KPMG

Intellectual Property newsletter

Edition 1 | 2023

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1 Introduction

Welcome to the new edition of the KPMG Intellectual Property newsletter on developments in the world of copyright, patents, trade marks, designs, domains and other Intellectual Property rights ("IPRs").

The new year brings numerous new developments and thus many new opportunities. In order to make the best possible use of these, there are many things to consider.

We have compiled a number of interesting articles from around the world that provide insights into new developments. KPMG firms are proud of their global network of IP lawyers, business advisors and other IP experts enabling KPMG professionals to offer an international service to clients in this area.

In part II of our series on trade secrets, we offer insights on how to protect them. Furthermore, we explain what is to be expected in the new era of virtual assets in Hong Kong (SAR), China, and also what you should consider before entering the market in Vietnam.

Sport is an important element of everyday life. In this edition, we analyze how close it is intertwined with the different aspects of IP.

Once again, copyright is an important topic of this newsletter. We analyze whether the amendment of the Czech Copyright Act really improves the situation of publishers vis-à-vis online platforms. We report on a ruling of the Provincial Court of Barcelona on the ownership of the exploitation rights of a TV quiz incorporated to a television program and take a closer look on the possibilities of copyright protection for choreographies.

We hope you enjoy reading.

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2 Are sporting events leaving a (trade)mark on IP? BE

A very sportive 2022 has just come to an end and it's time to take a moment to reflect on the extent to which sporting events, and in particular football events and Intellectual Property (IP) are intertwined. To give you a sneak peek, we can tell you that football and IP are connected the same way as an assist and a goal.

Some of the best football players in the world have registered a number of trademarks, including their name, jersey number and signature. Some players have gone even further and registered their iconic celebration after scoring a goal.

In addition to players registering trademarks, it is also possible for football clubs to register their brand, name and/or logo. Some of these trademarks have a significant brand value. After all, sponsors pay a lot of money for the license to use these protected trademarks.

The connection between intellectual property and football goes even further than the trademarks of the players and clubs.

The typical referee's whistle used during football games, for example, has been patented. Moreover, the same way as the Video Assistant Referee (VAR) protects the referee on the pitch, the technology used in the VAR is protected by a patent. In this regard, reference can also be made to goal-line technology, which is also protected by a patent.

Furthermore, copyright also plays a role in the world of football.

While some fans may say that football stems from a genius combination of talent, skill, flair and training, the European Court of Justice (ECJ) ruled that a football game, as such, is not protected under EU copyright law since football games cannot be qualified as "works which are the author's own intellectual creation".[(a)] Football games are subject to the rules of the game, which leave no room for a free, creative expression for the purposes of copyright, according to the ECJ.

Not only are exorbitant amounts of money generated through football broadcasting – the so-called "TV rights" – but the commercialization of portrait rights of well-known teams and football players also generate a lot of money. An illustrious example can be found in several sporting video games, which are released every year, where licenses are granted to be depicted in those video games.

Design law also plays a significant role in football, if we consider the different collections of jerseys and outfits that are often renewed or the different models of football shoes. Even the designs of several different types of (foot)balls, in all kinds of sports, are protected by design rights.

It's safe to say that the world of sports, in particular football, and intellectual property are inextricably connected, and that IP (potentially) holds (enormous) value.

Note: (a) European Court of Justice 4 October 2011, no. C-403/08, Premier League

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3 Protecting the asset and the firm

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Demystifying trade secrets (part II)

Creations that are suited for trade secret protection live in the business and are actively used to drive firm value. Think of an algorithm powering a customer recommendation engine. Because trade secret protection depends on keeping the asset a secret, and the many ways daily use can breach secrecy, it is the business that must take responsibility for managing the asset. It cannot be purely left to legal; the business must take an active role. As such, companies benefit by implementing controls to satisfy the "reasonable measures" requirement and keep the information secret. Because little official guidance exists regarding what constitutes "reasonable measures", KPMG professionals created a Trade Secret Operational Framework to provide operations-level guidance.

Building on Risk Management and Controls

The KPMG approach to trade secrets builds on the Risk Management concept of process "controls," individual measures that collectively decrease the probability of a breach or other similar adverse event occurring. A carefully implemented set of controls can achieve two things: 1) improved probability of satisfying the "reasonable measures" standard should litigation occur, and 2) improved odds that the asset actually remains a secret and breaches and litigation are avoided.

