

SCHEMATIC of Possible Multi-Tiered Relationship for
Video Game Development

Agreement providing for tax incentive must be with “eligible production company” –
entity in the business of producing the project under consideration
[MCL 208.1455(12)(d)]

OWNER OF INTELLECTUAL PROPERTY (IP) RIGHTS

If game is based on television show or movie, IP may
be owned by separate entity, such as television network; for many games, this entity
will be same entity as Video Game Publisher

“Standard” license agreement licensing broad
rights to create, develop, market and sell video
game (for one platform or all) based on
licensed character or television show

VIDEO GAME PUBLISHER (VGP)

(This is the “eligible production company” for purposes of film production credit)

- Owns or has legal control (i.e., pursuant to a license agreement) over intellectual property and other rights necessary to produce the game
- Possesses broad rights in finished game, usually including exclusive rights to develop, market, advertise, publish, distribute and sell finished game
 - Specifies overall content of game, sets schedules for development, and controls acceptance of each level of game development
- Controls acceptance of final product delivered by External Development Company

License to use
the IP created
by EDC

“Work for hire”
or “vendor”
contract: VGP
engages EDC to
write/develop
game according
to VGP’s
specifications

EXTERNAL DEVELOPMENT COMPANY (EDC)

- Writes the code and actually “designs” or “creates” the game
- May retain ownership of certain IP created, such as source code, but licenses that IP back to VGP so finished game can be marketed and sold
 - Essentially a contract vendor of VGP
- Does not own or control all IP and other rights necessary to product the overall video game project; thus, not the “eligible production company”