

# FACT SHEET 3: LICENSING & FILM HIRE

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Just like commercial cinemas and other exhibitors, community screen networks and their promoters pay rights holders a licence fee to screen films to the public. This Fact Sheet looks at the different licensing arrangements available and explores the main practical and financial factors at play

## Licensing: a quick guide

Every film is the **intellectual property** of its creator(s), usually the main producer, production company or studio. Under the terms of relevant legislation they are the work's **copyright owner**.

In order to bring a film to the market, copyright owners commonly grant distributors the right to agree terms with exhibitors to screen the film to paying audiences (distributors usually also secure the rights to exploit films through other channels, like DVD, pay television and online platforms).

When an exhibitor agrees to take a film, they sign a contract with the distributor granting them a **licence** to screen the title in exchange for payment of a **film rental** charge based on a percentage of the box office gross or a minimum amount agreed in advance (the **Minimum Guarantee** or MG), whichever is greater.

Following a cinema release, the original copyright owner will receive a share of revenue from admissions to their film (or a minimum amount agreed in advance) once the exhibitors' share of ticket income, and the distributor's costs and fees, have been deducted.

## Theatrical vs. non theatrical

The above guide is a necessary oversimplification, but it illustrates the broad pattern

of rights and responsibilities at play in a standard **theatrical** (or 'theatric') release.

This term refers to licensing arrangements used by distributors in their dealings with commercial cinemas who take films either in their opening weekends (known as **first run** venues), or shortly after their initial release period (**second run** venues).

Theatrical licences can also apply to **repertory** programming, where a cinema books titles from a rights holder's back catalogue on standard commercial terms.

Importantly, theatrical licences are only granted for the screening of films supplied on industry-standard projection formats, to ensure the highest presentation standards (e.g. 35mm or DCPs).

While some community screen network organisations, like Screen Machine and INDY Cinema Group, book films on a theatrical basis, most CSF members secure film licences for what is known as **non theatrical** (or 'non theatric') exhibition.

Non theatrical exhibition was originally intended for licensing works to specialist film societies who screened films to their closed membership rather than the paying public.

However, this term is now used to cover all licensed film shows in places other than commercial cinemas or private homes. In addition to film societies and community

cinemas, this includes screenings in the hospitality sector (like hotels and bars), and in health service, education and commercial travel sectors.

The earliest that film titles become available to book on a non theatrical basis is usually between eight and twelve weeks after the initial theatrical release.

This generally means films exhibited on a non theatrical basis will be available before their release for home entertainment on DVD, Blu ray and digital download. Some distributors are willing to negotiate with community exhibitors to further reduce the release window.

## Licensing options

**Single title licences** are most commonly used by CSF member organisations and local promoters, where a distributor, rights holder or their representative grants permission for a film to be screened on a particular date.

The licenced performance is subject to conditions that vary according to whether the screening takes place indoors or outdoors, and whether it is a **commercial** booking (audience members pay for admission and the event can be advertised to the public) or a **non commercial** screening (admission is free of charge).

The film hire charge is usually calculated on the basis of 35% of the gross ticket revenue (**box office gross**) or a Minimum Guarantee (both subject to VAT), whichever is greater. A flat rate fee (of anything from £75 plus VAT) is payable for non commercial screenings.

**Annual umbrella licences** are available from Filmbankmedia and MPLC (see below). However, these are generally unsuitable for CSF members because charging for admission (including by voluntary donations) and advertising beyond the immediate vicinity of the venue is not permitted under such licences.

Umbrella licences are principally intended for screenings in public places to non-paying audiences (e.g. for background ambience in bars or restaurants; or ad hoc screenings in residential homes and education settings).

Payment takes the form of an annual fee, calculated using a rate card that takes account of factors like the size of the likely audience and the type of organisation putting on the screening.



## Other licensing requirements

In addition to securing an appropriate screening licence, community exhibitors must observe other licensing requirements for public film performances:

### Premises licences

Community exhibitors are only permitted to screen films in venues licensed for the purpose. Local authorities in England and Wales can grant premises licences under the terms of the Licensing Act 2003 (similar arrangements apply in Scotland and Northern Ireland). Since April 2015, screenings in England and Wales run by 'not for profit' organisations are exempt provided the audience does not exceed 500 and the admission policy observes the film's age classification. In Scotland, non-profit groups can apply direct to the Scottish Government for a cinema premises licence exemption.

For further details: <http://bit.ly/2tbLA2L>

### PRS and music

The music on a film soundtrack is subject to additional intellectual property rights to those of the work as a whole. The venue where a film is exhibited must therefore be covered by an appropriate Performing Rights Society (PRS) licence.

