

Intellectual Property Issues in Advertising

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Introduction - The Growing role of advertising in the market economy

Advertising is as old as civilization and commerce. Some 3,000 years ago, shoemakers and scribes promulgated their services on clay tablets. Ancient Greeks used town criers to proclaim the arrival of ships laden with cargo of wine and spices. Today, businesses beckon potential customers with attractive business signs, pamphlets, brochures, billboards, radio and TV communications, telephone solicitations, door drops, commercial text messages, email advertisements, banners and pop-ups², rich media advertisements³ and many other advertising tools.⁴

For most enterprises, especially small and medium-sized enterprises, advertising can be a costly affair. On the one hand, customers are getting bombarded with ever more information about new and allegedly superior goods and services, while, on the other hand, cash-starved enterprises need to be more and more creative to be cost-effective in advertising their wares. To be effective, an advertisement must first get noticed, and then be remembered long enough to persuasively communicate the unique selling proposition of a product or service, so as to make potential customers into actual ones.

Advertising has become a race for creating a unique, cutting-edge, and enticing way of passing on relevant information to customers so as to facilitate and positively influence their buying decisions. As it is, it is difficult to keep the content of an advertisement true to facts, given the natural human tendency to exaggerate the benefits of a product or service beyond mere puffery. It is easy to cross the thin line demarcating mere puffery from a misleading, deceptive or plainly false advertisement. Therefore, creating a risk-free winning advertisement often becomes as challenging as creating a risk-free winning product or service!

A host of innovative digital advertising techniques in the online environment has created new possibilities for companies to expand the role of advertising beyond its traditional supporting role for a product or service. As a result, in a number of online business models, receipts from

¹ The views expressed in this article are solely of the author and do not necessarily represent those of WIPO. Comments, suggestions or any other feedback concerning this article may be sent to lien.verbauwhede@wipo.int. Many thanks to Guriqbal Singh Jaiya for his most valuable guidance and comments

² A **banner** is a graphic image that displays an online advertisement, typically placed at the top or bottom of a web page and linked to the advertiser's website. A **pop-up** is an advertisement that pops up unrequested over the webpage. Typically, if the web user clicks on the ad, the pop-up will close and re-direct the user to a full sized browser window of the advertiser's choice.

³ **Rich media advertisement** refers to Internet advertising which uses advanced technology that allows user interaction and special effects. Rich media advertisements often contain streaming video, audio, fill-in forms, pull-down menus, search boxes, and other visual or interactive elements that are more elaborate than traditional images and text.

⁴ For definitions relating to advertising on the Internet, see: http://searchcio.techtarget.com/sDefinition/0,,sid19_gci211535,00.html and http://www.btonlineads.co.uk/guidelines_ad_guide.htm.

advertising is often the main or sole source of income for a business.⁵ At the same time, the Internet and digital technologies have created new potential problems because of the ease and speed with which advertising content can be assembled, reshaped and distributed worldwide.

This article deals with intellectual property (IP) issues in the creative process of advertising, from how advertisers can protect their exclusive rights in their creations to what are the dangers in violating the IP rights of others while creating or using advertising content in traditional or Internet-based ways.⁶ The article mainly caters to all businesses that actually do or plan to advertise their goods or services. It would also be helpful for anyone who gets involved in advertising, such as employees who are responsible for creating promotional material, freelance advertising agents, marketing consultants, graphic designers, photographers, and the like.

What Types of Intellectual Property Rights may be Involved in Advertising?

Just like the elements of a good product or service, the elements of a good advertisement are likely to be imitated or copied by others. So, it is hardly surprising that one or more types of IP rights come into play in creating content for an advertisement, or while deploying an advertising campaign. These include the following:

- **Creative content**, such as written material, photographs, art, graphics, the layout of an advertisement, music and videos, may be protected by copyright;
- Advertising **slogans** and **sounds** may be protected, under circumstances, by copyright and/or by trademark law;
- Business names, logos, product names, domain names and other **signs** used in advertising, may be protected as trademarks;
- **Geographical indications** may be protected by laws against unfair competition, consumer protection laws, laws for the protection of certification marks or special laws for the protection of geographical indications or appellations of origin;⁷
- Computer-generated **graphic symbols, screen displays, graphic user interfaces** (GUIs) and even **webpages** may be protected by industrial design law;
- A **website design** is likely to be protected by copyright;
- **Software** to create digital advertisements, such as computer generated imagery (CGI), may be protected by copyright and/or patents, depending on the national laws;
- Some forms of **advertising techniques** or **means of doing business** may be protected by patents or utility models.⁸

⁵ According to JupiterResearch, Internet advertising has increased 37% worldwide in 2004, rising to US\$ 8,4 bln. Approximately 85% of Yahoo!'s total revenues comes from advertising. (Source: Le Temps, 20/01/2005).

