



COMPARATIVE SURVEY ON IMAGE RIGHTS: GUERNSEY

NOVEMBER 2010

1. Image Rights

The concept of an 'image right' is relatively new when compared to 'traditional' intellectual property ("IP"). Generally speaking, an 'image right' may be defined as a right intended to protect the use of an individual's name, image, likeness or other aspect of his or her distinctiveness or personality.

Some jurisdictions have accepted the concept of an image right more readily than others. However, it seems somewhat inevitable that an image right will become one of the major IP rights that high profile individuals seek to protect.

Over time, intellectual property has developed in response to the needs of business and society. When it became possible for authors to mass produce their books by way of printing processes, copyright law was introduced to protect the authors' efforts in creating a book and their right to exploit this. Similarly, inventions were recognised and protected by way of patent law to ensure the creators of such inventions were rewarded for their efforts in creating the invention. In today's modern society, where celebrity status is sought after and provides a source of revenue in itself, it is clear that individuals will wish to protect the right to their image as a 'celebrity' as far as possible. This may be seen as the basis for an image right.

Civil law jurisdictions such as France and the Netherlands have recognised the concept or potential for the concept of an image right under their laws. Article 21 of the Dutch Copyright Act provides that "if a portrait is made without having been commissioned by or on behalf of the persons portrayed, the copyright owner shall not be allowed to communicate it to the public, in so far as the person portrayed or, after his death, his relatives have a reasonable interest in opposing its communication to the public". This clearly provides an individual (or, if deceased, his relatives) with some control over the use of their image.

Certain common law jurisdictions have also made progress in recognising the right of an individual to control the use and exploitation of their image. In the US, certain States recognise a 'right of publicity', which prevents the unauthorised commercial use of an individual's name, likeness, or other recognisable aspects of their persona. It gives an individual the exclusive right to license the use of their identity for commercial promotion. Alternatively, the Federal Lanham Act provides protection where a person's identity is used to falsely advertise a product or designate its origin.

Alternatively to a transfer, and given that an IC is its own legal entity, it is also a relatively straightforward process to convert an IC into a stand-alone limited company. Structured correctly, the ICC method would be an incredibly efficient and cost-effective way to manage the IP rights of clubs or agents and the professional sportsmen they

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manage.

7. Taxation

When considering locating IP in an SFC, tax will always be a factor of great importance. Despite being close to the UK geographically, Guernsey's taxation system is entirely different from that of the UK. In Guernsey, there is no inheritance tax, capital gains tax, capital transfer tax or VAT. Corporate income tax is charged at a rate of zero percent.

The introduction of the "Zero-10" tax regime in Guernsey brought about significant changes to the island, making it far more competitive as a jurisdiction than previously possible. While companies in Guernsey are taxed at a rate of zero percent, it is the responsibility of the companies themselves to deduct tax from distributions of profits (as opposed to capital) made to its shareholders. How these profits are taxed will depend upon the shareholder's place of residence. If the shareholder is an individual resident in Guernsey, a rate of 20 percent (the income tax rate) is charged. If the shareholder is a company, the company standard rate of zero percent applies. If the shareholder is a non-Guernsey resident, no Guernsey income tax is paid or withheld.

By way of example, a famous footballer resident in the UK for tax purposes may choose to hold his IP through an IP Holding Company similar to the "simple licensing arrangement" discussed above. Prior to creating such a structure, the footballer may, in theory, be subject to tax at a rate of 50 percent on the income from their IP. By creating such a structure, the footballer would be able to make a substantial difference to their net income.

It is worth noting that there have been concerns raised recently by some members of the ECOFIN Code of Conduct group as to whether the current corporate tax regimes in Guernsey and the other Crown Dependencies are strictly compliant with the spirit of the EU Code of Conduct for business taxation. Although Guernsey and the other Crown Dependencies are not part of the EU, they will generally try to comply with EU requests where possible, given the islands' close business relationship with many EU countries. Guernsey and the other Crown Dependencies have confirmed they will review their tax regimes. However, the States have confirmed that any replacement to the current "Zero-10" regime will continue to ensure that Guernsey maintains its position as one of the most competitive SFCs in the world. It has been suggested that changes may include the introduction of double-taxation treaties with other EU countries.

8. Guernsey

The Bailiwick of Guernsey incorporates the island of Guernsey as well as a number of other islands including Alderney, Sark, Herm, Jethou and Brecqhou. The official and primary language spoken is English. The islands are conveniently located in the same time zone as London and Guernsey has easy access to the UK, France and other key European countries.

As an international SFC, Guernsey's four key markets are banking, insurance, funds and fiduciary administration. As a result, Guernsey has developed modern, robust and highly regarded legal, tax and regulatory regimes. This has been highlighted in a number of ways recently, including The Banker magazine recognising Guernsey as one of the world's top five SFCs, and its early acceptance onto the



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OECD's 'white list' (a list of jurisdictions that have substantially implemented the internationally agreed tax standards).

