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No. 2



3D printing is here to stay!

p. 19



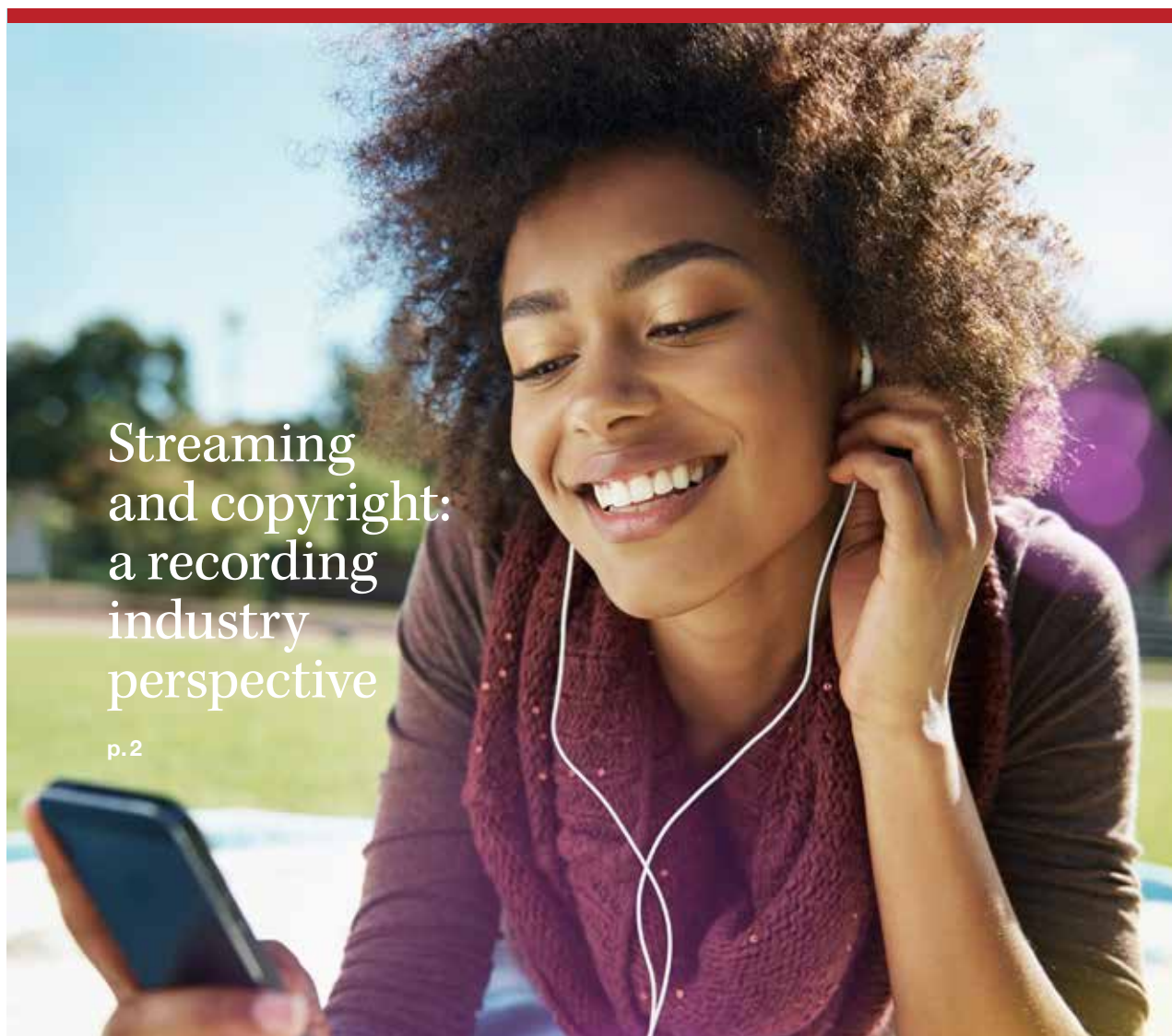
Japan and the US join
International Design System

p. 22



Tackling multi-drug
resistant tuberculosis: lessons
in technology transfer

p. 25



Streaming
and copyright:
a recording
industry
perspective

p. 2

World Intellectual Property Day 2015

Get Up, Stand Up. For Music.

Message from Director General
Francis Gurry

Music is part of an extraordinary revolution that is taking place around us, a revolution that is fundamentally changing the way creative works are produced, distributed and consumed.

Thanks to digital technology and the Internet, we now have access to more music than ever before. The Internet has created a global marketplace and a global stage for music. That is a wonderful thing for music lovers all over the world.

We need to ensure that we do not lose sight of creators and performers in the new digital economy. Is their role given sufficient value in these new systems? This is an essential question. It is essential for a vibrant culture that creators, composers, songwriters and performers are able to enjoy a decent economic existence through deriving economic value from their music. Without them, we don't have music.

Enormous artistic, personal, social and economic effort goes into the creation and the performance of music. We must find a way of ensuring its sustainability in the economy. My message for World Intellectual Property Day is – do not take music for granted; value it.

Today is a day to “get up, stand up, for music” – to ensure that our musicians get a fair deal, and that we value their creativity and their unique contribution to our lives.



Table of Contents

2	Streaming and copyright: a recording industry perspective
8	Streaming and safeguarding the income of musicians
12	Music and the movies: an interview with Randall Poster
16	In the Courts Beastie Boys verdict underscores the importance of clearing IP rights
19	3D printing is here to stay!
22	Japan and the US join International Design System
25	Tackling multi-drug resistant tuberculosis: lessons in technology transfer
29	Can you protect your image like your brand?

Editor: **Catherine Jewell**
Graphic Designer: **Annick Demierre**

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Streaming and copyright: a recording industry perspective

By **Lauri Rechartt**, Director
of Licensing and Legal Policy, IFPI,
London, United Kingdom.





Today consumers have easy access – legally – to more music than ever before. Music and engagement with music is fueling growth of the digital economy, enabling different digital online services to boost turnover, generate traffic and gain scale.



The music industry is at the forefront of the rapidly evolving digital market place. Music and engagement with music is fuelling growth of the digital economy, enabling different digital online services to boost turnover, generate traffic and gain scale. Music right holders have worked hard to license their work to the hundreds of digital services that serve customers globally. Today consumers have easy access – legally – to more music than ever before. Statistics from IFPI, the association representing the recording industry worldwide, show that in 2014, 46 percent of record companies' worldwide revenues came from online digital services (accessible over the Internet or mobile networks).

Developments within the online digital music marketplace are further evidence of the pace of change within the industry. Digital music markets have diversified and developed. The popularity of download services, while still high, is flat-lining and even declining while streaming services such as Spotify and Deezer are growing. Streaming services have become an increasingly important sales channel and source of revenue for record labels and artists.

The exclusive rights recognized in the 1996 WIPO Internet Treaties (the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT)) have enabled these positive developments. But the digital marketplace is not in balance. While the broad availability of music is driving innovation and the growth of new digital services, music right holders are not benefitting fairly or proportionally from the increased use of their music. Restoring balance to the market should be a high priority for the creative industries.

DIGITAL MUSIC – AN INCREASINGLY DIVERSIFIED MARKET

Over the past 15 years the music industry has changed radically. In most markets physical product sales have declined sharply, while revenues from digital services have grown rapidly. However, although revenues paid by digital services to record companies have increased, they have only recently started to offset falling CD sales. Overall the trade value of recording industry revenues in 2014 remained steady (revenues were down by 0.4 percent) at USD15 billion (www.ifpi.org/global-statistics.php). Of that total income, USD 6.9 billion (46 percent) came from digital services.

Probably the most striking feature of the digital marketplace in recent years has been the continuous innovation and diversification of services and business models. *A la carte* downloads provided by services such as Apple's iTunes, the model that led the way for digital online music

sales, have started to decline in many markets while subscription streaming services, led by Swedish Spotify and French Deezer, are surging ahead.

