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Intellectual Property and Entertainment Law

Update of the International Bar Association Legal Practice Division

VOLUME 9 ISSUE 2 OCTOBER 2017



IN THIS ISSUE

From the Co-Chairs	4
Intellectual Property and Entertainment Law Committee – join us now	5
Committee Officers	6
IBA Annual Conference, Sydney, 8–13 October 2017: Our Committee’s sessions	7
Articles	
CANADA	
What the Supreme Court of Canada was not told about patent utility	10
FRANCE	
SVOD platform investments in the entertainment industry: a need for opening the ‘windows’	14
KENYA	
Alternative dispute resolution mechanisms in IP enforcement: a Kenyan example	16

INDIA	
Performers’ rights under Indian law	17
MIDDLE EAST	
Insight for IP rights holders on the implications of Gulf Cooperation Council measures with Qatar	20
NEW ZEALAND	
New privacy option for .nz domains	22
THAILAND	
Overlap between copyright protection and trademark protection for logo trademarks in Thailand	23
UNITED KINGDOM	
Intellectual Property Debate: ‘This house believes that IP law in post-Brexit Britain will benefit from leaving the binding jurisdiction of the European Court of Justice’	27
UNITED STATES	
Don’t be so unreasonable: three recent US Federal Circuit decisions reversing an exceptional case determination	30

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18 *An Act to consolidate and amend the Laws of Patents for Inventions in this Province*, S Prov C 1849, (12 Vict) c 24, s 17.
 19 AZT at para 109.
 20 *Weatherford v Corlac*, 2011 FCA 228 at para 119.
 21 Biggar OM, *Canadian Patent Law and Practice* (Toronto: Burroughs & Company, 1927) at pp 51–52.
 22 *American Cyanamid v Ethicon Limited*, (1979) RPC 215 (Ch D) at 261. While decided in 1979, *American Cyanamid* was decided based on the pre-1977 UK Patent Act.
 23 For example: *Celebrex; Novartis v Apotex*, 2013 FC 141; *Teva v Novartis*, 2016 FCA 230.

24 For example, in *Eli Lilly v Apotex*, 2011 FC 1288, Lilly’s patent to olanzapine was invalidated based on a promise of ‘marked superiority and a better side effects profile than prior known antipsychotic agents, and has a highly advantageous activity level’ which was held to apply to all claims of the patent at issue. The patent at issue included claims to, inter alia, the compound olanzapine itself. See paras 94 and 120 of that decision.
 25 *Halsbury’s Laws of England* (3rd ed) (London: Butterworth, 1960), vol 29 at p 59.

SVOD platform investments in the entertainment industry: a need for opening the ‘windows’

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It’s almost a tradition. Each Cannes International Film Festival brings its own wave of scandals and controversy. With Noah Baumcah’s ‘The Meyerowitz Stories’, a Woody Allen tone oriented comedy starring Dustin Hoffman and Ben Stiller, and South Korean action-adventure film ‘Okja’ by Bong Joon-ho, a bold director of ‘Memories of Murder’, both running in the official competition for the Palme d’Or, the Festival organisation (which is a French State-owned public entity running the event since 1947) did not foresee it was taking risks with the industry stakeholders and it was opening a well-sealed copyright dispute box.

Netflix acquired the worldwide distribution rights of these feature films of quite different genre and ambition. The subscription video on demand (SVOD) company stepped in quite early in the \$50m budget Asian film (as would have done a regular American studio) while it snapped up the release rights of the US comedy in April 2017, a few weeks before the world premiere in Cannes. Of course, distribution deals were shaped to promote and value the exclusive distribution on the net.

Netflix refused to release the two films although they had both been in the Cannes official list. This uncompromising position took the Festival organisation by surprise, considering that such position was limited to a theatrical release in France and not a ban on all similar releases of both films.

This had two consequences on film distribution regulation on screen and on new ways of getting content:

Modification of feature films’ release conditions

Firstly, from 2018 onwards, the Festival’s internal rules will only allow the selection of cinematographic works for which a proposed theatrical distribution in France will be confirmed, in full consistency with revised Decree no. 90-66 (17 January 1990) on cinematographic and audio-visual distribution.

Under French Regulation, such cinematographic work must have obtained an operating visa from the French Film Agency (the *Centre National du Cinéma et de l’Image Animée* known as CNC) or have been the subject of a commercial cinematographic exploitation for foreign works in their country of origin. A film posted direct to an SVOD platform with no theatrical release would not be considered as a motion picture under such regulation. Some operators are fighting to end the exclusive ‘theatrical window’ that Hollywood grants theatres before movies can be watched at home via streaming services.

Interestingly enough, both films picked up by Netflix will be available in their country of origin. ‘The Meyerowitz Stories’ will probably be released in the US under the scope of the US distribution agreement that Netflix signed

with iPic Theatre in October 2016 to allow limited and simultaneous exploitation of up to ten pictures in its portfolio in bricks and mortar theatres, as well as on the online platform. iPic inaugurated its new New York City multiplex, with Netflix's 'The Siege of Jadotville'.

At its end, 'Okja' is supposed to be theatrically distributed in Great Britain and South Korea, as well as in the United States. This is indeed the counterpoint of the 2016 *Camera d'Or* awarded French film 'Divines', which experienced a single exploitation in cinemas in France and to which its world exploitation rights were acquired by Netflix under the strict condition of no further theatrical exploitation abroad.

However, the Netflix planned day-and-date release in South Korea at the end of June had been challenged by the three main local cinema chains, who believed that the platform does not respect the industry's usual contractual conditions and specifically the three-weeks hold-back between a theatrical release and a digital streaming release of films on the internet, thereby risking disruption to the distribution ecosystem in the country. Bong Joon-ho's film will be shut out of 93 per cent of the country's screens.