Guernsey's legal system is unique. The island was historically part of Normandy (now an area of France) before becoming part of the British Isles in 1066. As a result, its legal system was originally based on the laws of Normandy, but has since followed a common law system similar to that in England. In practice, Guernsey looks to the case law of England and other Commonwealth countries for guidance where precedents have not been set in Guernsey courts. Although such decisions are not binding on Guernsey courts, they are persuasive in nature. Other than case law, the laws and practice of law in Guernsey are often very similar to that of England.

The professional services provided in Guernsey are of a world class standard. Many industry leading accountancy firms, banks, asset managers and administrators have an established presence in the island. This provides for extremely efficient provision of information and ongoing support for anyone choosing to do business within Guernsey.

The financial regulator in Guernsey is the Guernsey Financial Services Commission ("**GFSC**"). The GFSC's primary objective is to regulate and supervise financial services in Guernsey and help to uphold the international reputation of Guernsey as a finance centre. The GFSC is an internationally recognised regulator and ensures the financial services provided by Guernsey based companies continue to maintain the highest standard possible.

As set out above, Guernsey also has a significant amount to offer in respect of IP. There are numerous IP rights registrable in Guernsey. However, it is also possible to register (or renew) international IP rights from Guernsey. In particular, through Collas Crill IP Limited (part of the Collas Crill group) ("**CCIP**"). CCIP, along with legal advice from Collas Crill, is able to offer a unique one-stop shop for international IP registration, management and protection. As the only Guernsey advocates with specific IP qualifications, Collas Crill is ideally placed to provide IP legal advice with a Guernsey perspective that is second to none.

9. Conclusion

Image rights appear set to become an important part of the IP scene in the near future. Individuals and businesses with image rights and all other forms of IP are advised to think carefully about where they should hold their IP. With a high quality, robust IP regime already in place, ground-breaking IP laws in the making and the advantages of holding IP in an SFC, Guernsey is perfectly placed to become the home for image rights and all other IP. The structures available in Guernsey can be used to ensure the holder of any IP is able to manage and exploit this to its fullest extent.

Authors

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CCIP

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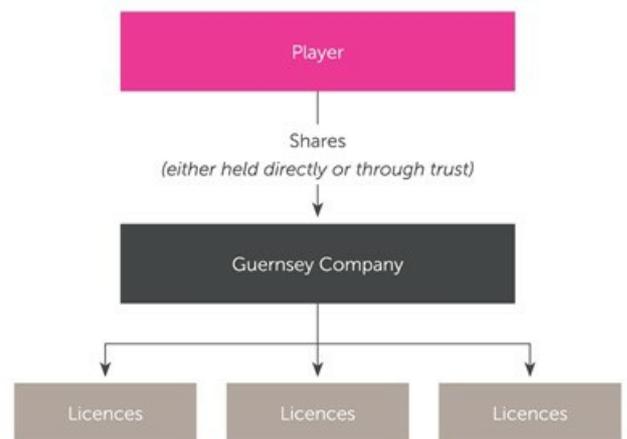


CCIP can register, manage and protect intellectual property. Based in Guernsey, it provides both local and international IP registration together with management of existing portfolios and IP assets. David Evans is one of the directors of CCIP. He has spent over 10 years involved in the intellectual property business, part of which as head of IP for a multinational company. David advises businesses of all sizes on their IP strategies and portfolio management. He is also qualified to register a variety of IP rights in multiple jurisdictions throughout the world.

Although the Guernsey registered image right will on be enforceable in Guernsey, it will provide identifiable subject matter for the licence agreement and be supported by the other relevant IP rights (such as trade marks)for international enforcement.

Given the early stages of the Guernsey image right, it is not yet known how enforcement will work in practice. However, taking such steps as making the licence agreement subject to Guernsey law and jurisdiction and requiring the parties to comply with the use of the image as though it were being used in Guernsey may go some way to create more certainty for such licences.

The licensees would then make payments to the IP Holding Company. If structured correctly, the entire income stream under the licences would be received by the IP Holding Company (the "Guernsey Company" in the diagram) and then not be subject to taxation within Guernsey.



How the IP is licensed would obviously depend on tax advice and the overall structure may differ slightly depending on the tax residence of the IP rights holder. Used correctly such a structure can result in large savings in terms of tax on royalty payments and also a greater degree of flexibility on, for example, the sale of the IP rights (a sale of shares may not be subject to any tax at all).

The above example predominantly relates to image rights. However, as has been alluded to, once an IP holder has assigned all of their IP to the IP Holding Company, such structures could be used to exploit any IP, whether registered in Guernsey or elsewhere.

6.3 The "Club" Structure

A slightly more complicated structure may provide the theoretical English Premier League footballer with an even more tax efficient way to hold their image rights and other IP. The structure below would most likely suit a non-UK domiciled footballer looking to move into the UK. Prior to this move, he would set up the below.

The core of the PCC would hold the IP for the club or agent (if any), with a separate cell established to hold each player's IP rights. This structure would ensure that any creditors of one player would not be able to pursue an action against any other player's or the club's IP. The club or agent would hold the core shares and the player would hold the relevant cell shares.