Global industry revenues from such subscription streaming services grew by 39 percent in 2014, which already represents 23 percent of all digital revenue. Combined, the subscription services paid USD1.6 billion in revenues to record companies and artists. Streaming income is expected to enjoy further strong growth in the coming years.

INTERNATIONAL COPYRIGHT SYSTEM UNDERPINS THE DIGITAL MARKETPLACE

All the largest online services operate in multiple territories, making it necessary for record companies to review their artist agreements to ensure they control all necessary rights in all territories. In turn, the services have had to secure licenses covering all territories in which they operate.

The emergence of so many new services and new operating models demonstrates both the efforts made by right holders and digital services and the resilience of the international copyright system.

Internationally harmonized rights – brought about, in particular, by the 1996 WIPO Internet Treaties – have facilitated the global expansion of digital music services. The legal and commercial certainty they afford at the international level has helped make it possible for digital services to launch and reach consumers in new markets.

Thanks to these treaties, the process of clearing and licensing rights in each of a large number of territories has been made easier. Also, because these rights are now broadly recognized, right holders have greater confidence in licensing their rights to digital services in new territories. The approach adopted by the drafters of the Internet Treaties to ensure broad, technology neutral communication to the public right (WCT, Article 8) and the right to make available (WPPT, Articles 10 and 14) has proven to be the right one. These exclusive rights apply equally to all types of transmissions – downloads, on-demand streaming and other types of interactive transmission – and ensure that right holders can negotiate fair terms with digital services across territories.

There is thus little doubt that interactive streaming services fall under the right holders' exclusive rights to communicate to the public or to make available. This too has made the licensing process simpler, clarifying who has the authority to license and which rights need to be cleared.

In contrast, there has been some uncertainty around the applicability of exclusive rights to certain new online



Photo: iStockphoto © saythe16

Data suggests that subscription streaming as a business model has the potential to support a sustainable music industry.

business models and practices, in particular as regards the aggregation and reuse of copyrighted material in the online environment. See, for example, the decision of the Court of Justice of the European Union in *Svensson v Retriever Sverige*, <http://tinyurl.com/pfa7odg>, and the critique of the decision by the ALAI executive committee at www.alai.org/en/assets/files/resolutions/2014-opinion-new-public.pdf.

In keeping with the principles applied in copyright more generally, exclusive rights should be interpreted broadly and right holders should be able to license all commercially relevant uses of protected content, including in the online environment. There is no objective justification for locally inventing and applying new criteria to limit the scope of rights in the online environment. Doing so would be contrary to the principle of technology neutrality. At the very least, such criteria should pass the three-step-test: the ensuing carve-out should be confined to special cases, should not conflict with the normal exploitation of the works, and should not unreasonably prejudice the legitimate interests of the right holder.

TIME TO REVIEW PERFORMERS' AND PRODUCERS' RIGHT TO BROADCAST AND COMMUNICATE TO THE PUBLIC

Looking to the future, there is a need to revisit the performers' and producers' right to remuneration for non-interactive, linear transmissions (WPPT, Article 15). As streaming services become an increasingly important sales channel for music, countries need to start taking heed of the Agreed Statement to Article 15 as follows:

"It is understood that Article 15 does not represent a complete resolution of the level of rights of broadcasting and communication to the public that should be enjoyed by performers and phonogram producers in the digital age. Delegations were unable to achieve consensus on differing proposals for aspects of exclusivity to be provided in certain circumstances or for rights to be provided without the possibility of reservations, and have therefore left the issue to future resolution."

There is no longer any justification for countries to limit the rights of performers and producers to broadcast and communicate to the public to a remuneration right, as per the minimum obligation in the WPPT and the 1961 Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Article 12). Today, sound recordings are used by a variety of businesses, from commercial broadcasters that use music to attract listeners and advertising revenue, to retail shops that use it to enhance customer experience and drive sales. Exclusive rights ensure a fair bargaining process and a level playing field between right holders and users of sound recordings.

Unless record companies are able to continue covering their costs and investing in new talent, all participants in the music value chain will lose out.

STREAMING IS A UNIQUE SALES CHANNEL

There has been some debate about how right holders are remunerated for the new streaming services. In this discussion it is important to understand that streaming services, whether on-demand services (Spotify) or personalized (MixRadio), are sales channels for recorded music. Today, streaming services fulfil the same function as CD sales in that both deliver recorded music to consumers.

Further, although revenues from streaming services are growing, they are yet to fully offset declining physical and download sales. Despite their promising revenue potential, with the exception of markets such as Sweden and Norway, new streaming services are yet to deliver overall market growth. The transition from physical to digital services is still ongoing.

One of the big differences between streaming services and more traditional sales (CDs or downloads) is the way right holders are remunerated. For CD sales and downloads, right holders receive an agreed fee upon the sale of a product regardless of whether the consumer listens to the music. In contrast, with the consumption-based model applied by streaming services right holders receive recurring income as content is consumed. They get smaller initial payments, but income accrues over a longer period of time.

ALL RIGHT HOLDERS BENEFIT FROM SUBSCRIPTION STREAMING

IFPI analyzed local sales data collected between 2009 and 2013 from three major music companies across 18 territories (outside the US and Japan) relating to payments made to locally signed artists. This analysis reveals that while companies' corresponding sales revenue declined by 17 percent, payments to artists dropped by just 6 percent. In other words, during a period when the industry was moving towards digital distribution and streaming models, artists' share of sales revenue increased by 13 percent. Overall payments to local artists across these territories during the period amounted to USD1.5 billion. The data also show that in Sweden, where subscription streaming has gained a significant foothold, artists received higher royalties from higher sales thanks to market growth driven by paid streaming.

These findings indicate that subscription streaming as a business model has the potential to support a sustainable music industry where revenue and the benefits of growth are shared in a fair and balanced manner. Any discussion about the fair sharing of benefits must recognize that record companies continue to be the main investors in

talent. They continue to foot the bill for the development of artists and the production, promotion and marketing of recordings (www.ifpi.org/resources-and-reports.php#/investing-in-music.php). These costs have not disappeared with the emergence of new sales channels. Unless record companies are able to continue covering their costs and investing in new talent, all participants in the music value chain will lose out.

BALANCE NEEDS TO BE RESTORED IN THE ONLINE MARKETPLACE

Different digital services use music and engagement with music to attract traffic and generate turnover. Music has been the rocket fuel for digital services, driving new services and innovation. But music right holders have not been able to benefit fairly from the increased engagement and use of their music. Instead of balanced, mutually beneficial growth, in parts of the digital marketplace only one party in the value chain is benefitting while others are worse off.

The fact that many digital services can use music without authorization or without needing to offer adequate payment for it is arguably driving this unwelcome development. The gap in the size and popularity between some large ad-supported content platforms and the payments they make to right holders is indicative of these ills. Consider the following IFPI statistics: in 2013 all free ad-supported services combined paid a total of USD 450 million to record companies; in 2013 YouTube, the largest and most popular ad-supported music platform, had over one billion unique monthly users. In contrast in 2014, Spotify, the largest subscription streaming service, according to its own statement, had 60 million subscribers and paid one billion US dollars to music rights holders. Apparently, some of the main ad-supported services are hiding behind "safe harbor" provisions which were originally granted to safeguard the interests of passive and neutral online intermediaries.

It appears that the legal framework, as applied in major markets, has created a situation in which some digital services engage in online distribution of music without seeking permission from right holders. Correcting this flaw, and restoring the balance between right holders and digital services and between different types of digital services, should be a high priority. Only then can we ensure a diverse and sustainable digital marketplace for creative content.