⁶ For an excellent article in the American context, see: Mark G. Tratos and Lauri S. Thompson, Perils And Privileges In The Digital Age Of Advertising: Intellectual Property Considerations For Advertisers And Agencies, http://www.quirkandtratos.com/article_digital_perils.htm.

⁷ A **geographical indication** is a sign used on goods that have a specific geographical origin and possess qualities or a reputation that are due to that place of origin. Examples are "Chianti Wine" from Italy; "Tequila" from Mexico; and "Idaho Potatoes" from USA. All these names typically convey an assurance of quality and distinctiveness, which is essentially attributable to the fact of its origin in that defined geographical locality, region or territory.

⁸ Various innovative multimedia advertising technologies are being patented. For example, MindArrow Systems Inc. has a patent for its "Electronic Mail Deployment System" that protects methods and systems to deliver, manage and track rich media content in e-mail (www.clickz.com/news/article.php/1465461). Unicast Communications Corp. owns patents that protect procedures it uses in delivering its interstitial advertisements (<http://www.atnewyork.com/news/article.php/933031>).

- Distinctive **packaging**, like the shape of a bottle or container, may be protectable as a trademark, industrial design or, in some countries, as a trade dress;⁹
- A person's **identity**, such as his or her name, photograph, image, voice or signature, may be protected by publicity or privacy rights;
- **Databases**, for example of consumer profiles, can be protected by copyright or by *sui generis* database laws;
- **Unfair advertising methods**, including false advertising claims, false endorsement of products, deceptive packaging, dishonest promotions or marketing, are prohibited by unfair competition laws.

Businesses are finding ever more inventive ways to advertise their products and services. With each level of increased sophistication in the advertisement, additional IP rights are raised. Thus, the simplest advertisement may involve only a logo's copyright and/or trademark rights, whereas advanced audio-visual works may raise many complex IP issues.

How to protect your creative advertising?

Competitors are likely to copy and to freeride upon your creative inspiration, skill and efforts. You should therefore devise appropriate strategies to protect your creations by using the legal tools made available by the IP system. These may include:

- **Registering** your advertisement and any other copyright protected material (including your website) with the national copyright office, in countries providing this option.
- **Alerting** the public that your advertising material is legally protected by copyright law. This may be done simply by using a **copyright notice** (which includes the symbol © or the word "Copyright" or abbreviation "Copr."; the name of the copyright owner; and the year in which the work was first published);
- **Registering your trademarks.** Trademarks are typically words, numerals and/or logos. However, technological developments have enabled the creation of new and more creative marks. Animated/moving image marks and sounds, for example, are particularly suitable for advertising and ideal for the Internet environment. Some countries allow the registration of such non-traditional trademarks;¹⁰
- **Registering your trademark as a domain name.** Your trademark and your domain name may be inseparably linked. It is frustrating for customers when they cannot find your website easily, and frustrating for you when they find the site of an unrelated company, or even worse, when they end up on the website of a competitor. Therefore, register your trademark as a domain name before someone else does so.

⁹ **Trade dress** refers to the manner in which a product - or place of business - is "dressed up" to go to the market. It is the totality of elements in which a product or service is packaged or presented. It may include features such as size, shape, color or color combinations, texture, graphics, or even particular sales techniques. Examples are the front grill on the Rolls-Royce automobile and the shape of a Coca-Cola bottle.

¹⁰ A famous example of a sonic mark is that of the "**Sega scream**:" <http://www.fastcompany.com/resources/marketing/post/111504.html>). For more information on non-conventional trademarks, see: http://www.wipo.int/sme/en/documents/wipo_magazine/7_2004.pdf.

