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Exhibition's (Movie Theater) Contract in Release of Motion Picture

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Exhibitors play a rather instrumental role in bringing to audiences a movie and fulfilling financial and artistic aspirations of makers of a motion picture. Nonetheless, much is discussed about making movies and the legal intricacies involved, but not much is discussed about the role of movie theaters and the legal challenges and pitfalls exhibitors and distributors have to contend with before a movie is released on a movie screen.

SOME BACKGROUND

The focal point of consideration and contest in any exhibition agreement is the division of receipts between distributor and exhibitor i.e. movie theater owner. Unsurprisingly, a relatively major distributor with continuing supply of movies has an upper hand in negotiations and exacting a relatively more advantageous terms from the exhibitor. On the other hand, an independent distributor relatively wields lesser leverage over the exhibition agreement.

By the same token, for an exhibitor, points of strength in negotiation are determined by the following among other factors:

- Location
- Number of Seats
- Historical Record of Attendance
- Quality of Movie Theater's Equipment

1. LICENSEE FEE RECEIVED BY THE DISTRIBUTOR

The licensing fee distributors receive during the weeks the movie is on screen is often calculated as follows:

- Distributor receives a SUM equal to some high percentage of the GROSS RECEIPTS *after* the deduction of House Expenses. Exhibitor often has a pre-determined figure for such "House Expenses". Nonetheless, Distributor often demands a cap on such "House Expenses" in a given week.



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- Distributor also demands receipt of a certain percentage of the GROSS RECEIPT in the first few weeks of the picture's run, often the 1st week to surpass the 2nd week's run and so forth.
- Distributor and Exhibitor, often, after the run of the picture "settle" allocation of the performance of the picture. In other words, it is customary for parties in such transactional agreement to re-negotiate allocation depending upon the performance of the picture. This allows for an "unexpected" flop or success of the picture without undue burden or advantage to the respective parties involved.

2. SCOPE OF THE LICENSE GRANTED TO EXHIBITOR

Distributor to ensure that it maintains control over the revenue of the movie in the contract usually enunciates, among others, the following:

- The specific movie theater where the movie is to be shown.
- The specific time frame, i.e. the number of weeks the movie is to be shown. The Distributor wants the movie to be shown longer so that more people see it and more ticket sales are collected.

Distributor, at the end, seeks to ensure Exhibitor cannot sub-license the picture without Distributor collecting its fair share and as importantly the Exhibitor does not interrupt the distribution scheme crafted by the Distributor.

3. DEFAULT PROVISIONS

The salient default provisions to be inserted and negotiated in such contracts are:

- Failure of Exhibitor To Show the Movie
- Failure of Exhibitor To Pay the Funds Collected and Due the Distributor

In such circumstances, the Contract could provide for the following, among others:

1. For Distributor to Treat the Breach as a Material Breach and Terminate the Agreements as Well as any Other Agreements It Has with the Exhibitor.
2. For Distributor to Withhold Delivery of any Other Contracts with the Exhibitor Until the Default is Satisfactorily Remedied.
3. For Distributor to Have the Right to License the Picture to other Exhibitors
4. For Exhibitor to Have Notice of Default and Some Reasonable Time To Cure Such Defaults

DISCLAIMER

This article NEITHER supplements nor supplants the breadth or depth of such rarefied topic. In fact, this article ONLY provides a rather rudimentary synopsis of such esoteric topic.

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