Safeguarding the income of musicians

By **Horace Trubridge**,
Assistant General Secretary,
British Musicians' Union,
London, United Kingdom

In the mid-1990s, technological changes started to transform the way we access and consume music. It became clear that creators operating in the digital marketplace needed additional safeguards. To this end, authors, performers and record companies ("phonogram producers") were granted the exclusive right to authorize or prohibit the use of their works "through interactive networks such as the Internet." The so-called "making available right", as contained in the WIPO Copyright Treaty (WCT), the WIPO Phonograms and Performances Treaty (WPPT) and more recently the Beijing Treaty on Audiovisual Performances, seeks to enable new uses of protected content in the digital marketplace and to help right holders fight piracy.

But despite the best of intentions, many believe the way this right is now being applied is failing performers because of the dynamics of the music industry. A growing number of musicians are calling for the right to be reviewed to ensure it serves its intended purpose, namely to deliver an income stream for artists in the same way that the very successful right to equitable remuneration does.

Legislators and academics have long held the view that the most valuable rights afforded to performers are exclusive rights, such as the right to reproduce and distribute a work. These rights have value, can be traded and, until recently, had to be specifically assigned to allow third parties to exploit them.

The problem for featured artists is that once these exclusive rights have been assigned to a record label, they are subject to the terms of their recording contract with the record company.

ARTISTS ARE NOT GETTING THEIR FAIR SHARE

In almost all cases, no money flows to artists from the exploitation of their exclusive rights until they have paid back – through royalties from the sale of recordings – all of the money that the record label has either advanced to them or paid out in recording costs. The grim reality is that most artists never recoup these sums and never see any artist royalties. That, however, does not mean that the record label does not make any money from this arrangement.

In simple terms, if the artist is advanced GBP100,000 to cover recording costs and a personal advance, and goes on to sell 50,000 records earning a royalty of GBP50,000, the artist still owes the record label GBP50,000.

The record label's share of proceeds from sales will typically be three times greater than that of the artist. So while the artist still owes the label GBP50,000 the label has earned GBP150,000 and is GBP100,000 up on the deal.



Photo: iStockphoto © ola_p

Musicians' unions are lobbying for a fairer share of digital income for performers.

THE JEWEL IN THE ARTIST'S CROWN

In 1996 performers in the UK were granted the right to equitable remuneration for the public performance and broadcast of their recordings (often referred to as “fixed performances”). This right cannot be assigned to a third party and cannot be swept up in recording contracts. As such, performers enjoy royalty payments from the very first airplay of their recordings. In the UK, this right is administered by the music licensing organization PPL. The money that PPL collects from license holders and distributes to performers has become an essential income stream for featured and non-featured artists alike.

In the early years of their careers, artists are extremely vulnerable to third parties seeking to bind them to long-term contracts requiring them to sign away all their rights.

The balance of power in the negotiation between a fledgling artist and a major record company is so heavily weighted towards the record company that the artist rarely comes out with a favorable deal. The record company typically sweeps up all assignable rights in the recording contract to recoup any and all expenses associated with making and promoting the artist's recordings. Any personal advance received by the artist is often swallowed up in repaying loans and buying better equipment. This leaves them reliant on the income from live performances and from the right to equitable remuneration to survive. The equitable remuneration right has become the jewel in the crown of performers' rights because it is non-assignable under the law.

NEW BUSINESS MODELS THROW UP UNFORESEEN ISSUES

The valuable making available right was granted to performers and producers in 1996 through the WPPT, and introduced in the European Union in 2001. Streaming services such as Spotify and Deezer did not exist back then. No one could have predicted that they were on the horizon, let alone that they would become so popular.

The making available right was implemented when music lovers were turning to iTunes and other digital platforms to purchase and download their music. It was brought in to deal with this change in consumer behavior, and did so effectively. Many countries (including the UK) implemented the making available right as an exclusive right, assignable to a third party.

Record labels throughout the world assumed that the making available right was among the rights normally included in their contracts with artists, paying them the same royalty rate as that paid for a physical sale. Whether the record companies have a legal right to assume such assignment of the making available right is questionable and the subject of ongoing legal challenges in the Scandinavian courts.

Agreements between record companies and artists traditionally include clauses conferring “all rights existing now or that come into existence in the future in all territories of the world, the universe and its satellites” to the record company. The labels are relying on this wording to defend their assumption of ownership of the making available right.

EXCLUSIVE RIGHTS VERSUS NON-ASSIGNABLE RIGHTS

Had the right to equitable remuneration been implemented as an exclusive right, doubtless the assignment of that right too would have been assumed by the labels. Leaving aside this question, paying an artist the same royalty for the sale of a digital download and for a physical sale is clearly unfair. A record company incurs substantial costs in selling physical products, including manufacture, storage, transportation and distribution, but in the sale of a digital download these costs disappear. The cost of sending a sound file to a digital platform is miniscule, yet the labels maintain that it is fair to pay artists the same royalty as that paid on CD sales.

And poor royalty payments become an even bigger problem when the making available right is applied to streaming services.

The cost of sending a sound file to a digital platform is miniscule, yet labels maintain it is fair to pay artists the same royalty as that paid on CD sales.

THE RISE OF STREAMING SERVICES

Streaming is a phenomenal success. It offers music lovers the opportunity to access an enormous catalogue of music either free (supported by advertising) or at a very low price (GBP9.99 a month in the UK). Moreover, there is growing evidence that at last, these platforms are leading people away from illegal sites and helping to reduce music piracy. This is all very good news for the music industry. But of concern to performers is the fact that record labels are now applying the making available right to streaming services.

Music streaming is a very different service from download-to-own services like iTunes. It is also a very different consumer experience.

In reality, streaming services are a sophisticated version of radio; radio for the new generation, if you like. Consumers using Spotify do not feel they are purchasing the music they listen to in the way they do when using iTunes. The experience is more akin to listening to a broadcast and yet, because listeners can tune in at any time and any place, the law treats streaming as a form of making available.

Lawyers tell us that the fact that the listener can pause, skip, and so on means that streaming cannot be classed as a broadcast, only as making available. Hmm, really? The fact is that the most popular services on Spotify are the curated playlists where the listener chooses, for example, “dinner jazz” or “fitness” and a selection of music is then streamed to their device. The listener only knows the type of music (not the specific tracks) he or she will be listening to. Is that any different from listening to Jazz FM or Planet Rock or even the chart show? When you listen to the chart show on the radio, you may well know exactly what songs you are going to hear, you just don’t know the order of play. As a consumer experience, is that any different from listening to the curated REM playlist on Spotify?

A FAIR SHARE FOR MUSICIANS

Another important point to consider is the impact of streaming on radio as we know it today. As mentioned above, the right to equitable remuneration has become a significant source of income for performers whose work is broadcast over the airways. But with young people increasingly turning to YouTube and streaming services to listen to music on their portable devices, will the popularity of radio wane? If it does, the license fees collected by PPL from broadcasters and others will decline over time, as will the money due to performers from the right to equitable remuneration.

A future where record companies continue to put streaming royalties on a par with those for physical sales, and where income flowing from the right to equitable remuneration diminishes, is very bleak for performers.

A FIFTY-FIFTY SOLUTION

How do we fix this? There is growing pressure to change the way the making available right has been implemented in various countries. In late 2014 unions representing performers, featured artist coalitions and performers’ collecting societies met in Budapest, Hungary, under the auspices the International Federation of Musicians (FIM) and agreed to lobby for a fairer share of digital income for performers. This group believes that if the making available right is to deliver a guaranteed income stream to performers – the underlying reason for its creation – it needs to be changed.

We believe that 50 percent of the making available right should be an equitable remuneration right, non-assignable and administered by a collecting society, with the other 50 percent being an exclusive right assignable to the record company. This would ensure that performers receive income from digital sales and streaming regardless of whether they have an outstanding balance with their record label. For their part, record labels would be able to recoup their investment from royalties assigned to them under the exclusive right.

The major record companies have lost a huge amount of money as a result of piracy and illegal file sharing. But now that consumers are choosing streaming instead of “free” sources, it would be a crying shame if the majors were allowed to continue to claw back their losses from the pockets of performers.