Otherwise the structure is very similar to the "simple licensing arrangement" described above. Each cell would licence the relevant IP rights to third parties and receive royalties and other payments in this

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regard. The income would then be held in the cell before being returned to the player in the most tax efficient manner.

In the event that a player transfers club or changes agent, it is not possible to transfer a cell into another PCC. It is possible to transfer the assets of a cell by way of a cell transfer order, but this will most likely require court approval. As such, the ICC Model described below may be more appropriate for such structures.

6.5 The ICC Model

An incorporated cell company ("**ICC**") is similar to a PCC in that it is a legal entity with separate "cells". However, the cells of an ICC (each an incorporated cell, or "IC") are a separate legal entity in their own right. The ICC and its ICs will share the same directors, secretary and registered office and will file one annual validation. Given the distinct legal status of the ICC and each IC, there are no issues in relation to cross liabilities.

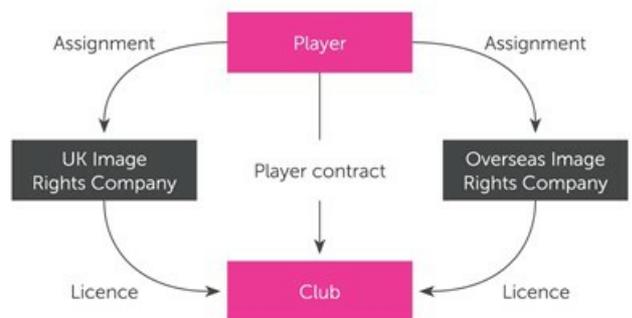
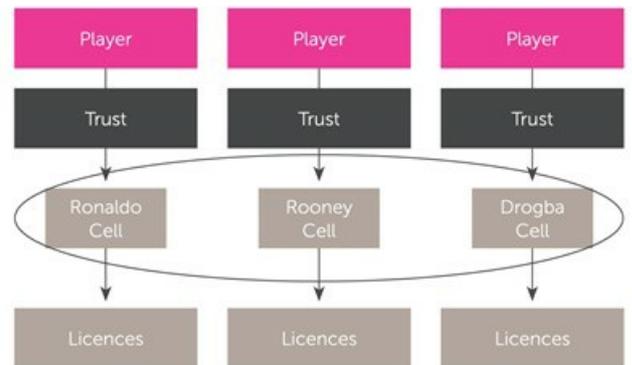
As with a PCC, a club or agent would establish its own ICC and create an IC for each of its players. The player then assigns his IP to the IC and the shares in that IC are held by the player.

Royalties are paid to the IC and subsequently returned to the player. Although similar to a PCC, an ICC structure offers much more flexibility for the purposes of asset holding, particularly in relation to sports IP. Where a player transfers club or changes agent, it is a straightforward process requiring special resolutions of the ICC and relevant IC to simply transfer the IC to another ICC. In the example below, the Manchester United ICC Limited and Ronaldo IC could simply have approved the transfer of the Ronaldo IC to the Real Madrid ICC Limited. This allows the IP of a club or agent and all relevant players to be efficiently administered through one structure.

In this structure, prior to relocating to the UK the player would establish two companies intended to hold image rights (and potentially other IP): one to hold his UK based image rights and the other for all other countries. The location of the UK Image Rights Company would be subject to tax advice, but would likely be in a jurisdiction benefiting from a dual taxation treaty with the UK. The Overseas Image Rights Company would be incorporated in Guernsey.

Once the two companies had been incorporated and the footballer assigned the relevant image rights, the companies could then licence these rights to the footballer's new team as part of his contract. The royalties payable in respect of the use of his image within the UK would be paid to the UK Image Rights Company. All other royalties are paid to the Overseas Image Rights Company.

The above structure has not yet been subjected to rigorous review or testing in court and its adoption is strictly subject to legal and tax advice. However, such structures may go some way towards ensuring the proceeds of UK based image rights will be specifically



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definable. The Agassi11 case found that Andre Agassi, the famous US tennis player, owed taxes in the UK on his global sponsorship income apportioned to reflect the amount applicable to the UK (for example, based on the number of UK tournaments he played in that year). Mr Agassi was taxed on his global sponsorship, even though his image rights were held by non-UK entities and payments were received from non-UK sources. It is cases such as this that have stopped Usain Bolt and other famous sportspeople from attending events in the UK.

Although the above structure is by no means a definitive answer to such tax practices, it may help to evidence the proportion of royalties paid in respect of UK image rights. This UK based royalty stream could potentially be used as a guide for tax purposes, rather than the much more liberal approach taken in the Agassi case.

6.4 The PCC Model

The concept of a protected cell company ("**PCC**") was a world- first when introduced in Guernsey in 1997 and has since been replicated in many other jurisdictions. This type of company is now governed by the key legislation for companies in Guernsey, the Companies (Guernsey) Law, 2008 (the "**Companies Law**").

A PCC is a single legal entity with a "core" and separate and distinct "cells" within it. Each cell may, but is not required, to have "cell shares". Assets and liabilities of each cell in a PCC are, by law, segregated from those of other cells and the core. Creditors of one cell will not have recourse beyond the specific cell, unless a recourse agreement has been entered into.