- **Using your trademarks consistently and properly** in all promotional material. Use only the specific font, color, size, or other features that are part of your trademark. This will enhance the distinctiveness and value of the trademark over time. Mark all trademarks with the **trademark notice** ®, TM, SM or equivalent symbols;¹¹
- Thinking about **patenting** innovative advertising technologies and online business methods, in all countries where such protection is available;
- Taking precautions to prevent inadvertent disclosure of **trade secrets**. Any confidential business information that gives your business a competitive advantage, such as sales methods, consumer profiles, lists of suppliers, manufacturing processes, marketing plans, a great idea for an advertising campaign¹², etc., can be protected by trade secret law or laws on unfair competition. However, once a trade secret is disclosed to the public, even accidentally, it will no longer be possible to protect the information. Therefore:
 - If you commission an advertising agency or a consultant to create an advertisement for your business, make sure that all who might have access to your facilities or need to know about your confidential business information are bound by a confidentiality or non-disclosure agreement. This can protect you against unauthorized disclosure of your trade secrets.
 - Make sure not to disclose trade secrets in your advertisements. Imagine the disaster that would follow if you inadvertently post photographs of a secret manufacturing process in your company's advertisement.
- **Do not disclose patent related information** – In order to obtain a patent, an invention must be “new” or “novel”. This means that an invention must not have been disclosed, in most countries, to the public prior to the filing of a patent application. If your business has conceived a valuable invention for which it wishes to obtain a patent, you should abstain from any marketing efforts or disclosures of information relating to the invention prior to filing a patent application. When you market your products in an advertisement and the description of the product discloses its innovative qualities, such a disclosure will most likely bar you from obtaining patent protection, unless the national patent law provides for a ‘grace period’.¹³

Businesses often spend much time and money to create a successful advertising campaign. It is important to protect your IP assets, so that others do not unfairly copy or freeride upon your innovative creations.

¹¹ The ® symbol is used once the trademark has been registered, whereas TM and SM (service mark) denote that a given sign is a trademark or service mark. See also the WIPO article “Trademark Usage, Getting the Basics Right”: http://www.wipo.int/sme/en/documents/wipo_magazine/3_2004.pdf.

¹² If you have a great idea for an advertising campaign, it is potentially vulnerable, because the idea itself is not protected by copyright. **Copyright only protects the expression of ideas, not the ideas themselves.**

¹³ Some countries, like the United States and Canada, have a grace period of one year, meaning that a patent for a claimed invention must be sought within 12 months of the first public disclosure, sale or use of the patent concept.

Can you use Material Owned by Others in your Advertising?

Current technology makes it fairly easy to use material created by others - film and television clips, music, graphics, photographs, software, text, etc. – in your advertisements. The technical ease of copying and using these works does not give you the legal right to do so. Using IP protected material without getting permission of its owner - either by obtaining an "assignment" or a "license"¹⁴ - can have dire consequences:

- **Using technical tools and software owned by others** - If you are using an e-commerce system, advertising technology, computer program or other technical tool for the creation of your advertisement, make sure that you have a written license agreement.
- **Using copyrighted works owned by others** – If you want to use any written material, photos, videos, music, sound recordings, logos, art work, cartoons, original databases, drawings, graphics, etc. in your advertisement that was created by someone else and whose copyright has not expired, you usually need a written permission from the copyright owner.¹⁵ Note also that most material available **on the Internet** or stored on web servers is protected by copyright in the same way as works published through any other means. Just because you obtain material from the Internet does not mean that you can copy or reproduce it freely.

Finding the copyright owner and obtaining all necessary licenses is not always an easy task. The best way is probably to see if the work in question is registered in the repertoire of the relevant **collective management organization**¹⁶ or clearinghouse, which considerably simplifies the process of obtaining licenses. If you are advertising on the Internet, there are excellent **portals** that offer online licenses for different types of works. For example, Epictura Image Bank has an online collection of an extensive amount of images, on a wide range of themes.¹⁷ Some artists and companies even release their artwork, photos, backgrounds, wallpapers, banners, logos and other material **as free** for certain uses. Such material is often called clipart, freeware, shareware, royalty-free work or copyright-free work. However, do not assume that you can distribute or copy freeware without limitation. Read the applicable license agreements first to see what uses can be made of these works.¹⁸

¹⁴ An **assignment** is an agreement whereby the ownership of IP rights is transferred from one person to another. A **license** is an agreement whereby the person who owns the IP (licensor) authorizes another person (licensee) to make certain uses of the IP, under certain conditions and usually in exchange for payment.