Thinking from the enterprise level down to the asset level is key to trade secret management. The optimal solution is more than a simple fix, such as policy, document marking or technology. The company should think about how it addresses all forms of trade secret risk for both their own information and the information they receive from third parties. Below is a sample set of considerations:

Human Resources: How do we minimize the risk of new employees bringing the trade secrets of their former employer? How do we leverage offboarding to discourage employees from taking our assets?

Corporate Development: How will we decide what to share and how to share our sensitive information with a third party, and what obligations the third party will have? How do we manage what they share with us to avoid misappropriating their information?

R&D: How do we protect early-stage innovation before it's ready for patenting?

IT: How resilient is our IT infrastructure to cyber-attack? What internal controls do we use to minimize digital asset exfiltration?

Education and Awareness: Do our people understand trade secrets, why they are important and what to do?

Asset Level: Once we decide to protect a creation as a trade secret, how will we do so? How will that asset be governed? How will we make it a secret? How will we keep it a secret? What risks exist to secrecy in how the asset is used, and how do we have to tailor protection to the asset's circumstances, whether digital, documentary or process-related?

Implementing a trade secret management program can seem overwhelming at first. That's why we usually recommend starting with a gap assessment to review the company's current approach and build a roadmap to guide their long-term efforts toward trade secret maturity. Even a handful of efforts in year one of a program can have a dramatic effect on a firm's journey.

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4 Final quiz considered as an independent work

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The Provincial Court of Barcelona rules on the ownership of the exploitation rights of a TV quiz incorporated to a television program, considering the former as an independent work protected by the Spanish Intellectual Property Act.

It is not the first time that a Spanish court has ruled on the ownership of the intellectual property rights of a specific television program format. In 2019, the Supreme Court resolved a dispute between the Spanish media company that was broadcasting said television program in Spain and the entity (a British company) that licensed said television program format to the former.

That controversy arose after the Spanish media company decided to terminate the license agreement with the British Company in relation to said television program format as consequence of the cease and desist letter that they received from a Dutch entity alleging that it was the ultimate owner of the copyright on that TV program format. As a result, the British company sued the Spanish media company alleging infringement of its intellectual property rights over the television program format, claiming that it was the legitimate owner of the TV program format as a whole, and the Spanish courts ruled in its favor.

In line with this matter, on November 14, 2022, the Provincial Court of Barcelona has ruled on the dispute arising from the ownership of the rights over the same television program, currently broadcast by another Spanish broadcasting company. In this regard, it should be noted that the subject matter of this latter litigation was not the television program itself, but a contest format within it (i.e. the final quiz of the TV program).

The new dispute arose when a new Spanish media company acquired a license from the British company to broadcast again that TV program in Spain and the holder of the original exploitation rights of the TV quiz format included in the mentioned TV program, the Dutch company, required the Spanish media company to cease on its TV broadcasting.

The Spanish Provincial Court, when analyzing the possibility of protecting the quiz format as an intellectual property work independent of the TV program, established that, although the format is not foreseen as one of the works protected in article 10.1 of the Spanish Intellectual Property Act, a TV quiz format can be understood as an original creation similar to a literary or artistic work, as long as it complies with the requirements established by the Court of Justice of the European Union (i.e. to be original and reflecting the personality of its author). In this sense, the Spanish Provincial Court, taking into account the above-mentioned case-law as well as the doctrine laid down by the Spanish Supreme Court in this field, ruled that the quiz format complied with these requirements and was, therefore, subject to the protection conferred by copyright regulation.

In short, as the TV quiz format is an independent intellectual property work whose copyright is currently hold by the Dutch company and not by the entity that granted the license of the TV program format (the British company), the Spanish broadcasting entity does not have the copyright to broadcast the TV quiz format. Therefore, the Spanish Provincial Court set forth that the Spanish company had infringed Dutch company's intellectual property rights and must cease in the broadcasting of any television program or audiovisual work containing a quiz based on the contested format.

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5 Opportunities of virtual assets in Hong Kong (SAR) HK

The government of the Hong Kong Special Administrative Region (the "Government") has issued a Policy Statement on the Development of Virtual Assets in Hong Kong (the "Policy"), in which the Government recognizes the vibrancy of the virtual asset ecosystem and proposes to promote it to expand the financial services market in Hong Kong (SAR), China.

According to the Policy, the Government believes a more cost-efficient, inclusive, agile, and future-proof financial market will be embraced by global investors. Moving forward, the Government has committed to achieving a sustainable and responsible environment for virtual assets ("VAs") innovation by improving the legal and regulatory systems.