Although PCCs were originally used solely for investment funds and insurance purposes, they are now used for an extremely wide variety of purposes. Most notably, they are extremely useful for asset holding where the intention is to protect certain groups of assets from others. For example, where a football club or agent holds IP rights for multiple players (as set out below).

Trade marks are a registered IP that provide the owner with a monopoly over the use of a distinctive 'mark' or 'brand'. Although trade marks are generally recognised as protecting the identity of a business (e.g. Coca-Cola), trade mark laws have been used to protect the images of famous individuals. Given the concept behind an image right, trade marks may in fact be the best fit for protecting images in the absence of specific image right recognition. For example, Damon Hill has a registered UK trade mark for the image of his eyes looking out from his racing helmet. Notably, the proprietor of this trade mark is Damon Hill Grand Prix Limited, a company incorporated and registered in the Channel Islands. This is one of many examples of individuals choosing to hold their IP in an SFC registered entity.

Trade marks are a registered IP that provide the owner with a monopoly over the use of a distinctive 'mark' or 'brand'

To be registrable, a mark must be 'distinctive' and capable of graphic representation. As such, a common approach is to register the name of a famous individual in respect of classes in which that name may be exploited. For example, Tiger Woods has a Community trade mark for his name in relation to interactive software for computer games, thereby helping to protect the use of his name in the popular "Tiger Woods PGA Tour" series of games produced by EA Sports. In addition, certain sportsmen have gone even further and registered their image as a trade mark. Damon Hill has already been discussed above and Alan Shearer had also registered his

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image as a UK trade mark, although this has now expired.

Issues could potentially arise with such trade marks where there was no bona fide intention to use the mark in respect of the goods or services for which it is registered. The 'distinctive' requirement may also cause problems for sportspersons looking to register their name or image. The use of their name or image will need to be associated with the relevant goods or services for it to be 'distinctive'. Given that most sportspersons are famous for their particular sport, and not for any goods or services, this test may prove difficult to overcome.

Although it may be possible to register a sportsperson's name, or even their image, as a trade mark, the enforceability of such registrations is not yet known.

As highlighted above, Guernsey's trade mark legislation largely reflects that of the UK and other key jurisdictions. The UK has published its Registry's Manual of Trade Marks Practice and this deals with certain issues relating to the registration of celebrity names and images. Guernsey does not have such a manual, but this would likely result in the IP Registrar in Guernsey taking a discretionary view on registrability and most likely would follow the UK position.

4.2 Data Protection

The law governing data protection in Guernsey is the Data Protection (Bailiwick of Guernsey) Law 2001 (the "**Data Law**"), which was largely based on the UK's Data Protection Act 1998 (the "**Data Act**").

The Data Act imposes certain obligations on entities collecting and processing personal data. "Personal data" can be construed very widely and potentially covers the name or a photograph of a famous sportsperson or celebrity. As such, there have been attempts to use this as a statutory basis for creating a right over the use of an individual's image and personality.

Should this be considered "personal data", the person looking to make use of such data will need to ensure they comply with the provisions of the Data Act. In particular, should the data be used for commercial purposes without the consent of the relevant sportsperson (e.g. an image of the sportsperson used for a poster campaign), it may be that the personal data has been "processed" in contravention of the processing requirements of the Data Act.

In a case against Hello! Magazine, it was considered that a photograph could be subject to "processing" for the purposes of the Data Act where automatic equipment transmitted it to printers or in the processes used in the preparation for, and in the course of, the printing. Therefore, where a photograph or representation of a famous person is considered "personal data", its use in a commercial context may very well be classed as "processing" meaning it will fall within the provisions of the Data Act. Although the case was not decided on this point in the end, the use of the Data Act in this way is intriguing.

English case law has suggested that there are limitations to the Data Act's use as a means of creating an image right. In Murray, Patten J's comments imply that damages for such unlawful processing of data are limited to circumstances where the sportsperson has suffered some form of loss, such as the loss of fees that may have been received for the use. As such, the recourse against the infringer under the Data Act seems somewhat limited.

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Although it is not common practice in Guernsey to use the Data Law to protect image rights, given the similarities with the Data Act there does not seem to be any reason why this could not be applied in the same way. As such, Guernsey should restrict the use of images from a data protection perspective to an equal degree as that in the UK.

4.3 Passing Off

In *Reddaway v Banham* Lord Halsbury stated that "no-one has the right to represent his goods as the goods of somebody else". As such, the law of passing off in the UK seeks to restrict the taking of business by presenting goods or services as someone else's. For an action to succeed there must be three elements: goodwill in the relevant 'mark' or 'brand', a misrepresentation leading to confusion and damage caused.

In a case involving Eddie Irvine, the retired British Formula 1 driver, Mr Irvine successfully sued Talksport Limited ("**Talksport**"), a UK radio station, for passing off. This improved the protection of image rights in the UK by recognising passing off as a potential cause of action.