¹⁵ Most national copyright laws include some **exceptions** to the exclusive rights of copyright (often referred to as "**free uses**") which allow you to freely use portions of copyrighted works for special purposes. Examples include: publishing a picture from a book, periodical, or newspaper in your advertisement for educational purposes; imitating a work for the purpose of parody or social commentary; and making quotations from a published work. However, such exceptions are very limited and even if you use other people's work in free use, you may still need to indicate the name of the author (moral right).

¹⁶ **Collective Management Organizations** (CMOs) monitor uses of works on behalf of creators and are in charge of negotiating licenses and collecting remuneration. There is often one CMO per type of work (such as publishing, music, screen writing, film, television and video, visual arts) and per country. Details of the relevant CMOs operating in your country can generally be obtained from the national copyright office, or from your industry associations.

¹⁷ See: <http://www.epictura.com/>.

¹⁸ For example, Creative Commons (<http://creativecommons.org/>) has a website that allows artists to offer, for free, *some* of their rights to any taker, and only on *certain conditions*. The license may not allow you to change the images; may require that some type of credit is given to the author; may let you use the work for non-commercial purposes only, etc.

In most countries, when you use a copyrighted work in your advertisement, you also have the legal obligation to respect the **moral rights** of the author. You must make sure that:

- The author's name appears on the work;¹⁹ and
 - The work is not used or changed in a way that would tend to damage the author's honor or reputation. For example, you may not be allowed to color a black and white picture; or to resize, recolor or spindle an artwork without authorization of the author.
- **Using photographs owned by others** - Special care should be taken when using photographs in your advertisement. In addition to the authorization of the copyright owner of the photograph (usually the photographer), you may also need separate permission to use the subject matter depicted in the photograph. For example, if the photograph is of a person, you may need the permission of the person depicted in the photograph to use his/her likeness (see below); for a photograph of a copyrighted artwork, you will need clearance of the artist; and for photographs of buildings, you may need, in certain jurisdictions, clearance from the architect.
 - **Using material available in the public domain** - Given the somewhat laborious task of tracking down copyright owners and negotiating licenses, advertisers often use material that is in the public domain.²⁰ There are numerous institutions (libraries, national archives, collective management organizations) and online portals that have databases of public domain works.

Using literary and artistic works in advertisements that are not copyright free may bring upon you a nasty and big lawsuit. Even if you use just a part of a copyrighted work, you will generally need a prior, formal authorization. For example, it is possible to infringe another song if only just a few notes are "borrowed" for your advertisement.²¹

Can you use Others' Likeness in your Advertising?

Golf star Tiger Woods acts in Buick commercials, tennis player Anna Kournikova promotes Omega Watches and Nicole Kidman is the new face of Chanel No 5. Businesses have long appreciated the value that celebrities bring to the promotion of their wares. The presence of a celebrity seems to be an effective tool of quickly attracting consumer attention to a product or service and creating high perceived value and credibility.²²

However, businesses must act with caution before using celebrities' identity in advertisements! In many countries, the name, face, image, voice and other likenesses of an individual are protected by privacy and publicity rights.²³

¹⁹ Be careful. Do not think that you do not need to get licenses if you indicate who the author is. This is a common misunderstanding. Attribution is not a defense to copyright infringement.

²⁰ In most cases, copyright lasts for the lifetime of the author plus 50 or 70 years. After that, the work enters the "**public domain**" and may be used without authorization of the copyright owner. Some works are in the public domain because the owner has indicated a desire to give them to the public without copyright protection.

²¹ There is no general rule on **how much of a work** can be used without infringing copyright. In every case it is a question of whether an *important*, rather than a large, part is used. Because the most memorable part of a song may be quite brief, infringement of a musical composition may be found even where only a small portion of a song was copied.