The Policy reveals several key developments in Hong Kong's regulatory stance on VAs. This article will focus on three key beneficial aspects for market participants, (1) promoting VA exchange traded funds, (2) allowing retail investors' participation, and (3) creating a new licensing regime to protect investors. This article will also provide preliminary compliance advice for VA service providers.

VA Exchange Traded Funds ("ETFs") in Hong Kong (SAR), China

"*Hong Kong is therefore open to the possibility of having Exchange Traded Funds ("ETFs") on VAs in Hong Kong, and soon the SFC will publish a circular on this*".

—— the Policy

The Policy indicates that the Government welcomes VA ETFs in Hong Kong. According to the Circular on Virtual Asset Futures Exchange Traded Funds (the "Circular"), issued on the same day as the Policy, the Government proposes to authorize ETFs to expose themselves to VAs

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through futures contracts for public offering in Hong Kong (SAR) under sections 104 and 105 of the Securities and Futures Ordinance (the "SFO"). The Circular sets out several requirements for VA futures ETFs where authorization can be obtained from the SFC:

1. Eligible futures recognized by the SFC. Only Bitcoin futures and Ether futures traded on the Chicago Mercantile Exchange have been recognized by the SFC. Nevertheless, as the Government is considering a more inclusive and flexible market, the SFC is considering expanding the scope of futures.
2. Eligible management companies. Companies shall meet the requirements where:
   a. they have a strong record of regulatory compliance and have at least a 3-year record in managing ETFs;
   b. they demonstrate adequate liquidity in operating VA futures and the capability to manage the roll costs of the VA futures;
   c. they also adopt active investment strategies to allow flexibility in portfolio composition and ensure that the net derivative exposure of a VA ETF does not exceed 100% of the total net asset value.
3. Disclosure and investor education is required for a VA ETF, including appropriate disclosure of operating risks and potentially large roll costs. Extensive investor education is expected before launching VA ETFs in Hong Kong (SAR).
4. Distribution. Considering the derivative nature of VA futures ETFs, the SFC also requires intermediaries to be subject to the relevant code of conduct for derivative products and VA-related products. We will not discuss the duties of intermediaries in this article.

Participation of retail investors

"*While the SFC will be conducting a public consultation on how retail investors may be given a suitable degree of access to VAs under the new licensing regime, we note that retail investors in other markets have also been given exposure to VAs via VA-related products such as Exchange Traded Products." "we will be careful and cautious about the risks to retail investors, and therefore will enhance investor education and ensure that suitable regulatory arrangements are in place*."

—— the Policy

In November 2018, the SFC released its "Statement on regulatory framework for virtual asset portfolios managers, fund distributors and trading platform operators" ("Statement 2018"). The Statement 2018 stipulates that only professional investors defined by the SFC, subject to fulfillment of conditions, should be allowed to invest in any virtual asset portfolios.

The restrictions and strict conditions imposed, as we understand, are principles-based and aim to protect retail investors from being unable to bear the higher risks in the primary stages of the VA market.

However, the Government believes the market has become more mature than 2018. Therefore, as was illustrated in the Policy, the participation of retail investors will help lower the threshold for virtual asset investment, thereby greatly enhancing the vitality of Hong Kong's VAs market.

Sustainable improvement of an innovative financial market relies on a regulatory and protective environment for investors. We will see an upcoming regulatory framework on VAs very soon.

New Licensing Regime

"*The SFC will be conducting a public consultation on how retail investors may be given a suitable degree of access to VA under the new licensing regime*"

—— the Policy

In June 2022, the Government introduced changes to the Anti-Money Laundering And Counter-Terrorist Financing (Amendment) Bill 2022 (the "Amendment Bill"), aiming to establish a new licensing regime for virtual asset service providers ("VASPs") and prevent anti-money laundering and counter- terrorist financing. According to the Amendment Bill, any market participant carrying on business of providing VAs in Hong Kong (SAR), has to be licensed as a VASP by the SFC. The regulated services are not limited to those operating within Hong Kong's territory, which is to say, it will be an illegal behavior for a person who actively markets VA services from outside Hong Kong (SAR), to the public in Hong Kong (SAR) without a VASP license. Such behaviors will be subject to pecuniary and non-pecuniary (imprisonment) penalties.

Requirements for a VASP license

Section 53ZRK of Division 3 of the Amendment Bill specifies the requirements for applying for a VASP license. To simplify, the following points should be referred to by potential applicants (not limited to):

(i) Eligibility

Companies incorporated in Hong Kong (SAR) with a permanent place of business in Hong Kong territory and overseas companies which are registered under the Companies Ordinance of Hong Kong.