Talksport used a photograph of Mr Irvine which had been doctored to show him holding a Talksport branded radio. The judge in this case highlighted the necessity for damage to goodwill before passing off may be established. At the time of the incident, Mr Irvine was an extremely well known sports figure and his image would clearly have had significant goodwill. Talksport's use of his image falsely implied the endorsement of Mr Irvine and Mr Irvine had not received any remuneration for this use. As such, Mr Irvine was awarded a sum equivalent to the royalty he would have received for such an endorsement.

Although there have been no passing off cases involving image rights in Guernsey, it is highly likely that precedents such as the Irvine case would be looked to for guidance.

4.4 Advertising Standards

A significant example of image rights enforcement in the UK was in relation to David Bedford. Mr Bedford was a well-known runner in the 1970s and had a recognisable image due to his clothing, hairstyle and facial hair. The Number (UK) Limited (better known to us as "**118118**") introduced an advertising campaign featuring two characters with appearances very similar to that of Mr Bedford.

Mr Bedford was reported as saying that "he wanted to sue, but his lawyer had told him he had no case because he had no control over the image rights". That said, in 2003 Mr Bedford lodged a complaint with the Independent Television Commission. Ofcom found that 118 118 had been in breach of the UK's Television Advertising Standards Code. However, as a result of Mr Bedford's delay in taking action, the lack of any actual financial harm to Mr Bedford and the expenditure incurred by 118 118, Ofcom refused to ban the relevant advertisement.

Guernsey does not have a code similar to the UK's Television Advertising Standards Code or CAP Code. Given that these are non-statutory codes, it is unlikely that these would be applied or even considered for Guernsey based complaints. Clearly any activities in the UK (or any other jurisdiction) involving a Guernsey resident individual or incorporated company would still be subject to that jurisdiction's advertising standards. Given the very limited amount of Channel Island-specific television broadcasts (Guernsey receives

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the vast majority of its television from the UK), the lack of an advertising code is unlikely to cause Guernsey-specific issues.

4.5 Guernsey's Position

Given the above, it is clear that the IP regime in Guernsey generally provides equivalent protection for sport-related IP rights to that of the UK. As such, sportspersons, sport clubs, sport related businesses and other such entities will be able to seek protection in Guernsey on a very similar basis to that in the UK. In addition, should they choose to relocate ownership of their current IP rights to Guernsey, they will still be able to enforce these rights in the relevant jurisdiction, whether in the UK or elsewhere.

5. Image rights legislation

One of the most interesting rights that is being considered as part of Guernsey's continuing development of IP, is a plan to define and create a legal register of image rights in Guernsey, thus allowing owners of such rights to register them and thereby create a more clearly separable and marketable asset.

As discussed in detail above, the UK does not have a recognised image right. However, cases such as that of Sports Club plc have recognised image rights of famous sportsmen (in this case, Arsenal Football Club's Dennis Bergkamp and David Platt) as separate capital assets in their own right. Although this case involved image rights from a tax point of view, it does show a progression towards the recognition of image rights, at least from a fiscal perspective.

Certain other countries, such as the US, Australia, Mexico and France, have legally recognised the existence of image rights. However, these are generally based on civil law or case law and are not supported by a searchable register. Guernsey's proposed statutory image right would be the first of its kind and provide a clearly distinguishable and definable asset for the owner of the right.

The creation of such a right will clearly have significant commercial value in the sporting arena. As discussed above, although image rights are not expressly recognised as a separate right in the UK, parties still pursue various legal avenues in an attempt to restrict the use of their image. There are also many agreements and licences entered into in relation to image rights, whether it is the right of a company to associate a famous sportsman with their product, or a manager to have control over the use of their client's image. The lack of a recognised image right potentially creates confusion as to the subject matter of such agreements or licences. This lack of clarity could have an impact on their value and enforceability.

By way of comparison, the image rights regime in Guernsey is likely to be akin to that of trade marks. However, where trade marks seek to recognise and protect the distinctiveness of a brand, image rights will do so for the distinctiveness and personality of an individual.

An understandable criticism with the proposed image rights legislation in Guernsey is the limit of its territorial application. Given the current status of image rights around the world, it is clear that we are a significant way from having a harmonised approach to this IP right. Guernsey's statutory image right would go further towards protecting such rights than any other jurisdiction. Therefore, it would be very difficult to agree any reciprocal enforcement of image rights with other countries. In addition, the image rights legislation will only apply to and be able to protect the use of images within the Bailiwick of Guernsey.

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While it may at first prove difficult to enforce the image right outside the Bailiwick of Guernsey, there are still significant potential benefits in registering them here. In particular, creating a Guernsey registered image right would establish a legally recognised asset. This could then be marketed, traded or charged (e.g. as security for the raising of finance) with greater certainty for all parties concerned.

The image right could also be linked to a number of other internationally recognised IP rights (such as trade marks) held by the relevant party. The IP holder would then exploit the image right in addition to these other rights.

Although the statutory image right has not yet been introduced in Guernsey, IP holders should consider Guernsey for image rights purposes now and regardless of any potential legislation. An individual could assign and transfer all of their image rights (and other relevant IP rights) to an entity in Guernsey, most likely a Guernsey incorporated company. These rights could then be licensed to third parties in return for payment (e.g. royalties) by way of a licensing agreement. The individual would likely enjoy potentially large savings on income and capital taxes. It is unlikely that they would be subject to any local taxes, provided the beneficial owner of those rights is not resident in Guernsey.