²² See, for more information: Lien Verbauwhede, Savvy Marketing: Merchandising of Intellectual Property rights, 2004, <http://www.wipo.int/sme/en/documents/merchandising.htm>.

²³ The graphic drawing of a celebrity is also use of the celebrity's likeness.

The **right of privacy** gives a person the right to protect their image from certain uses by others. The **right of publicity** is the direct opposite of the right of privacy. It recognizes that a person's image has economic value that is presumed to be the result of the person's own effort and it gives to each person the right to exploit their own image.²⁴

Example: A beer brewery sells a calendar that depicts an unknown person driving a car with a refreshing pint in his hand. This could raise issues of privacy because it discloses private or sensitive matters about the person. If, on the other hand, the picture was of a famous celebrity, both rights of privacy and of publicity may be raised if the photograph were taken without that person's consent.

Privacy and publicity rights make it unlawful in certain circumstances to use another's identity for marketing purposes without permission (and you may be required to pay a compensation). The laws on privacy and publicity vary from country to country; so it would be wise to get legal advice from a national expert.

Can you Use a Competitor's Trademark in your Advertising?

A trademark is an exclusive right, which means that it gives its holder the right to exclude (stop) others from using the mark. However, a trademark does not give its holder a monopoly on the word, phrase, shape or color as such. Only commercial use of the trademark for the relevant classes of goods and/or services can be restricted by the trademark holder. Non-commercial use cannot be prevented, except if that use affects the distinctiveness of the trademark.

Therefore, in most countries, using a competitor's trademark in the course of advertising is not an infringement so long as that use is in accordance with honest practices in industrial or commercial matters, or so long as that use does not take advantage of, or is detrimental to, the distinctive character or reputation of the trademark.

Example: In September 2004, Montblanc, famous pen-maker, filed a lawsuit against A.T. Cross Co. for trademark infringement and false advertising for marketing its fountain pen refills with the MONTBLANC trademark in bold lettering on the packages. Moreover, Cross's mark does not appear on the package. Montblanc argues that Cross is trading on Montblanc's reputation to peddle an inferior product. Montblanc is seeking a preliminary injunction to stop Cross from selling and marketing the refills, as well as damages. The question will come down to whether the packaging confuses consumers into thinking they are buying a product that is affiliated with or authorized by Montblanc.

Some uses of third party's trademarks need special care:

- A trademark always runs the risk that it **loses its distinctive character**, which could mean that the trademark at some point may be annulled. Be careful not to alter a competitor's

²⁴ While an individual's right to privacy generally ends when the individual dies, publicity rights associated with the commercial value connected with a person's name, image or voice may continue. For example, many representatives of well-known authors, musicians, actors, photographers, politicians, sports figures, celebrities, and other public figures continue to control and license the uses of those persons' names, likenesses, etc.

- trademark, especially if the trademark is a logo. Use of an altered version of the competitor's trademark may 'blur' the mark's product identification and, therefore, may constitute trademark dilution²⁵ and infringement.
- A competitor's trademark may contain one or more **graphic elements**, such as a logo, label, design or three-dimensional figure. All such elements are likely to be protected also by copyright law. This means that you will generally need to obtain authorization from the copyright holder to use one or more of these graphic elements in your advertising.
- **Metatags** are keywords or phrases embedded in a website's HTML code which are invisible to the visitors of the website but are read by some search engines. In theory, metatags allow businesses to provide information making search engines more efficient. However, instead of using terms that properly describe the site, some businesses place the trademarks of competing companies in their metatags. For example, a small chocolate shop may bury the famous trademark "Neuhaus" in a metatag. Then, anyone searching for "Neuhaus" would be directed to the chocolate shop's site. This kind of deceptive use of another company's trademark in a metatag may constitute unfair competition or trademark infringement.²⁶
- **Keyword triggering** occurs when a search engine operator sells keywords to a business, so that after a web user enters those particular keywords in a search engine, advertising banners or pop-up advertisements appear along with the list of search results. For example, a bike company may buy the word "mountainbike" from a search engine. Each time a web user enters the word "mountainbike" into the search engine, the bike company's advertising banner or pop-up would appear. Moreover, if the web user clicks on the banner or pop-up, he would be directed to the bike company's website. The problem arises, however, when a search engine sells a competitor's trademark as a banner or pop-up advertisement. For example, suppose that the above-mentioned bike company bought the words "Cannondale" and "BMX." After a web user enters the keywords "Cannondale" and "BMX," a banner of the competing bike company would appear at the top of the result list. This kind of keyword triggering advertising may expose both the search engine operator and the advertising company to legal liability for trademark infringement, misleading advertising and unfair competition.
- Some other Internet practices may raise trademark issues, such as **linking, framing** and using trademarks in **domain names**.²⁷