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(ii) Responsible officers

At least two responsible officers are appointed and at least one must be an executive director of a VASP; at least one must be ordinarily resident in Hong Kong (SAR); at least one must be available to supervise the business of VAs at all times.

(iii) Licensed Representatives

Individuals providing VA services on behalf of a VASP must have obtained an individual license approved by the SFC. The SFC has the power to impose conditions on the license granted to the representative.

(iv) Fit and Proper Test

The company must comply with the 'fit and proper' test in section 53ZRJ of Subdivision 2. According to the Amendment Bill, responsible officers, licensed representatives, directors and ultimate owners have to pass the fit and proper test.

(v) Premises requirements

Premises for keeping records or documents have to be prepared by the applicant for storing relevant documents and records. The premises have to be finally approved by the SFC.

Regulatory Compliance for a licensed operator

The SFC is very cautious to regulate the behaviors in the financial services industry. When reviewing applications for a license, the SFC will pay close attention to whether the applicant has mature financial resources, knowledge and experience in the financial services industry. Moreover, upon granting the license, the SFC may impose conditions on the granted license and require the licensed applicants to maintain certain capabilities to operate VAs. This is not a static regulatory requirement, on the contrary, only dynamic supervision of VASPs would maintain a sustainable environment for investors.

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Therefore, compliance-oriented policies and procedures such as risk management, financial reporting, conflicts of interests and disclosure mechanisms are needed to be in existence at this primary stage. Though the detailed requirements have not been announced by the SFC, we would encourage VASPs to consider the following compliance duties in general:

(i) Anti-Money Laundering ("AML") And Counter-Terrorist Financing("CTF")

The Amendment Bill aims to better regulate AML and CTF related behaviors. Thus, duties of customer due diligence and record-keeping requirements are applied to VASPs, for the purposes of establishment of a new regulatory regime for AML and CTF compliance purposes.

VASPs are suggested to pay attention to the requirements on AML and CTF. Penalty for non-compliance on AML and CTF can be both pecuniary fines and injunctions, including fines of up to HKD $10,000,000 or 3 times the amount of the profit gained or loss avoided by the person as a result of the person's misconduct; the SFC also has power to impose a penalty on the licensed person with revocation or suspension of the license; years of imprisonment may be imposed by the SFC as well when misconduct fall within certain circumstances.

(ii) Maintaining the licensing conditions

The threshold for obtaining the license is relatively higher than normal licenses. In this case, the requirements which the SFC has imposed on operators include: maintaining their capability in the VA market; independence of operations without market manipulation or abusive activities; prevention of conflicts of interest; normal and timely annual reporting and financial disclosure; legal and reasonable internal policies on VA listing and trading and management of investors' assets and relevant knowledge and experience.

(iii) Restriction to VASPs

Though the Policy Is a positive signal for retail investors' participation, the current effective regulation restricts licensed VASPs from providing services to retail investors. This restriction has been imposed by the SFC as a condition when VASPs are granted a license by the SFC. In this situation, the VASPs are recommended to keep a close eye on the conditions and stay compliant with those imposed by the SFC.

However, we have witnessed a promising trend from the Policy and the pro-active movements of the SFC in consulting with the public. We are looking forward to further regulatory developments from the Government in this area.

(iv) VASP's ultimate owner

A person can be the ultimate owner of a licensed provider, on the condition that the SFC has approved (in its discretion) in writing. The fit and proper test has to be satisfied as well prior to the approval. In granting this approval, the SFC may also impose conditions on the VASP or on the owner.

Non-compliance, without reasonable excuse, will constitute an offence with the potential penalty of a maximum of HK$1 million, 2 years of imprisonment and a further fine of HK$5,000 for every day that the offence continues.

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Key IP considerations for Vietnam market entry

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In recent years, Vietnam has become a promising market for many businesses looking to enter or expand their operations. While considering options, processes and requirements for their Vietnam market entry with due attention, Intellectual Property ("IP") is often forgotten in their assessment. Though a majority of them possesses valuable IP assets, they haven't fully exploited their IP potential, and some even did not ensure their IP rights were protected before entering Vietnam. Therefore, this article aims to discuss some key IP considerations for businesses to integrate into a company's Vietnam market entry strategy and expansion plan.