Photo: Ben Producers



SKYFALL

007^F

COMING SOON

IN IMAX



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#Skyfall

EXPERIENCE THE WORLD'S LARGEST SCREEN



Music and the movies: an interview with Randall Poster

By Catherine Jewell,
Communications Division,
WIPO

What was the last film soundtrack you listened to? We can all agree that it is hard to imagine watching a film without music. Music heightens our emotional experience of a film. It makes the mundane magical, adding a poignancy and richness to visual images, drawing us into a different reality. Music shapes the mood of a film, bringing an intensity of color and meaning to characters, dialogue and stories that could not otherwise be achieved.

The task of identifying, selecting and combining music with the visual aspects of a film falls to the music supervisor. With a broad knowledge of music and music licensing, a music supervisor effectively acts as a bridge between the creative and business aspects of the film-making process. It is a role that Randall Poster has filled for more than 20 years, to great acclaim. He has supervised the music for well over 100 films, including the recent hits *The Grand Budapest Hotel*, *Boyhood* and *Still Alice*. He explains the different dimensions of his work.

What are the key elements of your role as a music supervisor?

I work with the director and the producer to develop and execute a musical strategy for the film. What I do in the process of making a movie depends on its inherent musical character. Some movies have a very strong and dynamic on-camera musical element with actors or musicians performing on camera; but for others, the challenge is to identify the right musical sound for the film. Beyond that, my responsibilities extend to obtaining the rights and licensing all of the music that we use in the film. The professional challenge with every film is to make sure that it is satisfying both creatively and financially.

How did you go about becoming a music supervisor?

I have always been into pop music, record collecting and going to the movies. After I graduated from college, some friends and I decided to make a movie. It was called *A Matter of Degrees*. We developed it at the Sundance Institute and did a big soundtrack with Atlantic Records. The movie itself didn't fare very well commercially, but in making it I realized that I really wanted to work with great film directors and that if music was my focus, it would be possible to do so. Thankfully, it worked out that way.

Randall Poster has worked as a music supervisor for more than 20 years, identifying, selecting and combining music with the visual aspects of around 120 films including *Skyfall*.

What was the first movie you worked on as a music supervisor?

The first two movies I worked on were *Kids* written by Harmony Korine and directed by Larry Clark and *The Crossing Guard* written and directed by Sean Penn. They were both released in 1995. Since then I've worked on around 120 films. While there are certainly similarities, each film and each experience has a bit of its own DNA.

Of all the films you have worked on, which one stands out and why?

There are so many films to which I feel deeply connected, but the great break in my career was when I managed to start working with directors who kept making movies. I have worked on eight Wes Anderson movies (including *The Grand Budapest Hotel*), eight films with Todd Phillips (including *The Hangover*), six films with Todd Haynes (including *I'm Not There*). And for around 10 years now, I have also been working with Richard Linklater (including *Boyhood*), Sam Mendes (including *Skyfall*), and Martin Scorsese (including *The Wolf of Wall Street*). What sticks in my mind are the ongoing relationships I have with these filmmakers.

What do you most like about your job?

What I most enjoy are the moments of musical discovery, when a fortuitous marriage of music and image enhances the moment in an unimaginable way – when the musical element brings something to life and brings context to a cinematic moment that had been dormant.

How would you characterize the role of music in film?

It is hard to imagine a movie without music. I would only condemn my enemies to watching movies without music! Music plays a different role in different films. Sometimes it is used to set a story in a particular time frame or era. Sometimes music is the motor that drives the story forward. Sometimes it is a moment of emphasis or a moment of clarification.

How do you go about researching and discovering music?

Once I have a brief from the filmmaker, I research by any and all available means. The story is the guide but there is also a certain instinct in terms of whether something is going to work or not. I may go back to period journals, read critics, look at the old charts or interview people who are experts in a particular area. I work very hard to remain current in terms of what is happening musically.

It is actually quite hard work to identify the right piece of music. It is not really a science, more of an art and there is always the compulsion to defy your own instinct and to try something that does not seem or feel obvious. I always like to try using music in different ways to see what happens. There is a certain unpredictable alchemy that occurs. It's quite fascinating.

I also access music through all media. The digital revolution has certainly made my life easier in terms of getting hold of the music I am looking for. When I think of a song for a scene, I can get it on iTunes, I can look at it on YouTube or I can order it on Amazon. Generally, I like to buy music, because I need to be able to work with it for the picture.

Beastie Boys verdict underscores the importance of clearing IP rights

By **Linda J. Zirkelbach, Esq.**,
Venable LLP, Washington D.C., USA

Launching an advertisement, production, or publication without obtaining the necessary third-party intellectual property (IP) rights can have costly consequences. A jury in the United States District Court for the Southern District of New York recently awarded the Beastie Boys and related plaintiffs USD1.7 million in a lawsuit against Monster Energy for using Beastie Boys music and references to the Beastie Boys without proper permission.

BACKGROUND

Monster Energy ran a promotional video on its website that used portions of five Beastie Boys songs as the soundtrack and included other references to the group. The remix of Beastie Boys songs used in the video came from a DJ using the name “Z-Trip” who had a 2011 agreement with the Beastie Boys to create the remix and use it as a free promotional item. Z-Trip did not have the right to sell or license the remix, or to authorize third parties to use it.

In 2012, Monster Energy used Z-Trip’s remix in its promotional video, and a Monster Energy employee sent the video to Z-Trip for review. He responded “Dope,” and Monster Energy later claimed it believed Z-Trip granted Monster Energy the necessary rights to use the remix in its video. However, Monster Energy never obtained authorization from the actual rights-holders to the musical compositions or the sound recordings.

The jury found Monster Energy’s actions to be willful copyright infringement as well as a false endorsement under the Lanham Act (the US Trademark Act) and awarded USD1.7 million in damages. The federal court in New York recently denied Monster Energy’s post-trial motions for judgment as a matter of law, a new trial, and a reduction in damages.

COPYRIGHT INFRINGEMENT

In a lengthy opinion and order denying Monster Energy’s post-trial motions, the court made a number of findings regarding Monster Energy’s copyright infringement. The court found that the jury had sufficient circumstantial evidence of Monster Energy’s “reckless disregard” of the possibility that the video infringed on the Beastie Boys’ copyrights to find the infringement to be “willful” and therefore award more significant damages under the Copyright Act. In so holding, the court found that the

Monster Energy employee responsible for the matter had experience securing approval of other artists' music for similar videos, so a reasonable jury could find that he was aware of the legal duty to secure the Beastie Boys' approval and recklessly disregarded that duty. The court noted that the employee asked DJ Z-Trip's permission to use the remix in the video arguably meant that he understood the need to obtain some sort of authorization.

The court found that the actions of a second Monster Energy employee, the Director of Interactive Marketing, who failed to investigate proper licensing before posting the video, also constituted reckless disregard by Monster Energy. The court underscored that, the Director of Interactive Marketing was familiar with music licensing procedures, and his job responsibilities required sensitivity to others' IP rights in the sponsorship-type deals he handled. The court noted that the director had also produced and updated Monster Energy's social media guide and he had been vigilant in protecting Monster Energy's own IP rights.

Monster Energy sought to depict its infringement as sloppy, but non-willful, acts of two employees, but the court noted that Monster Energy had not performed any training of its employees related to the use of copyrighted or trademarked content. The court found that Monster Energy had no comprehensive music licensing policy, tasked unqualified and untrained employees, and protected its own IP rights with far more vigor than it did others' rights.

FALSE ENDORSEMENT

The court made several holdings regarding the false endorsement claim under the Lanham Act. First, the court found that the jury could have reasonably concluded that the video contained a false or misleading impression that the Beastie Boys endorsed Monster Energy, which they did not. Second, the court found that consumers were likely to be confused by the false or misleading representation. The court also held that a jury could reasonably conclude that Monster Energy's actions were "intentionally deceptive," that

the Monster Energy employee intended that viewers of the video regard the Beastie Boys as equal subjects of the video along with Monster Energy, and that Monster Energy used the Beastie Boys music and marks with the intention of capitalizing on the Beastie Boys' reputation and goodwill.

