Tool, it enables users to replace one version of an episode with another. This is especially effective when only a

generic version is available when originally scheduling, but a 'better' version of the program later becomes available.

- *Validation:* Validation rules should be left under the administrator's control. In one solution, for linear schedules, for example, administrators may select from 25 different validation functions.
- *Configuration and customization:* Owing to differences between business organizations and even between networks within the same organization, an ideal programming system would provide the capability for flexible configuration options. These would include the ability to configure and/or customize version priorities, break formats, daylight savings time, programming day hours, notifications, user-defined network exhibition rules; grid planning periods, day parts, programming days, colors and field selections; validation rules, overlap options, schedule locking rules and many other functions.

Program, planning and scheduling reporting

In addition to output available from search and scheduling functions, examples of the types of reports used in programming operations are as follows:

- *Inventory report:* Provides a list of assets available based upon title, type, genre, status, window dates, license dates, media rights, territory, networks, distributor or daytime playability.
- *Line listings report:* Provides a list of assets by air date and time, based upon media, airing networks, airdates, airtime, language or scenario.
- *Day of air report:* Provides a daily list of scheduled assets, including the block length, version, premiere attribute and scenario based upon a search by network, air dates, scenario, asset types, asset name or deal party.

IP LICENSING

For businesses that license out trademarks, characters and likenesses, there are other requirements.

The Consumer Products Licensing and Intellectual Property industries have experienced

many of the same issues as the media industry. The industry has grown and with this growth, life has become very complicated. A single license for a character or other intellectual property, such as a sports logo, can result in thousands of products that must be tracked. Territories and the associated rights may be highly segmented. Once licensees may receive the rights to produce cotton t-shirts, but another in the same territory has the right to produce polyester. For businesses that are also managing programming, a consumer products licensing deal may simply be another type of Rights-Out deal in the system.

- *General information:* As with media rights deals, IP Licensing deals require data types to store detailed information about each contract including contract names and IDs, reference text, deal status, division, account manager name, primary currency, creation date and executed date. Multiple parties may be linked to each contract. Customized business rules may be established to indicate the required number and type of parties associated to each deal for each deal type.
- *Products:* Similar to the aforementioned media rights, the products data include product IDs, asset names, descriptions ('soft plush toys'), categories ('children's apparel'), territories, sales channel, license dates, sell-off period and flags for exclusivity and holdbacks. An IP Licensing system should support the use of hierarchical trees that can contain nodes based on industry best practices or be completely customized by each client using a simple user-interface. Trees are used for source assets, categories, territories and channels. License dates may be absolute, estimated or driven by events. For example, a license term may be 'three years starting on March 1st or the execution date of the contract, plus 30 days or the manufacturing date minus 2 days, whichever comes earlier, but not later than March 15th, but if the events haven't happened yet and therefore no date can be calculated, use an estimated date of March 17th'. Sell-off periods can also be event driven.
- *Obligations:* Enables the recording of obligations between parties. Obligations data can optionally be restricted by rights attributes

and include obligation dates, status (ongoing, fulfilled, and so on) as well as the financial value of the obligation.

- *Insurance*: Enables the recording of insurance policy information including policy numbers; issue, effective, expiration and due dates; insurance company name, coverage type, coverage required and coverage received and flags as to whether the insurance certificate has been received and whether the certificate is in compliance.
- *Finance*: A summary that includes data about year-to-date guarantees, credit memos, missing royalty statements, overridden product royalty statement periods and invoice details.
- *Cross collateralization*: Enables the user to create groups of rights attributes that will be counted as one to calculate whether guarantees and/or advances have been earned-out.
- *Guarantees*: A guarantee can be associated with products, assets, categories, territories and channels. The guarantee can also be linked to a cross collateralization grouping.
- *Payments*: Documents the fixed payments or receivables required as detailed in the contract, which can be associated with or broken down by products, assets, parties, payment types, categories, territories, participation category, license terms, due dates and cross collateralization groups. Payment dates may be manually entered, derived from events or created with templates. These data may optionally be used in conjunction with an external ERP system or tied to the financial modules. This data category would generally include sections for both receivables and payables.
- *Royalties*: Details the variable payments, usually based upon sales levels, as detailed in the contract, which can be associated with or broken down by products, assets, categories, territories, participation category, channels and license terms and may be linked to a cross collateralization group. Ideally, royalty formulas would be template driven and can be calculated as a percentage of revenue or a fee per unit sold whichever is lesser, greater or the sum or it can be calculated by a stepped schedule, where the steps are dollars, units sold or years and can also be calculated from a percentage of revenue or a fee per unit sold.