1. Identify your core IP assets and align them with business plans

Throughout the business' investment and development, it is always advisable first to identify their IP assets that drive and support the business' differentiators. Once the IP assets are identified, they need to be classified in accordance with the business plan. Many businesses miss out their economic potential as they have not recognized the value of their IP assets earlier. It is important for businesses to review and evaluate their IP portfolios to precisely identify core IP assets for their key markets. This may help the businesses to have an overview of its IP assets and explore the best ways of protecting and exploiting such assets.

IP rights are territorial rights, and IP rights are only valid to the relevant countries and/or jurisdictions in which they have been granted protection. Therefore, businesses should pay attention to relevant markets and determine which offer the best potential for its products and services. The business' IP strategy should be aligned with their market penetration plan. For instance, if a business plans to bring a patented technology to Vietnam to produce goods for export to other countries in Southeast Asia, Vietnam and the other countries in

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Southeast Asia are the key markets to seek IP protection in advance of carrying out any market entry procedure. A robust patent portfolio with coverage in such key markets can prevent, or at least deter, the present and future rivals from producing, selling, or exploiting your innovation, establishing you as a market leader.

2. Assess vulnerability and register your core IP assets with priority

Normally, an expansion into a whole new market may bring both growth and risks. The reason behind this is the unclear understanding of the IP development status in the new market. Whether a third party's IP will limit your activities shall be based on how large its IP portfolio may be. In some cases, a license is required, or certain commercial activity cannot be conducted due to existing third-party IP rights. Therefore, conducting a search for availability and freedom-to-operate (FTO) is advisable. These searches may help to determine the potential risk of infringing third party's rights and whether there is any hindrance when registering your IP assets. Being aware of these hindrances, businesses can identify, quantify and ultimately mitigate the risk posed by third party's IP rights.

While overprotection may be no harm, it can still result in reducing the profitability of a planned expansion due to high protection costs of some specific IP assets. For instance, protection costs for a patent are quite expensive as it may cover filing fees, annuities, or maintenance fees, enforcement, litigation costs and it multiplies by the number of countries and jurisdictions it is registered in.

Priority should be given to filing key IP assets that produce or are anticipated to generate the greater income or draw the most attention from investors. It is also worth mentioning that Vietnam adopts the first-to-file principle, which asserts that the applicant who first files their application receives priority. Therefore, a combination of conducting searches and identifying your prioritized protection is the way to maximize your chances of being successful at securing your IP rights in Vietnam.

3. Protected unregistered IP

In addition to registrable IP assets, there are some kinds of IP that do not require any registrations to be protected such as copyrights and trade secrets. Prior to a market entry in Vietnam, understanding the laws and practice of Vietnam and adopting proper measures to protect these IP rights are key factors to maintaining your competitive edge and achieving your business goals in the long term.

As for **copyrights**, due to its nature, the copyright shall be automatically protected from the moment the work is created. Registering copyrights in Vietnam is voluntary, however, registration is recommended for two main reasons. When registering copyright with the Copyright Office of Vietnam, the authors and/or the copyright holders shall be granted a certificate of registration and this certificate can serve as evidence to release them from the burden of proving their legitimate rights in case their copyright ownership is challenged. Copyright registration also facilitates the enforcement of civil, administrative, or criminal penalties against infringers in Vietnam.

Concerning **trade secrets**, any type of business information that is of significant commercial value to companies and provides the companies with a competitive advantage can be deemed to be a trade secret. Several illustrations of trade secrets can be sales procedures, distribution systems, consumer profiles, advertising strategies, lists of suppliers and customers, manufacturing processes, technical know-how, and so on. However, some confidential information shall be ineligible for protection as trade secrets in accordance with the IP Law of Vietnam including personal identification secrets; state management secrets; national defense and security secrets, and other confidential information unrelated to business.

There is no mandatory registration procedure for trade secrets in Vietnam and as long as it is kept strictly confidential, they shall remain protected as trade secrets. Therefore, confidentiality measures are the key factors to maintain your competitive edge against your competitors when entering the Vietnamese market. Some of the confidentiality measures worth mentioning could be:

- Physical barriers: These barriers can be established by labelling documents with "confidential" and "non-confidential", limiting employees' access to areas storing confidential and sensitive business information and so on.

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- Technical barriers: Information technology measures can be utilized to protect trade secrets stored in electronic files on computers or data servers.
- Contractual barriers: These can be clauses in the labor contracts and non-disclosure agreements binding the employees and engaging their liability to keep business information confidential, indicating, for example, the level of information to be accessed by which levels/groups of employees (etc.).