THE BOTTOM LINE

Monster Energy's legal battles are not over. As of this writing, Monster Energy has filed a notice of appeal of the court's decision. The Beastie Boys have filed a motion for an additional USD2.4 million in attorneys' fees and costs, which the court is considering. Capitol Records, LLC, the co-owner of the copyrights in the sound recordings, and Universal-Polygram International Publishing, Inc., the co-owner of the copyrights in the various musical compositions written by the members of the Beastie Boys, have now sued Monster Energy in a related case, which has been stayed pending final disposition of the appeal.

These lawsuits highlight the importance of having IP rights cleared before launching any new production, advertisement, or publication. Many potential pieces of third-party content may need to be cleared for your production, including music, still photos, video footage, individual likenesses and testimonials, and the use of others' trademarks. Some of the rights clearance issues can be more difficult than you might expect.

3D printing is here to stay!

By **Catherine Jewell**, Communications
Division, WIPO



Photo: Olaf Diegel

The world's first live concert featuring a band playing 3-D-printed instruments took place in September 2014 at Sweden's Lund University. The instruments, a drum, keyboard and two guitars, were the brainchild of the University's Professor of Product Development in the Faculty of Engineering, Olaf Diegel. The Professor, a keen 3-D print technology enthusiast, believes it offers huge potential to break down barriers to innovation and improve product design.

"I started printing musical experiments just as a fun experiment to see if it was possible," he explains. "After I finished my first one, I was amazed at how well it seemed to work, so started to blog about it on my website. People responded very favorably and asked if they could buy them. That spun-out into a little hobby-business." His company, ODD Guitars (www.odd.org.nz), offers "a range of personalizable, customizable guitars that explore the limits of 3-D printing technologies and applications."

3-D-PRINTED INSTRUMENTS PRODUCE GREAT SOUND

To date, Olaf Diegel has printed around 12 electric guitars, including bass and semi-acoustic versions. He is very pleased with the results. "They sound every bit as good as conventionally made wooden guitars. The vast majority of the sound is affected by the pickups and electronics and even the age of the strings. Though the material of the body has a very small effect on how the strings vibrate, it doesn't affect the sound in either a positive or negative way. I was surprised by my first semi-acoustic [guitar], because it has a hollow body chamber, and that does actually amplify the acoustic sound quite nicely. Even fully 3-D printed acoustic guitars sound great! They don't sound the same as a wooden guitar or an Ovation plastic-backed guitar, but somewhere in between."

He has also printed a drum-kit and casing for a digital piano.

Inspired by the vibrancy and energy of New York, Olaf Diegel designed the Americana (left). So far he has printed some 12 electric guitars, including bass and semi-acoustic versions, a drum-kit and the casing for a digital piano. He is also working on a 3-D printed saxophone.



Photos: Olaf Diegel



Unlike conventional manufacturing, 3-D printing technologies offer “complexity for free” and huge scope for customization.

Musicians are usually very conservative when it comes to their instruments, but Olaf Diegel says their response has been good. “At first, they are always a little bit suspicious about a guitar with a 3-D-printed body, but once they try them, they are blown away by how well they play and how good they sound, so it’s not hard to convince them.”

DIFFERENT 3-D PRINT TECHNOLOGIES OFFER DIFFERENT PRODUCTION OPTIONS

A range of technologies are used to 3-D print a product (see www.wipo.int/wipo_magazine/en/2013/02/article_0004.html). Olaf Diegel uses selective laser sintering (SLS). “It gives me the strongest parts that will not degrade over time, while at the same time allowing me a high level of detail inside the guitars. I have dropped the guitars quite a few times, with no problems at all, except for the occasional scratch to the paint job,” he explains. Designing one of his guitars can take anywhere from a few days to a few weeks, depending on the complexity of the design. It takes 11 hours to print and “between a day and a few weeks depending on how intricate the paint job is” to complete it.

“There are huge differences between home 3-D printers (smaller printers that typically cost under USD5,000) and industrial 3-D printers that can cost hundreds of thousands,” he says. “Both are absolutely fantastic but serve very different purposes. The desktop machines are great for stimulating creativity and testing ideas, but are generally not of a quality that is good enough to produce sellable products.” To do that, he says, requires more expensive industrial machines, such as those which can be accessed through an expanding number of online 3-D printing services, including cubify.com and shapeways.com.

3-D PRINTING IS HERE TO STAY!

Olaf Diegel is convinced that this new technology represents an enduring change. “3-D printing is absolutely here to stay!” But he emphasizes that it is intended to complement rather than replace conventional manufacturing. “If used for the right reasons, it can offer enormous added value to many products,” he says. “It is really important for us as engineers and designers to understand what the advantages of 3-D printing are, when to use them, and how to design for them to maximize the benefits.” This, he notes, means re-thinking the approach to design. “Engineers and designers need to learn a new design skill when designing for 3-D printing. If you design in the same way you did for conventional manufacturing, the 3-D printing does not offer a huge advantage (except for prototyping).”

COMPLEXITY FOR FREE

3-D printing builds up a product layer by layer, offering designers a number of advantages over conventional manufacturing. “The two biggest advantages of 3-D printing are complexity for free – this is what allows me to make incredibly complex shapes inside the body that just would not be possible with conventional manufacturing – and the ability to customize every guitar I make for the musician to give exactly the look and feel they want,” Olaf Diegel explains.

While more and more companies are integrating 3-D print technologies into their manufacturing and marketing processes, one of the main uses to date has been rapid prototyping. Olaf Diegel says this proved useful in developing 3-D-print versions of complex instruments, such as the saxophone. “My first attempt was pretty mediocre, but that prototype gave me enough information for version 2 to hopefully be perfect.” He is also keen to experiment with printing instruments traditionally made of wood. “3-D printing could offer some real advantages. It would, for example, be possible to have the wind flowing through interesting shaped chambers that affect the sound, or split the wind into several chambers and have, say, a flute that plays entire chords.”

IMPLICATIONS FOR INTELLECTUAL PROPERTY

How might 3-D printing affect the way in which companies protect their intellectual property (IP) rights? “It is certainly an issue that companies entering the arena need to think about. Many people are already working on various technical, software and systems solutions. Much as we have overcome the same problems with music, though systems such as iTunes, we will need to find similar mechanisms for protecting 3-D print data in the future.”

Olaf Diegel started 3-D printing instruments in 2012. His small start-up, ODD Guitars, enables him to continue to indulge his passion for innovation and his love of music. He has a soft spot for Rockabilly – “such good fun to play” – and Brian Setzer and the *Stray Cats*. Listen out for some new sounds from Lund University’s student bands in the coming years.

Japan and the US join International Design System

By **Catherine Jewell**, Communications Division, WIPO



US Ambassador Ms. Pamela Hamamoto deposits her country's instrument of accession with WIPO Director General Francis Gurry.



The Ambassador of Japan, Ms. Misaki Kaji and Deputy Commissioner of the Japanese Patent Office, Mr. Yoshitake Kihara hand over their country's instrument of accession to WIPO Director General Francis Gurry.

Earlier this year, two of the world's biggest economies joined a WIPO-administered system that supports product designers around the globe. Japan and the United States (US) acceded to the Hague System for the International Registration of Industrial Designs, extending its coverage to 64 countries. WIPO Director General Francis Gurry heralded this as an "extremely important" development. So what does it mean?

EASIER ACCESS TO NEW MARKETS

"Designers in Japan and the US can now readily protect and promote their industrial designs in dozens of other countries around the globe that are Hague members, and designers in those countries now have easier access to protection in two of the largest global economies, Mr. Gurry explained. "This is a win for businesses and designers everywhere and signals a major advancement of one of WIPO's premier registry services."