There are also many non-tax reasons for separating image rights (and other IP rights) into a separate legal entity, not least of which are for future estate planning and asset protection reasons. IP rights (including, potentially, image rights) can survive and be valuable long after the death of the individual. For example, the use of Elvis Presley's name or image in relation to a product is highly likely to increase the demand for and popularity of that product.

It should be noted that the image rights legislation remains subject to consideration and approval by the States of Deliberation in Guernsey.

With the fiscal advantages of a leading SFC, image right protection on level pegging with the UK, impending world-first image right legislation and the backing of many locally based service providers, Guernsey is a leader in the realm of image rights and other IP and is primed to continue building upon this position in the future.

6. Potential Structures

The introduction of a statutory image rights regime is not the only advantage Guernsey has to offer from an IP management perspective. It may be extremely beneficial for IP holders, particularly sporting figures and other famous individuals, to consider holding all of their IP in Guernsey.

Below is a brief explanation of some of the many ways IP rights may be held and exploited from Guernsey. Needless to say, the appropriate structure to be used will change on a case-by-case basis. It is therefore very important to seek legal and tax advice when considering restructuring IP in this way.

6.1 IP Holding Company

Once an individual has identified and protected their IP, whether in Guernsey or anywhere else, it is then necessary to find an effective and tax efficient way of holding and exploiting that IP. This is where the "IP Holding Company" can be utilised.

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Sporting stars may have any number of IP rights registered (e.g. trade marks for their name, autograph and/or image, copyright in commissioned photographs or their autobiography). These rights may be in a wide variety of jurisdictions and subject to an array of agreements and licences. This will likely create a complex international IP portfolio. The wrong decisions in how this IP is managed may produce unwieldy structures or mean that IP is missed or its true value never fully realised. Depending on certain factors, such as the residency of the individual and their activities, there is potential for such structures to have significant tax implications.

The IP holder may choose to assign all of their rights, title and interest in their IP to the IP Holding Company. The IP holder is then able to streamline the processes for registration, licensing and monitoring this IP. They could then effectively value their IP through analysis of the IP Holding Company's income stream. In addition, incorporating the IP Holding Company in an SFC will likely have significant tax benefits.

By using an IP Holding Company registered in Guernsey, the IP holder can simplify their IP structure, streamline licensing procedures and minimise cross jurisdictional transfers of IP, whilst ensuring the continued protection afforded to it. The obvious answer would therefore seem to be that such an entity should be an essential part of any IP holder's repertoire.

6.2 Simple Licensing Arrangement

After an individual has successfully assigned all of their international IP rights to an IP Holding Company, it will then be appropriate to exploit this IP to its fullest commercial extent.

For example, consider a renowned football player in the English Premier League wishing to protect and benefit from the use of his image. The footballer incorporates an IP Holding Company in Guernsey and is the sole shareholder of this company. He immediately assigns all of his image rights (and other IP) to this IP Holding Company. In addition to these existing image rights, and following introduction of the legislation in Guernsey, the IP Holding Company registers the footballer's image rights in Guernsey. The IP Holding Company is then in a position to licence, assign, charge or otherwise deal with any of the image rights of the footballer.

Should the footballer wish to allow a third party to exploit his image (or other IP right), the IP Holding Company will simply enter into a licence agreement for the use of that image with the relevant third party.

Guernsey has a comprehensive legislative structure for protecting and exploiting IP. The Intellectual Property (Enabling Provisions) Bailiwick of Guernsey Law 2004 (the "**Enabling Law**") created the power for the States of Guernsey (Guernsey's executive and legislative house) (the "**States**") to introduce separate ordinances relating to IP.

The Enabling Law also gave the States the power to establish the office of the Intellectual Property Registrar (under the Intellectual Property (Office of Registrar) (Bailiwick of Guernsey) Ordinance 2005) and bring in several ordinances that deal with specific areas of IP. The Registrar and the Intellectual Property Office are responsible for the registration and protection of IP registrations within Guernsey.

Guernsey has a comprehensive legislative structure for protecting and exploiting IP

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To date, Guernsey has implemented legislation in respect of a number of IP rights, including trade marks, copyright, design rights and database rights. Further legislation and IP rights, such as specific laws relating to image rights, have been proposed and are currently being progressed. However, below is a snapshot of some of Guernsey's key IP legislation which is likely to be relevant to those involved in the sporting world.

3.1 Trade marks

The Trade Marks (Bailiwick of Guernsey) Law 2006 is the principal legislation governing trademarks within Guernsey, which is currently in the process of acceding to the main conventions governing trademarks.

Any sign capable of being represented graphically and which is capable of distinguishing the goods and services of one undertaking from those of other undertakings is, subject to the requirements of the Registrar of trademarks, registrable. In the world of sport, this would include such important brand items as team badges, logos and potentially even the colour of a team's kit.