4. Establish your local IP management policy

In the long run, particular attention to adapting the company's IP management policy in accordance with the laws and practices of Vietnam should be drawn to manage the IP portfolio effectively. There is no one-size-fits-all IP management policy for protecting and enforcing your IP rights. Adapting your IP management policy to local regulations and practices is highly recommended to maximize effectiveness of IP protection and avoid future problems.

For most small and medium enterprises, it is advisable to allocate sufficient resources to obtain adequate protection for the core technology and to establish an internal policy that protects their IP from the earlier stages of creation to the stages of commercialization and adapted to the laws of Vietnam. Otherwise, for multi-national corporates who have a large IP portfolio, their local IP management policy should be synced with their global policy and ensure the enforceability in line with Vietnam's laws.

In summary, though the above IP considerations may be different from business to business and industry to industry, they can be utilized along with IP professional guidance as guidance for businesses to make informed IP decisions and smoothen its transition as well as support their growth in Vietnam.

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7 Did the publishers really win?

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Czech lawmakers recently adopted an amendment to the Czech Copyright Act. The purpose of this amendment is to transpose the Directive on Copyright in the Digital Single Market which introduces significant changes to the copyright law. Among other things, it fundamentally changes the rights of the publishers to their publications and modifies their relationship with information service providers. Controversial Article 15 of the Directive has already been transposed in various European countries. The issues which Germany or France have faced during the transposition process seem to cause problems in the Czech Republic as well.

Pursuant to the new provision, the publishers have an exclusive right to use their press publications and at the same time they are entitled to authorize the information service providers to carry out this right for a fair remuneration. In practice, the information service providers (such as large internet platforms) should pay to the media houses for showing extracts of their articles on websites and in search results.

Unsurprisingly, the largest internet platforms and search engines providers do not agree with the form in which the amendment was adopted. One of the main arguments is that they are helping the news agencies and publishers when showing the article snippets. By doing so, they are

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CZ

increasing the publishers´ reach of the articles they refer to which is directly linked to the profits from commercials. It is therefore unfair to ask them to pay for helping the publishers by promoting their work.

Czech lawmakers did not listen to the online platforms´ arguments. They clearly stated that the copyrights to the articles cannot be disregarded and if the information service provider wants to show them on its website, it must do so under agreed conditions, usually for a pre-arranged license fee. The amendment stipulates various aspects the parties should consider while negotiating fair remuneration. This includes their relationship, territorial extent of use, economical gains for the information service provider associated with using the article etc. It cannot be ruled out that showing snippets by the information service provider could be beneficial for both parties. It is certain that vague language on what kind of aspects should be considered leaves a plenty of room for interpretation and will complicate negotiations as to what is a fair remuneration.

This leads to a question of what happens when the parties cannot reach an agreement on the amount of remuneration. The amendment lays out that the Czech Ministry of Culture is responsible for solving this problem and presenting the parties with a draft of fair agreement.

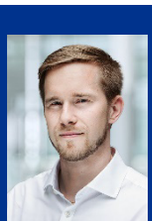
This concept potentially brings many problems. One of them is called a “trade secret violation”. Both publisher and the information service provider are obliged to provide information necessary for determining the remuneration to the Ministry of Culture. Much of the necessary information may, however, be subject to trade secret. Therefore, the party may be reluctant to disclose this information to the state authority. Such non-cooperation may, however, be subject to penalties – fines.

Severity of the possible fines is another topic of criticism. If the platform does not comply with the legal requirements, it may be fined up to the amount of 1% of its worldwide turnover. Although it may seem excessive, the lawmaker states that such high amount is necessary to raise concern in the ranks of international tech giants. The reactions to the adopted amendment came quickly from the major players in the internet industry.

Similar situation happened when the EU Directive was being implemented in France. A major search engine provider restricted the copyrighted content to avoid paying license fees. As a result, not only the publishers did not receive any remuneration, but the traffic to their website decreased as their articles (or at least their preview) did not show up in in the users´ searches. Interestingly, this practice was later banned by the antitrust authority which found modification carried out by the search engine provider unlawful.

Having learnt from that, the Czech amendment went step further and the ban to modify the search results was entailed directly to the amendment itself. The reaction to this came quickly (before the amendment came into effect). For instance, Czech internet users already face restrictions when it comes to availability of article previews and snippets on the search engine results and certain features.