PRS is a collection agency for music rights holders, ensuring they are paid royalties for the public performance of their work.

For further details: [www.prsformusic.com](http://www.prsformusic.com)

## Gateway distributors

While many smaller distributors handle non theatrical licensing themselves, a handful of organisations known as **gateway distributors** manage non theatrical bookings on behalf of multiple rights holders.

Filmbankmedia, MPLC and Cinema for All are three prominent gateway distributors active in the UK:

### Filmbankmedia

[www.filmbankmedia.com](http://www.filmbankmedia.com)

Filmbankmedia is the largest operator in the UK, representing the libraries of major Hollywood studios and independent distributors.

Filmbankmedia offers the Single Title Screening Licence (STSL) and the Public Video Screening Licence (PVSL, an annual umbrella licence for ad hoc and occasional film screening activity to non-paying audiences).

### MPLC

[www.themplc.co.uk](http://www.themplc.co.uk)

The Motion Picture Licensing Company represents over 900 rights holders across the globe including major studios and independent producers and distributors.

MPLC offers two licences: the Single Title Movie Licence (for screenings using legitimate retail copies of films on DVD or Blu ray), and the Umbrella Licence, which applies only to non-commercial screenings that are not advertised outside the licensed venue.

### Cinema for All Booking Scheme

<http://cinemaforall.org.uk/booking-scheme/>

Cinema for All, formerly the British Federation of Film Societies, operates a booking scheme for its Members and Associates. Single title screening licences can be obtained from a library of 800+ classic, British and specialised films, all available for a flat rate fee. Cinema for All supplies booked titles on DVD or Blu ray, with no additional postage fee.

### Other non theatrical booking options

The BFI, ICO, Park Circus and Troy Film Agency also take non theatrical bookings for the rights libraries they represent.

## Licensing & community screen networks



Film hire charges make up a significant proportion of the operating costs of most community screening ventures.

Screening activity coordinated by numerous CSF network organisations occurs in sparsely populated areas where there is an ever present chance of low volume ticket sales at any given screening, particularly for more adventurous programming.

In these circumstances, payment of Minimum Guarantees can fall due because box office revenue is too low to meet the threshold for calculating a licence fee set out in the film hire agreement.

Many networks and promoters are able to meet film hire charges without issue, by attracting decent sized audiences on a regular basis, or by exploiting additional income streams (e.g. through the sale of refreshments or local sponsorship deals) and balancing revenue fluctuations across their screening programme.



Yet some promoters operating in areas with limited scope for consistent audience numbers of any scale can struggle to break even, much less make a surplus for reinvestment in their venues, equipment and other beneficial services for local communities.

There is common recognition among CSF members that Minimum Guarantees are justified because rights holders across the value chain must meet their own financial obligations and are entitled to make a return on their investment in the production and marketing of films.

Nevertheless, the levels at which Minimum Guarantees are set has some bearing on the long-term financial sustainability of community exhibitors, whether they operate independently or as part of a community screen network.



The advantage of community screen network membership is that it can provide ways of mitigating the financial risk posed by MGs.

For example, network organisations have the potential to secure project funding, where available, to subsidise film hire charges, including by underwriting Minimum Guarantees.

Networks can also take advantage of discounted MGs offered by gateway distributors for group bookings of individual titles, passing on the discount to promoters and partners who participate in the scheme. Gateway distributors like Filmbankmedia offer discounts on a sliding scale, with the greatest reductions reserved for 10 or more bookings of a title in the catalogue.



Larger networks, like Moviola, which provides programming advice and booking services for 266 'Associate' venues across England, Wales and Scotland, are able to access the biggest discounts by encouraging bookings of particular titles offered on their film menus.

In Moviola's case, the Associate network relies solely on booking fees to support its costs, and the size of the network has led to very cordial relationships with film distributors, including in negotiating early access to new films.

This can greatly assist the sustainability of individual promoters, by heavily discounting Minimum Guarantees, as well as smaller film distributors handling lesser known films.

But for other networks it may not always be possible to achieve a sufficient number of bookings to qualify for discounted Minimum Guarantees, or to negotiate other favourable terms.

This has the potential to put at a disadvantage new start-ups and organisations constrained to work with a small number of promoters (either by circumstance or choice).

Programme choice may also be influenced by the size of Minimum Guarantees, with less incentive for promoters to book more adventurous titles in the absence of block booking discounts, unless they are subsidised in some other way.

#### Check out...

- [Fact Sheet 1](#) for an introduction to community screen network activity across the UK
- [Fact Sheet 2](#) for further information about the social and cultural benefits of community screen network activity