The accession of Japan and the US is "good news for the long-term growth of the Hague System," said Grégoire Bisson, Director of WIPO's Hague Registry. "It means that more users will be in a position to take advantage of the system."

The Hague System provides a practical business solution for individuals and companies seeking to protect their industrial designs internationally. By filing a single application under the System, right owners can secure protection for their designs in all participating countries, avoiding the time and expense of having to file multiple separate applications with different national or regional IP offices.

THE HAGUE SYSTEM BECOMES MORE SOPHISTICATED

The 1999 Act of the Hague System – by which most members of the System are legally bound – allows for countries with examination systems as well as those with registration systems to join the Hague System. As Mr. Bisson noted, both Japan and the US operate examination systems to ensure applications meet certain legal standards, such as novelty. "Like the Republic of Korea, which joined in July 2014, the US and Japan have sophisticated national regimes, and users will need to comply with the substantive legal requirements of these jurisdictions when using the Hague System," he said.

WIPO is enhancing its online tools to help users understand the additional requirements associated with seeking design protection in these two new jurisdictions. “We are developing an intelligent e-filing interface that will guide applicants designating these jurisdictions to ensure no formal omissions or mistakes are committed in filing an application. We want to ensure the System remains as user-friendly as possible,” Mr. Bisson said.

POSITIVE LONG-TERM IMPACT

These developments, Mr. Bisson believes, will have a positive impact on the way applicants handle their applications and value their design rights. “Up to now, applicants may not have always given a great deal of thought to the information they disclose in their applications as they were mainly targeting jurisdictions which do not require intellectual property offices to look at this aspect of an application for design rights. This, however, is a practice that could backfire when seeking to enforce their international registration in the courts. The greater rigor required by the Korean, Japanese and US systems promises to improve the overall quality of international applications, especially in terms of the way in which designs are represented in applications. This, in turn, will help raise awareness about the value of design rights.”

GROWING GLOBAL INTEREST IN DESIGN RIGHTS

Global interest in design rights as a means of creating value continues to grow. For example, in 2013, applications containing 1.24 million designs were filed worldwide (see www.wipo.int/edocs/pubdocs/en/wipo_pub_941_2014.pdf). In 2014, despite a slight decline in the number of international applications, the number of designs contained in applications filed under the Hague System increased to 14,441, representing year-on-year growth of 9.6 percent. As the Hague System expands to include more countries, use of it is likely to grow still further, making it a more accurate indicator of international design activity.

“Design is an increasingly important part of innovation,” noted WIPO Director General Francis Gurry at the accession ceremony in February. “It is the way in which increasingly products are differentiated, and consumer approval is won. It crosses all sectors of industrial production.”

“Today, more and more technology is open-source, cross-licensed or shared – there are no bad cars, no unreliable watches or smartphones that don’t work,” said Mr. Bisson. “In this context, the aesthetic appeal of a product, its design, is the basis of business competition. This means that companies are placing greater importance on obtaining design protection.”

He explained that disputes between “innovative design juggernauts” such as Apple and Samsung over design rights are relatively rare; design rights are more often used by right holders to ward off illegal business operations. “When you flash a design registration certificate in front of fly-by-night counterfeiters dealing in knock-offs and fake spare parts, they have no interest in going to court or negotiating a license, they simply move on. That’s one of the greatest advantages of having a registered design right.” And in addition to their deterrent value, “design rights are a tool by which businesses can establish their credibility among potential business or investment partners”.





Photo: Hermès

Some 14,400 designs were filed under the WIPO-administered Hague System for the International Registration of Industrial Designs in 2014, representing year-on-year growth of 9.6 percent. This scarf is one of many product designs registered under the System by French fashion house, Hermès.

A SMART BUSINESS SOLUTION

The Hague System offers companies and individuals a smart business solution. By filing a single international application, users can seek rights in multiple jurisdictions. For example, “users can designate the European Union and obtain the same rights as those they would acquire if they filed directly with the Office for Harmonization in the Internal Market (OHIM) or national offices of any other Hague member country,” said Mr. Bisson. “The result is that you get one single registration for all the territories designated in an application.” But that is not the end of the story. “The advantages of a simple and unified filing procedure enjoyed at the outset continue to be enjoyed throughout the life of a registration,” Mr. Bisson explained. “The Hague System takes the heartache out of managing issues such as changes of address, renewing rights or assigning them to a third party. This is the real beauty of the Hague System.”

AN EFFICIENT AND COST-EFFECTIVE OPTION

The average turnaround time to register a right under the Hague System is around nine days (down from 20 days four years ago). Using the System offers substantial savings not only with respect to filing fees but also in relation to agents’ fees. Outside of the System users need to appoint local legal representation to prosecute their applications before a national IP office.

While local IP professionals may no longer be required to represent an applicant under the Hague System, they can benefit from new revenue streams. “In many jurisdictions, the level of non-resident applications is low, and has huge growth potential,” Mr. Bisson observed. He explained that as the Hague System expands and fosters demand for non-resident protection locally, applicants are likely to turn to IP professionals for assistance in handling matters such as a refusal by a local office, or an opposition procedure (when a third party claims rights should not be granted) or enforcement actions (from cease and desist letters to negotiations and infringement actions to border measures). On the brighter side, they may also look for help in concluding licensing and technology transfer agreements. “The whole idea behind seeking design rights is to expand business,” said Mr. Bisson. “And this will create opportunities for new lines of business for the local IP profession.”

With two of the world’s largest economies on board and a number of other major players – Canada, China, Israel, Mexico, the Russian Federation and certain Asean countries – seriously considering Hague membership, the future looks bright both for the System and for product designers seeking international protection around the world for their innovative designs.

For more information about The Hague System see: www.wipo.int/hague/en/



Photos: Swatch AG

In 2014, Swatch AG was the top user of WIPO’s Hague System for the International Registration of Designs.

Tackling multi-drug resistant tuberculosis: lessons in technology transfer

By **Catherine Jewell**, Communications Division, WIPO

In a world with major health challenges, debates about access to medicine are understandably emotionally charged. While intellectual property (IP) is sometimes perceived as a barrier to access, the reality is more complex. A case in point is the experience of Eli Lilly in transferring its technology to produce two second-line therapies to treat multidrug-resistant tuberculosis (MDR-TB). Under the Lilly MDR-TB Partnership, the pharmaceuticals giant was able to take IP rights and pricing out of the access equation. But it still took 12 years to ensure a sustainable local supply of their drugs.

Iain Richardson, Senior Director of Global Diabetes Manufacturing at Eli Lilly and Company, was responsible for steering its largest ever philanthropic undertaking to a successful conclusion. He discusses some of the key lessons learned in transferring pharmaceutical technology to middle and low income countries.

How did the Lilly MDR-TB Partnership come about?

In the mid-1990s, Lilly's production of cycloserine and capreomycin – antibiotics against TB – was small and sporadic and about to be phased out. But a study undertaken in 1996 by the non-profit organization Partners in Health (PIH) demonstrated that multi-drug-resistant TB could be successfully treated in a resource-poor setting using these drugs as part of a cocktail of drugs. PIH's study achieved unprecedented cure rates of over 80 percent.

These findings, coupled with evidence of alarmingly high prevalence of MDR-TB, sparked a major public health debate, and fuelled interest in cycloserine and capreomycin. But with an estimated 450,000 new cases of MDR-TB per year, Eli Lilly did not have the capacity to produce the volumes required, nor could effective generic versions of these drugs be sourced anywhere else.

The company, concerned about this looming health crisis, hit on the idea of building capacity closer to patients. If we could find partners in the four hardest-hit countries – China, India, South Africa and Russia, which account for 60 percent of MDR-TB cases worldwide – we could increase global capacity, lower manufacturing costs and provide better access to locally produced medicines. With this in mind, in 2003 the Lilly MDR-TB Partnership was launched.



Photo: Eli Lilly and Company

The process of transferring the technology of international quality assured drugs which are safe and effective is a complex, resource-intensive and time-consuming undertaking.