One of the aims of the amendment was to level the playing field by defining additional rules for the large internet platforms. For now, one could say that the publishers won a legislative battle against these companies. On the other hand, business impacts for both parties are yet to be discovered. Only time will tell how strong the symbiosis between the publishers and online platforms was and whether key stakeholders will be willing to look for a compromise solution in face of new risks brought by new legislation.



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Copyright protection for choreographies?

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The United States court's argument is that the two works (the choreography and the video game emote) do not share enough creative elements to be considered plagiarism, since the choreography should have been copied in its entirety (which is what is protected by intellectual property rights) for it to have been considered an imitation.

According to the Royal Spanish Academy a choreography is "*a set of steps and figures of a dance performance*".

Article 10.1 c) of the Spanish Intellectual Property Law establishes that a choreography shall receive the protection granted to works provided that it meets the requirements of originality.

And what do we understand by originality? Well, that which has been created by a human being, enjoys general recognition and manifests the characteristics of uniqueness, individuality and distinguishability.

Taking this as a starting point, we can understand that choreographies are protectable and that their plagiarism may give rise to infringement.

Based on this, a famous California-based choreographer filed a lawsuit in April against a large developer and distributor of video games alleging that one of its games had infringed intellectual property rights over some steps of a choreography created by him as such video game was reproducing some dances identical to those included in his choreography.

The allegedly plagiarized poses were used in a worldwide known video game that currently has approximately 350 million registered users. This video game usually makes use of “emotes” (funny gestures performed by the characters) inspired by famous songs and/or actions for which it usually pays the corresponding royalties. However, in this case, it appeared to have copied (the court has specified that the poses are identical) some steps of the choreography without obtaining consent from its author or paying any compensation.

In fact, the choreographer argued that the company had not obtained his consent to use, exhibit, reproduce or sell his steps from the choreography, which, moreover, was already registered prior to the commencement of the litigation, and requested the cessation of the use of the contested emote from the video game together with damages, including the profits derived from the use of his registered choreography.

However, the US court finally ruled that the plagiarized poses do not constitute an element protectable by intellectual property, arguing that what is protected is the expression of those movements within a choreography, bearing in mind the definition of what is understood by choreography that we mentioned at the beginning. In conclusion, it is not the movement itself that is protected, but it is understood that the protection that choreographies receive does not come exclusively from being part of a work, but they are works in themselves and therefore the choreography as a whole is protected.

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9 News

Changes in Belgian copyright law due to transposition of the DSM Directive

Through the Belgian transposing legislation of the DSM Directive, Belgium is also adapting its legislation on copyright contracting. It is recommended to keep the changes in mind when contracting with Belgian authors.

On 1 August 2022, the Belgian law of 19 June 2022 transposing Directive 2019/790 on copyright and related rights in the digital single market (DSM Directive) came into force. With the transposition of the directive, the Belgian legislator is (amongst others) changing the rules for concluding contracts with authors regarding the transfer of their copyrights.

The main novelties to keep in mind when concluding contracts with authors are the following:

i. Authors and performers are entitled to **appropriate and proportionate remuneration** when they license or transfer their exclusive rights regarding the exploitation of their copyright protected works or other materials. This has a particular impact when determining a fixed fee/price for licensing/transfer of copyrights.

ii. The "**success clause**" mechanism: An author and/or performer can request a modification of the agreement when the originally agreed remuneration does not allow them to share in the unexpected success of exploitation of the work.

iii. The party exploiting the copyrights, has a **transparency obligation** vis-à-vis the authors and performers concerned. Authors and/or performers have the right to obtain clear information regarding the fees that were received in the exploitation of the rights. This transparency obligation is of course related to the success clause mentioned above.

iv. Right of revocation: The party to whom the copyrights have been transferred or the licensee has an obligation to exploit the exclusive rights. If the person to whom the rights have been transferred or the licensee fails to fulfill the obligation to exploit the rights within the reasonably agreed time limits, the author may take back all or part of his transferred or exclusively licensed rights.

The DSM Directive also imposes an obligation to the member-states to install out-of-court dispute resolution mechanisms. These out-of-court dispute resolution mechanisms were not specifically included in the Belgian transposing legislation since Belgian law already provides for methods of alternative dispute resolution.