Like English law, there are both absolute and relative grounds for refusal of registration and the criteria bears a resemblance to UK provisions e.g. trademarks devoid of distinctive character are not inherently registrable.

A trade mark in Guernsey is protected for a period of 10 years starting on the date of registration. On application (and payment of a fee) up to six months before or after the end of the protection period, registration of a trade mark may be renewed for an unlimited period (for 10 years per renewal). Guernsey trademarks are classified using the ninth edition of the Nice classification system, which is based on the most up to date system used by the UK and recognised by the World Intellectual Property Office. Applications for trademarks in more than one class are accepted and do not require separate applications.

The proprietor of a registered trade mark must actually make genuine use of the trade mark within the Bailiwick of Guernsey in relation to the goods or services for which it is registered. It should be noted that, where a sports person locates their worldwide trade marks in Guernsey as well as registering a Guernsey trade mark, failure to use such a mark in Guernsey should only impact on the Guernsey registration and not any elsewhere. Given the cosmopolitan nature of the island and its links to global finance, it is unlikely that this problem would arise.

3.2 Copyright

The Copyright (Bailiwick of Guernsey) Ordinance 2005 is the principal legislation governing copyright in Guernsey.

Original literary, dramatic, musical or artistic works, sound recordings, films or broadcasts, and the typographical arrangement of published editions are all protected by copyright in Guernsey. Protection lasts for varying periods of time, depending upon the type of work subject to copyright, and this scope varies widely. 'LDMA' works and films are generally protected for 70 years, sound recordings and broadcasts for 50 years and published editions for 25 years.

Copyright does not subsist in a work unless the qualification requirements of the Copyright Ordinance are satisfied. Qualification may arise by reference to the country of first publication or broadcast (i.e. copyright will be protected if first publication or broadcast is in Guernsey or in a recognised jurisdiction under Guernsey laws and regulations). As such, should a famous footballer choose to write his

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memoirs whilst spending the off-season in the South of France, he would be provided copyright protection for this within Guernsey.

Like English law, infringement can be both primary and secondary and the principles are largely the same. The rights of the copyright holder in relation to infringement are also similar, with copyright holders having the right to, for example, sue for damages, or be recognised as the true author of the work. Copyright can also be licensed, assigned, lent and in unpublished works can be passed under a will. This would allow the memoir-writing footballer to licence his Guernsey-based rights in this work to a publisher, or assign them to his wholly-owned Guernsey based company, allowing for the benefit to be passed through the generations by way of trust or corporate arrangements that Guernsey is so well known for.

3.3 Database Rights

The Database Rights (Bailiwick of Guernsey) Ordinance 2005 is the principal legislation governing database rights in Guernsey.

Whilst seeming irrelevant for sporting purposes, database rights may have relevance for those using statistical applications, such as "fantasy sports" leagues, sports-based computer games and other products reliant on player statistics. In particular, this protection will likely be very important for sport betting companies, many of which are choosing to relocate to Guernsey to take advantage of the world-leading e-gambling regime being pioneered in Alderney (one of the islands within the Bailiwick of Guernsey).

For a database right to subsist there must be a "database", defined as a collection or collation of independent works which are arranged in a systematic or methodical way and accessible physically or electronically. There must also be "substantial investment" from the maker and publisher of the database in some form.

The Database Ordinance widens the type of investment that will qualify for the development of a database right and grants the sort of protection that many thought the EU directive on database protection was intended to afford. As such, it may be possible to obtain such a right in Guernsey when not available elsewhere. Protection lasts for 15 years from completion of the database or, if made available to the public, 15 years from the date it was first made available. Substantial changes to the contents of the database would be considered a new investment subject to its own protection as a new database right.

4. Image rights cases

Law in practice in Guernsey generally follows the principles of English and Commonwealth law, meaning image rights cases in these countries will have a bearing on the approach taken by the Guernsey courts. With this said, following the proposed introduction of image rights legislation it will be more difficult to find appropriate case law as the legislation will be unique to Guernsey. English case law may still offer some guidance on certain issues, but it will be the Guernsey courts that are tasked with interpreting Guernsey's statutory image right.

The English courts have been faced with the issue of image rights in a number of guises, whether on the basis of a trade mark, passing off, data protection, advertising standards or otherwise. Although English law has not yet established a recognisable and specific image right, some of these approaches have had varying degrees of success in protecting the use of an image. It is therefore appropriate to consider how such case law and practices may be interpreted and utilised in Guernsey.

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4.1 Trade marks

When IP forms a significant part of the assets or income of an individual or business, it is important to manage them in a way which will meet the legal and commercial objectives of the holder. While "identification", "protection" and "exploitation" are recognised as the key considerations, "location" is arguably now just as important. Moving image rights and other IP to tax neutral jurisdictions may contribute not only to their protection, but also to the flexibility of their exploitation and the reduction of the tax burden on any related income. This could have a significant impact on entities with a multitude of IP rights, such as sport clubs and famous sporting icons.