MDR-TB is a very difficult disease to treat. Patients face a long, complex and difficult treatment regimen with vicious side effects that is usually administered directly by a healthcare professional.



Photo: Mehau Kulyk / Science Photo Library

What was your strategy?

We knew that the process of transferring our technology was going to take time because of the complex processes involved in making cycloserine (fermentation) and capreomycin (lyophilization or freeze-drying). Each requires sophisticated equipment, specialist knowledge and adherence to good manufacturing practices. As a first step, we ramped up our internal capacity to help meet immediate needs and made the drugs available at heavily discounted prices. In a health crisis, when rapid access to treatment is a priority, a short-term solution can bridge the time it takes for the relevant technology to be transferred and for partners to become operational. That is what we sought to do.

How do you justify this approach?

Our objectives were purely philanthropic. Initially we committed USD70 million, largely to cover the discounted pricing. Twelve years later we are working with multiple stakeholders in a number of programs to improve access to quality-assured MDR-TB drugs. To date we have committed USD170 million in cash, medicines and support to our partners' programs and to the companies making these drugs. We even extended no-strings capital investment grants to them to reduce their capital expenditure and help relieve pressure on drug pricing. We are also training healthcare professionals and working to improve public awareness about MDR-TB and treatment access.

Was it difficult to find suitable partners?

It was tough, but we knew there were capable and committed partners in the four target countries. We understood the crucial importance of developing a solid relationship with committed partners. We had to get a sense that they had what it takes to make it through WHO pre-qualification (a WHO service that ensures medicines supplied by international procurement agencies to resource-limited countries meet acceptable standards of quality, safety and efficacy). We gave them whatever they needed to be able to produce these drugs, and they didn't disappoint. For example, thanks to our efforts and the commitment of our Russian partner, JSC BIOCUM, the company is the first and only Russian facility to have received WHO pre-qualification for any drug.

What were the key lessons learned from the technology transfer process?

In 2003 we were blazing a new trail. We soon discovered that the process of transferring technology of internationally quality-assured drugs is complex, resource-intensive and time-consuming. Medicines are unique because they

must be produced according to stringent manufacturing standards to ensure safety and efficacy. Many low and middle-income countries operate standards of international quality assurance. Upgrading their operations to meet these standards is of overriding importance but takes significant effort, involves on-site training and is an expensive and lengthy process.

The technology transfer process also threw up a number of technical challenges. No two pharmaceutical facilities are identical and subtle differences, for example in the configuration of piping or the way valves open and close, can make a huge difference to a drug's consistency and quality. On top of this, the chemistry of cycloserine (patented in 1956) and capreomycin (patented in 1962) was rather old, as were our production processes. This meant we needed to do more work on them to overcome some of the difficulties we encountered.

Is local production always the right way to go?

No one size fits all. Not all countries have the necessary technical or operating capacity or a sufficiently large market to be able to achieve the economies of scale needed to lower prices. Many factors come into play, but in our case it made sense to have local champions in markets with the highest MDR-TB prevalence. For example, in China, a country with a huge market, our partner, Zhejiang Hisun Pharmaceutical Company Limited, has succeeded in registering and producing these drugs and at lower prices than in the past. This is a major breakthrough for MDR-TB patients in that country.

What IP challenges did you face?

IP rights as such were not an issue because both cycloserine and capreomycin were off-patent. But IP in the broader sense of expertise and know-how played a critical role. We took our scientists, engineers and operations people to our partners' plants and we also brought them to our facilities so they could observe the manufacturing process directly. We also offered training in good manufacturing practices and environmental health and safety. We gave our partners whatever they needed. In this respect IP was significant because they each had unique challenges that we needed to help them overcome. This type of IP can be more valuable than patent documents. All the same, ramping up access was a slow process, but it has led to a much broader program of access today which we are committed to further improving.

What were the main business challenges?

When Lilly undertook the technology transfer, a central aim was to help ensure a global supply of quality-assured

MDR-TB medicines. But, notwithstanding a huge medical need, there was simply no market for these drugs. Despite its potential to build local, self-sustaining infrastructure, lower costs and ensure a ready supply of medicines, local production can be held back by a variety of supply-chain issues. For example, the MDR-TB drug market is highly fragmented with multiple small-scale buyers. The Global Drug Facility is the most prominent purchaser, but represents a relatively small market compared to that for other medicines. This means it is difficult for manufacturers to scale-up production in a way that would enable them to reduce prices. There are also a number of treatment regimens for MDR-TB, which effectively shrinks the market for any one treatment element. Other factors also make it difficult for manufacturers to predict demand including incomplete MDR-TB data as well as gaps in funding (up to USD3 billion per year according to WHO) and complex and often rigid funding arrangements. Such uncertainties can deter manufacturers from entering the market or from participating in technology transfer projects.

Against this backdrop, to bring our business partners on board, we had to be sure that they understood the market value of the drugs they would be producing and were assured of a return on their investment. While our motives were philanthropic, for our partners, it was business. They had to make money out of the partnership.

Is technology transfer the key to treatment access?

Our experience shows that that technology transfer is no panacea for access to treatment. There are many cogs to the access wheel. Within the TB environment, the availability of medicines is important for sure, but there are so many intertwining cogs that need to be addressed simultaneously for the engine to run. Global health programs need to be firing on all cylinders. Technology transfer is hard work. It is long, it is expensive and you have to have a sustainable business model for it to succeed. But it is achievable, and more importantly is one part of a much bigger puzzle. Within the TB environment, I think the greatest challenge is investment in health systems. It is a terrible thing to find patients, diagnose them and be unable to treat them.

MDR-TB is a very difficult disease to treat. Regular TB can be cured after six months with the right treatment. But if more resistant strains develop (due to poor diagnosis, inappropriate or incomplete treatment), that is a different

ball game. MDR-TB patients face a long, complex and difficult treatment regimen that is usually administered directly by a healthcare professional. Treatment takes 18 to 24 months, patients have to take multiple drug cocktails every day, and the side effects are vicious. While the diagnosis of MDR-TB is improving, huge numbers of people living with MDR-TB still go undetected. There are many factors involved in getting people access to the care they need, but a lack of investment in healthcare infrastructure, systems and personnel is a serious bottleneck that needs to be addressed if we are to make headway in tackling this pernicious disease.

What changes would you like to see in the regulatory environment?

I think there is an urgent need to simplify and streamline regulatory processes to remove existing bottlenecks across the value chain. For example, at present, in many countries pharmaceutical companies face a double regulatory burden. To be able to supply drugs through the Global Drug Facility they need to gain international quality assurance approval from a recognized stringent regulatory authority or secure WHO pre-qualification status. They also often need to register with national authorities and fulfil a variety of other requirements. Every additional regulatory or procurement-related step required to bring a drug to market adds time and cost for the manufacturer and delays access to treatment.

What message do you have for policymakers?

Too many people living with MDR-TB are not receiving the treatment they need. If MDR-TB is not treated with a full course of effective drugs, the disease will continue to spread. Without the right healthcare infrastructure to identify, diagnose and treat patients, the act of providing medicines alone risks compounding problems of drug resistance. Only by adopting systemic, multi-sector approaches that support proven, sustainable clinical and market-based approaches will we be able to stem the spread of this age-old disease. We have detailed the lessons we have learned from this experience in a white paper entitled *Seeking Solutions to a Global Health Crisis* (www.lillyglobalhealth.com/en/media/pdfs/mdr-tb-technology-transfer.pdf) – will help others in shaping similar initiatives in the future. We hope that others will benefit from these insights when shaping similar future initiatives.

Can you protect your image like your brand?

By **David Evans**, Director of Collas Crill IP, Guernsey, UK

“There is today in England no such thing as a free-standing general right by a famous person (or anyone else) to control the reproduction of their image.” So said Mr. Justice Birss in a recent case between the pop star Rihanna and clothing retailer Topshop in the United Kingdom High Court (*Fenty & Ors v Arcadia Group Brands Ltd (t/a Topshop) & Anor*).