- *Project team*: Members of the production team or the contract review team may be indicated. Notifications, either manually sent or automatically scheduled based upon events, may be sent to these members, either as an email or to a home page gadget.
- *Business terms*: This data category enables the storage of generic boilerplate contract language that doesn't lend itself to controlled database fields. Such data may be stored as templates and then either used as-is in a particular deal or modified on-the-fly.
- *Versions*: Either during contract negotiation or modifications to the contract made after execution, versions of the contract may be stored to monitor changes made over time.
- *Documents*: A desirable system would have the ability to link deals to related contractual or other business documents, such as PDF, word processing or spreadsheet files. These may be stored within the system or the system can link to an external document management system via systems integration (preferable for large databases). Image files may be linked to assets and can automatically display on the main page of asset data.

Assets for IP licensing

This data type represents the intellectual property assets (such as logos or likenesses) that are available for license.

Typical data fields would include asset types, names, IP names (a higher level grouping), asset codes and statuses as well as attributes for alternative asset names, descriptions, image links, classes, creation and expired dates, trademark reporting requirements, type text and reference text.

Products for IP licensing

This data type represents the actual products produced under the licensing agreements, largely for royalty calculation purposes.

Typical data fields would include product numbers, descriptions, codes, names, rights, territory, participation categories, channel types, product type and descriptive, gender, season, merchandise class, brand, fit, manufacturer, creation date and an associated image. The product can also be linked to a contract.

Distribution finance for IP licensing

Such data are similar to the acquisitions finance data required for media assets and deals, but includes additional functionality relevant to distribution finance. It includes the capability to import royalty statements from a licensee and validate those statements against the rights granted.

A distribution finance application or module would ideally include the following broad categories of data and business functionality:

- Ability to search for deals by deal name, type, party, account manager, contract number, license period, associated assets, license values, templates used and other attributes to view either the associated Finance Summary or the deal itself.
- Ability to create royalty statements either by importing spreadsheet data or by manual creation.
- Ability to adjust or reverse royalties.
- Ability to apply cash and associate it with the appropriate deal.
- Ability to estimate royalties.
- Ability to recognize revenue.
- Ability to process invoices, receivables and customer statements.
- Ability to create adjustments for bad debt, forgive interest or un-process receivables.
- Ability to post transactions to the G/L.
- Ability to define payment schedules using templates.

Data categories that are usually unique to distribution finance include the following:

- *Guarantees*: Includes the total earnings, shortfall processed, un-recouped guarantees and the overage or shortfall against the guarantee.
- *Payments*: For receivables and payables, includes the contractual payments due as well as the payments and receivables already processed and paid.
- *Royalties*: Includes contractual terms as well as royalty statements, which include data fields for statement periods, posting date, estimated and actual revenue, royalty earned and amount due, including detailed breakdowns.
- *Transaction summary*: Reports back on all transactions, which can be searched by a variety of parameters.

In many cases, media businesses are interested in assigning and update GL codes and defining transaction rules. In some case, it may be desirable to include such functionality as part of the rights management solution. A sub ledger accounting solution that integrates seamlessly with the ERP's GL allows for royalty ingest, revenue recognition, and cash application, processing and posting to be handled by one centralized department rather than reconciling books across two departments and systems.

Finance for IP reporting

In addition to standard Excel output from each search or processing result, there are several additional major categories of distribution finance information that is necessary for most operations to track. To provide additional flexibility, it is desirable that many of such reports be output as pivot tables:

- *Receivable schedule*: Generates a list of receivables and whether the receivable has been processed or invoiced.
- *Royalties reported*: A report that breaks down royalties per licensee and contract for each reporting month, by either calendar or fiscal year.
- *Sales by attribute*: Such a report would break down sales by various attributes, such as brand, size, gender and descriptive, within reporting periods and categories by licensee.
- *Missing royalties*: Such a report would identify which licensees have failed to report sales activity and would consequently generate a form letter that details the missing royalty periods.
- *Accounts past due*: Provides a snapshot of a licensee's account balance that would include royalties paid to date, advances due to date, totals paid and owed and any unapplied receipt amounts.
- *Cash receipts/AR*: Such a report would provide a ledger of cash receipts.
- *Cash to revenue*: Such a report would provide a list of either posted or not-posted transactions in the system.
- *Net sales by asset*: Such a report would detail the net sales associated to individual assets in each reporting period for deals that have posted royalties.

- *Payment history*: Such a report would include a summary detailing the licensee's payment history.
- *Aging*: Such a report would provide the aging on any outstanding receivables and any outstanding cash credits as well as any unapplied cash that the Licensee has on hand.

Adopting a robust business rights management system is essential for any business looking to monetize its content assets across a variety of distribution channels or ensure compliance and avoid misuse of assets. An application like this will

reduce some of the friction of entering into new business models. One challenge is that media businesses do not agree on terminology, metadata models, taxonomies, or even the definition of individual rights parameters. Lawyers are still needed to transact deals between media companies. Even with the most sophisticated systems, good old-fashioned Hollywood-style negotiations are not going away any time soon. A system will not remove ambiguity and reduce the need for interpretation, but it can streamline operations across business units in multiple, measureable ways.