By Frank Cleeren, Laura Vanuytrecht and Aurelie 'S Jongers, KPMG Law in Belgium

9 News

The Digital Markets Act (DMA) and the Digital Services Act (DSA)

In November 2022, the Digital Markets Act (DMA) and the Digital Services Act (DSA) have come into force. Here are the key facts:

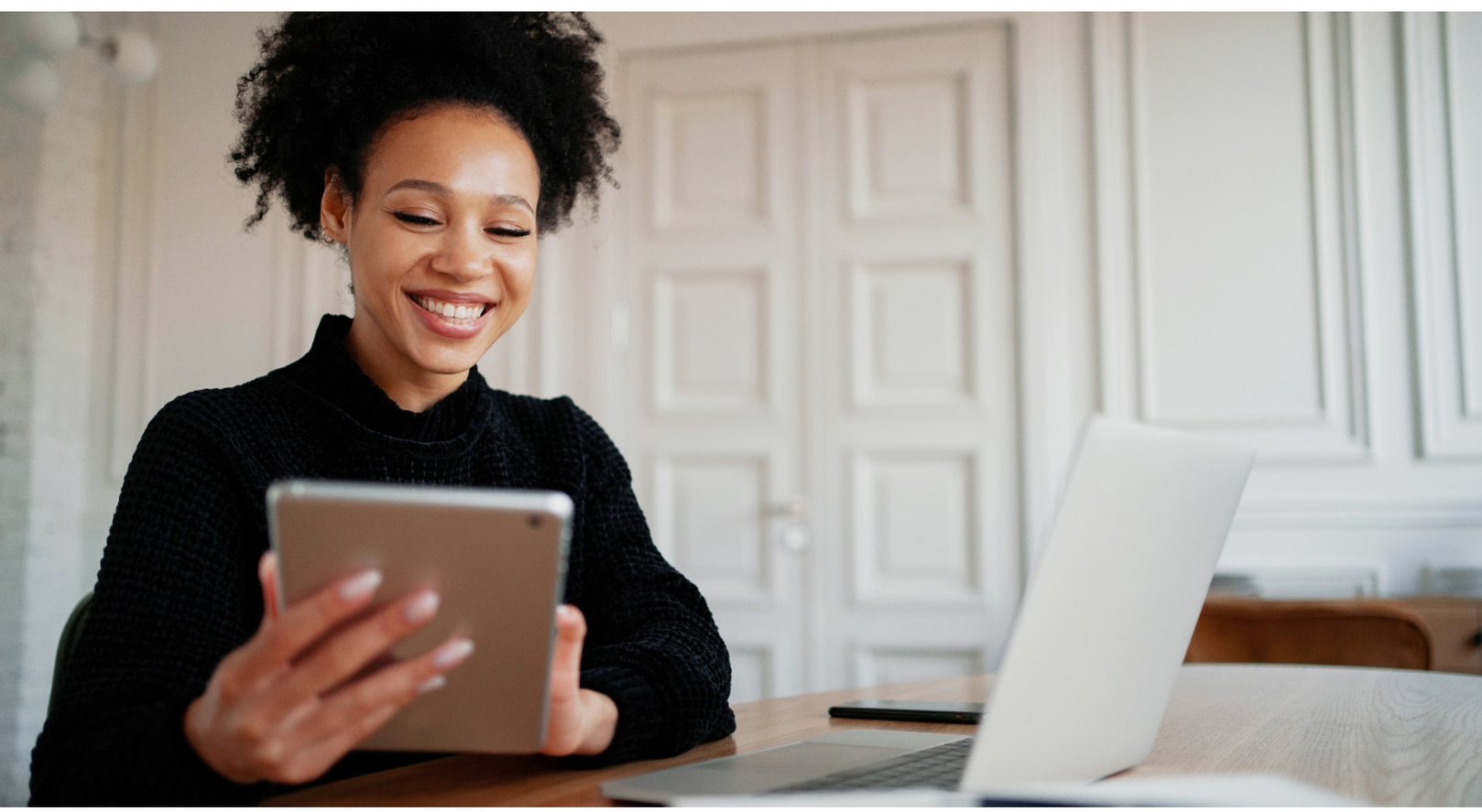
The Digital Markets Act (DMA)

- will be applicable from 2 May 2023,
- applies to platforms with gatekeeper function (social networks, search engines, cloud services, video platforms, etc.),
- aims to counter the abuse of market power and to strengthen competition in digital markets by opening platforms to third parties, and
- provides fines of up to 20% of worldwide annual turnover.

Digital Services Act (DSA)

- will be applicable from 17 February 2024,
- mainly concerns liability issues, notice-and-action procedures and due diligence obligations,
- aims to provide a safer and more transparent online environment for consumers, and
- provides fines of up to 6% of worldwide annual turnover.

By Dr. Thomas Beyer, KPMG Law Rechtsanwaltsgesellschaft mbH



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