This direct reference to the current status of image rights in the UK seems to be directly at odds with the currency of images and celebrity around the world. It also seems to be at odds with the taxation of such rights in the UK and abroad and the contracts that celebrities and businesses enter into daily in relation to these rights.

For many years, it has been common practice for sports stars and entertainers to have two streams of income, namely performance income and “other” income. Monies from endorsement and sponsorship deals as well as *ad hoc* payments for personal appearances fall into the “other” category. This split income system recognizes that such individuals can earn money from two distinct sources, one active and one passive. In many cases, these *ad hoc* duties have been given the collective title of image rights and the concept of payments for image rights services has become commonplace.

It therefore seems illogical that the legal system has failed to recognize these rights as a separate piece of intellectual property (IP) and has not allowed for a system of registration like that for trademarks. Equally illogical is the taxation of rights which do not exist. The UK tax collection authority (Her Majesty’s Revenue & Customs, (HMRC)) has recently given some capital gains tax commentary in relation to image rights which goes a long way in setting out the parameters in this area, but this does not alter the fact that such rights supposedly have no legal standing.

Interestingly, HMRC’s commentary deals with the transfer of image rights to third parties ((see *-Intellectual Property Rights: assignment of “image rights”* (CG68420): www.hmrc.gov.uk/manuals/cgmanual/cg68420.htm). The gap in UK law in this area described above means that any transfer of image rights in the UK is essentially the transfer of goodwill. As the existence of goodwill hinges on the existence of real business activity, many such transactions will be potentially void because no business has have been conducted around image rights by the original owner. This is akin to a trade mark owner losing his or her mark for non-use.

How did we get to this point? What is it about image rights that makes them so intriguing and their treatment so disparate? Is it because they are generally associated with famous people?



The concept of an image right is fairly new. The iconic 1970s English soccer player, Kevin Keegan was the first sports personality to actively enter into what was then known as a "face contract" for what were essentially his image rights.



Photo: Eamonn McCabe

CELEBRITY STATUS SPAWNS INTEREST IN A NEW RIGHT

The concept of an image right is fairly new. The iconic 1970s English soccer player, Kevin Keegan was the first sports personality to actively enter into what was then known as a “face contract” for what were essentially his image rights. The deal, concluded when he moved from the UK to Germany, reflected his notoriety beyond the pitch and his ability to sell merchandise. While the US has long upheld a “right of publicity”, its acknowledgment varies from state to state and its application is somewhat random. Only around half of the states recognize it. That said, the US has been far more forgiving in terms of recognizing the commercial aspects of such rights than, for example, the UK.

In today’s more litigious environment, there are numerous news items relating to the image rights of famous personalities. For example, Rod Stewart was sued for using a picture of himself taken by one photographer similar to one taken by a different photographer (www.petapixel.com/2014/09/07/photographer-sues-rod-stewart-2-5m-recreating-photo-back-head/), and Goodfellas’ actor Frank Sivero sued the creators of *The Simpsons* claiming they stole his likeness to create the animated character Louie (www.theguardian.com/tv-and-radio/2014/oct/22/goodfellas-actor-frank-sivero-lawsuit-the-simpsons).

Similarly, Lindsay Lohan and Manuel Noriega have sued over the use of their likenesses in video games (www.theguardian.com/technology/2014/oct/13/lindsay-lohan-manuel-noriega-suing-video-games-legal-view). Such litigation only exists where the claimant believes there is something of value to sue for. All these claims are being brought in the US where the rules governing the “right of publicity”, while more developed than in the UK, still do not offer any form of registration system for the rights.

So how can the law help people who are damaged as a result of the unauthorized commercial use of their personal image? The answer, in the UK at least, has been to utilize an amalgam of privacy law, passing off and the tort of false endorsement to create a patchwork of rights, none of which is ideally suited to the commercial realities of today’s celebrity culture and the power of the Internet.

A number of UK court cases including *Douglas v Hello! Ltd*, *Edmund Irvine and Tidswell v Talksport Ltd* and

the Rhianna case mentioned above illustrate some of the different legal approaches used to address this difficult area. Each case rested on specific facts. There is no consensus about how image rights should be dealt with either from a general legal perspective or from an IP perspective.

My view is that the radical changes brought about by the Internet over the past 20 years, mean that the traditional tools of copyright and trademarks are unable to deal with image rights issues. Copyright only protects the creators of works (or their assignees) and trademarks have a distinct function to protect names and brands in the sectors within which they operate. There are no specific legal tools which define image rights or redress the harm caused by unlawful use of a person's image.

GUERNSEY ESTABLISHES WORLD'S FIRST IMAGE RIGHTS REGISTRY

At any rate, that was the case until Guernsey, one of the UK Channel Islands, took the brave step in 2012 of implementing the world's first image rights registry. In doing so, the Guernsey authorities made it possible to codify personality and image rights into a fully functioning form by registering them. Image rights can now be accurately recorded in relation to a particular personality. The registry accommodates several different categories of applicant and allows for several different forms of personality to be registered – individual, joint, corporate, fictional and group. It also allows for the registration of a huge range of acts, including gestures, mannerisms and voice files, to name but a few. In sum, the registry makes it possible to register a full "picture" of a personality. Once registered, each of these rights may be licensed, sub-licensed or assigned in the same way as other intellectual property rights. This in itself is a huge step forward in terms of recognizing these rights and giving them legal clarity, something that has proven difficult in the past.

Having registered the rights, the owner (which can be any person or entity anywhere in the world) can make direct reference to specific image rights when structuring any endorsement contracts or sponsorship deals. This can be advantageous in the event of a dispute. Under Guernsey law these rights may also be willed either in part or in whole, ensuring that valuable assets pass seamlessly to the next generation. And the rights can be renewed *ad infinitum*, providing an enduring asset class. Contrast

this with the time-bound nature of copyright and it is clear that image rights may represent huge value to the personalities in question and their heirs.

As with trademarks, copyright and patents, ownership of image rights can have tax consequences, and the way in which such assets are licensed or sold needs to be managed carefully to ensure they remain tax efficient. The ability to be able to structure and manage these rights is just one reason why they are so popular among rising and established stars. For example, as careers in sport are notoriously short, it is important for athletes to maximize their earnings during their career in order to provide for a time when they are no longer at the top of their game.

These image rights also provide a mechanism by which to tackle cases of infringement by unauthorized third parties and commercial dealings. Like other IP rights, image rights are territorial in that they only have a legal effect in the country or region in which they are granted. However, any infringement online will potentially be subject to the jurisdiction of the Guernsey courts and thereby subject to the Guernsey image rights legislation – and the online environment is where most modern-day infringement is likely to occur in relation to these rights.

Furthermore, as with the enforcement of trademark rights, either the owner of the rights or their licensee can bring proceedings. Rights could be owned by a third-party company or licensed to a sponsor, either of which would be able to take action against any infringement without necessarily having to involve the personality him or herself.

By legislating in this area, Guernsey has set a benchmark for other jurisdictions to watch and potentially copy in the future. There is no doubt that image rights will become increasingly important and valuable as the Internet matures and the cult of celebrity maintains its apparently unbreakable hold on the public.

Just as the photo-sharing website Pinterest raised some interesting questions for copyright law, so the Guernsey image rights regime raises questions about the effectiveness of traditional tools of the IP system in addressing image rights. With over 60 registrations since its launch in 2012, there is clearly growing demand for image rights. How long will it be before other jurisdictions take similar steps to ensure that the image rights of personalities are effectively addressed under their national laws?



For more information
contact **WIPO** at www.wipo.int

World Intellectual Property Organization
34, chemin des Colombettes
P.O. Box 18
CH-1211 Geneva 20
Switzerland

Tel: +4122 338 91 11
Fax: +4122 733 54 28

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