Another strategy had been implemented by Amazon Studios, which partnered with local US distributors on theatrical exploitations of high-rated motion pictures like the 2017 Oscars awarded 'Manchester by the Sea'.

'The Wall', which was produced by Amazon Studios, Big Indie Pictures and Picrow, had been theatrically released in the US in March 2017 by Roadside Attractions and in France by Metropolitan on 163 copies (and in 21 cities of their territory) before its SVOD exploitation.

For the next Cannes Film Festival, exploitation conditions of each movie will have to be carefully and precisely defined and checked by the organisers of the event. Should getting a formal theatrical exploitation in France be a decisive condition – potentially a condition precedent – for confirming a possible selection of a film by the Festival, it will need to obtain formal commitment from a French distributor that would have acquired corresponding rights. This does not necessarily take into account that at the official selection stage (and on parallel selections like the Directors Fortnight), foreign films would have yet found potential French buyers ready to invest in such local theatrical release.

Reopening of the discussion on media chronology

The purpose of media chronology is to establish a minimum period between showing a feature film in a cinema and exploiting it under subsequent windows, particularly on TV and on VOD or SVOD accessible on the web. In most countries, it is the result of a best business practice between Entertainment Industry stakeholders (like in South Korea or the United States, as mentioned above).

In France, it's a bargaining agreement between producers, distributors and collection societies, signed on 6 July 2009 and benefitting from a formal Order, dated 9 July 2009, pursuant to Article 30-7 of the Code of the Cinematographic Industry, making the new operating rules mandatory to all parties, initially for the first two years and then tacitly renewable on a yearly basis. The next stop date will be 5 July 2017 but parties are supposed to notify termination at least three months before that.

The Netflix argument on the need to value the SVOD window has urged the various stakeholders in the French Entertainment Industry to reopen discussions on the organisation of such windows and to adapt the mechanism not only to online exploitation but also to the nature and characteristics of films at stake (budget, TV channel or internet stakeholder commitment in its upfront financing and effective theatrical box office).

Faced with the blocking of discussions, CNC made proposals for development specifically targeting SVOD, in February 2017. This included enabling virtuous SVOD services (participating in the industry value chain, according to the criteria of the School of Media Arts & Design) to have a 28-month operating window (instead of 36), a sliding window allowing, depending on the pre-financing provided by the SVOD service broadcasting the film, to reduce the possibility of making available at 25 months, if the investment exceeds 18 per cent.

The super audio compact disc producers and the main producer unions confirm their desire to reach an agreement, while recalling their attachment to the notion of a cinematographic work well intended for a first cinema operation. Today, they accept the 'imperative need' to reform a media chronology, which should make it possible to renew the possibilities of financing and exploitation of the cinema. Some



operators have understood the importance of engaging in an active policy in favour of cinematographic creation.

An agreement on a renewed media chronology should make it possible to invite more digital platforms of the SVOD to enter into a virtuous exploitation, respecting all

actors in the chain of rights and contributing to the financing of the works. All would be well advised to keep in mind the precious advice of the Prince of Salina (Burt Lancaster), in Visconti's 'The Leopard' (1963): 'It is necessary to change everything so that nothing changes'.

Alternative dispute resolution mechanisms in IP enforcement: a Kenyan example

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The fight against the trade and dealing in counterfeit goods in Kenya is led by the Anti-Counterfeit Agency (the 'Agency'). The Agency is established under the Anti-Counterfeit Act¹ (the 'Act').

At the coming into force of the Act, the Agency's role in anti-counterfeiting exercises was limited to receiving complaints from intellectual property (IP) owners, conducting raids on the premises of suspected counterfeiters, seizing and impounding suspected counterfeit goods, taking statements, preparing evidence and assisting public prosecutors to prepare and present the case in a criminal trial.

The Agency's role was extended by an amendment² to the Act which gave the power to compound offences. This means that the Agency has the power to see an anti-counterfeit action to its conclusion rather than hand over the matter to public prosecutors and the vagaries of the Kenyan criminal justice system.

IP owners often get discouraged at the time it takes to convert a successful raid into a successful conviction. Some are happy to leave the process after the raid and not commit further resources to their IP rights enforcement exercise in the hope that the fact of the raid will send a strong enough signal to those violating their IP rights. Counterfeiters on their part revel in this inefficiency as it delays punishment and gives them room to interfere with their cases.

The amendment is contained in section 34A of the Act. It provides that following

the voluntary admission of guilt by a person who has committed an offence under the Act; the Executive Director of the Agency may order that such a person pays a sum of money and forfeits counterfeit goods seized from them. The order made by the Executive Director is known as a compounding order. It generally contains an acknowledgment of the counterfeiter's admission of guilt, a statement of the offence committed, the money to be paid, the forfeiture of the counterfeit goods and a statement to the effect that the matter is settled and that no further prosecution lies in respect of the offence.

The money to be paid is determined by the Executive Director but the Act prescribes that it should not exceed the amount the offender would have paid had they been convicted. For first-time offenders the fine is three times the value of the seized goods and for second and subsequent offenders, five times the value of the seized goods. In arriving at a figure the Executive Director is guided by the Agency's internal policy and a consideration of the circumstances of the case. While no lower limit on the money to be paid is prescribed by the Act, the Agency has set a minimum amount for the penal and deterrent value this has. Even where the counterfeiter cannot afford to pay the entire amount upfront, the Executive Director has the discretion to allow the counterfeiter to pay it off by instalments. In all cases however, the Counterfeiter must forfeit counterfeit goods seized from them.

So far as a civil claim in respect of the infringement of the intellectual property