Traditionally, offshore centres, now more correctly referred to as Specialist Financial Centres ("**SFCs**"), have not tended to be used extensively for the management of IP. This has generally been because of the somewhat outdated legislation that has not always been conducive to the international recognition that the sporting and commercial markets require. However, Guernsey has taken steps to further develop itself as a highly regulated financial centre with IP legislation that is not only internationally recognised but that also provides some unique advantages for individuals and companies wishing to locate their IP in a tax benign environment with a robust legal framework to look after it. The relatively new IP laws in Guernsey have been designed to be flexible, modern and progressive. While they are primarily based upon UK and European laws and models, they also have the benefit of the lessons learned in those jurisdictions.

The development of IP legislation in Guernsey can benefit from case law and UK precedent but also retain flexibility from the European regime (as it is not part of the EU). This flexibility allows for Guernsey to provide protection where it would otherwise be unavailable and the ability to adjust to ever-changing markets with the recognition of new IP rights, such as image rights.

If a company is looking to locate its image rights and other IP within an SFC, the legal protection afforded by that jurisdiction is critical. This protection must be considered not only in the context of the statutory protection afforded to such IP, but also the process of enforcing those rights. The court process should be clear, swift and capable of providing an effective remedy. One must also consider whether they have multiple types of IP requiring protection. For example, a sports club may wish to hold its trade marks, copyrights, database rights and image rights in a location where they will be adequately protected both locally and internationally.

Alongside the legal considerations, there are many practical and financial factors worthy of note. Cost will play an important part of an individual or business's decision, as will the speed of registration. It is also important to take note of the tax implications, as well as local expertise and knowledge.

It is possible for an individual or business to move all of their IP into Guernsey, either by assigning existing IP to an entity in Guernsey, or registering future IP through such an entity. This will allow for ease of administration and the efficient exploitation of these rights, especially where they may currently be held by a number of entities in a variety of locations. It would then be possible to take advantage of the progressive and robust structures offered by Guernsey, as well as its tax regime. It is highly likely that any individual or business

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involved in or linked with sport would benefit greatly from such a move.

3. Guernsey IP Legislation

The concept of an image right is clearly big business for sportspersons. The exploitation of their image may amount to a significant percentage of their overall income. Michael Jordan, the basketball player often recognised as one of the greatest sportsmen of all time, is said to have earned approximately \$90 million in total salary during his active career as a player. However, he earned another \$750 million from sponsors for the use of his image. Tiger Woods, considered the first sportsperson to earn more than \$1 billion in his career, is a similar example. Even with the negative PR fallout from his personal issues of late, it is estimated that he receives approximately \$70 million per year from endorsement fees.

The concept of an image right is clearly big business for sportspersons

Regardless of the above very few jurisdictions, if any, have expressly and specifically recognised or created a basis for image rights as a separate IP right. However, their importance has no doubt been accepted in the UK legal and commercial arena. For example, in anticipation of the Olympics in 2012, the London Olympic Games and Paralympic Games Act 2006 (the "**2006 Act**") was introduced. The 2006 Act gives the London Organising Committee of the Olympic Games and Paralympic Games the exclusive right to grant its sponsors and licensees authorisation to create an association between their business, goods or services and the 2012 Olympics. The concept of 'association' is not strictly limited, but may include the use of athletic images or iconic images which 'evoke the spirit' of the 2012 games. Although this may not be a specific or even general recognition of an image right, it clearly acknowledges that certain images are important from a commercial standpoint and warrant protection from use by unauthorised parties.

In addition, even though image rights may not be expressly recognised under English law, they still form an important part of commercial agreements and individuals will seek to enforce them as far as possible. A notable recent example involves Wayne Rooney and the rights to his "off-field" image, which he assigned to his management company in return for the payment of commission. Mr Rooney sought to terminate this agreement following the resignation of a key employee of the management company. Interestingly, the agreement was made for eight years (with very little possibility of termination) and found to be unenforceable by the courts on the basis of restraint of trade. The judge noted the imbalance of bargaining powers between the parties and that the agreement imposed "significant restrictions on Wayne Rooney's freedom to exploit his talents". It was however, acknowledged that an agreement relating to image rights and their exploitation had become a common and accepted form of commercial agreement in such situations.

Given the above, it is clear that there is an increasing acknowledgment of image rights as a form of IP right whether by legislation, case law or commercial practice. The authors are, however, not aware of a jurisdiction that has yet to take the step of creating a registrable image right as a specific form of registered IP. The importance of an image right should not be underestimated in a sporting context. It is essential for sportspersons to consider how and where is best to register, manage and exploit such rights.

2. Offshore, Image Rights and other IP

The effort to harmonise IP protection on a global scale indicates the fundamental importance of IP to the world economy. IP rights have become a key asset for many individuals and businesses. Although various agreements and treaties have sought to harmonise the

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recognition and procedural aspects of certain IP rights, IP is very much an evolving area of law and new rights will undoubtedly develop with the demands of society.

For sportspersons, sports clubs or any other individual or business associated with sport, the recognition and use of image and IP is vital in today's marketplace. Whether it is the branding of a sport betting company or the image of a well known sportsman, it is important that IP is adequately recognised, protected and commercialised where possible.

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