If you use a competitor's trademark in your advertising, do this fairly and properly:

- The primary meaning of your advertising should be to inform the consumer, and not to discredit or unfairly attack competitors;
- When identifying competitors, do not use a humiliating tone or a disdainful voice;
- Mark competitors' trademarks with the trademark symbol;

²⁵ **Dilution** means a lessening in the ability of a famous mark to identify and distinguish goods and services.

²⁶ The laws are complex in this area. Usually, the courts regard the practice of metatagging as potential trademark infringement or unfair competition, if the use might **suggest sponsorship or authorization** of the trademark owner, or if consumers looking for the products of the trademark owner might be **misdirected and diverted** to a competitor's website and be at least initially confused in their search for the trademarked goods. Conversely, where the use of trademarks as metatags is not unfair or misleading, such practice may be allowed.

²⁷ See: Lien Verbauwhede, Intellectual Property And E-Commerce: How To Take Care Of Your Business' Website, 2004, http://www.wipo.int/sme/en/documents/business_website.htm.

- Avoid using a competitor's mark in a way that suggests this competitor endorses or sponsors your advertising product;
- Do not take unfair advantage of the reputation of a competitor's trademark to promote your own business.

In an Advertisement, Should you Compare your Products and Services with those of Competitors?

We see it everywhere: Coca-Cola and Pepsi challenge each other in taste tests, mobile phone companies compare each other's tariffs, and car manufacturers challenge the effectiveness of each others products. Can you compare the relative qualities of your business' products and services with those of competitors without running afoul of trademark laws or unfair competition laws?

Countries throughout the world have taken different, and sometimes even conflicting, approaches to comparative advertising. Some legislations, for example, in the USA, broadly support comparative advertising and consider that truthful comparisons are informational for consumers and beneficial to competition. Other countries, for example, in Europe, allow comparative advertising as a general principle, but establish specific requirements for it to be considered legitimate.²⁸ Still other countries ban comparative advertising, either in general, or for certain products.

Comparative advertising may be direct or indirect. In direct comparative advertising, the advertised product is described as superior to named competitors on specific features or benefits. For example, in 1999, General Motors Corp. claimed that its Cadillac Seville STS outperforms the BMW 540 in a slalom course. In indirect comparative claims, competitors are not named, and the advertised brand is simply described as being superior on specific attributes or benefits. An example would be: "We are number one in the country."

Special caution must be taken in the following situations:

- **Derogatory or defamatory comparisons** are not permitted. Do not use the mark in such a way that it harms your competitor in an unfair way, that is, if the reputation or image that he has built could suffer from your comparative use of the competitor's mark.
- **Deceptive comparisons** are likely to constitute infringement. Your claims of comparison must be completely true and accurate. More importantly, opinions should never be expressed as facts.
- **Comparisons that are likely to cause confusion with the competitor's products or services** are not permitted. For example, prominently featuring the logo of your competitor (which often also is a trademark) is likely to be deemed an infringement, as you could easily have used the tradename instead of the logo.

²⁸ In countries member to the European Union, comparative advertising is permitted and can also include use of a competitor's trademark, if certain conditions are met. See the Directive 97/55/EC amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising. Official Journal L 290, 23/10/1997 p. 0018 – 0023.

Comparative advertising, by its very nature, can mislead consumers, and can unfairly discredit the identified competitors. This is why many legislations place severe restrictions on comparative advertising. Carefully check the applicable laws and regulations. The risk of making legally fatal mistakes is much higher when you use comparisons, especially if you explicitly name your competitor.

Can you Reveal a Competitor's Confidential Information in Your Advertising?

Confidential business information is generally protected as a trade secret if it has commercial value for the owner, is not generally known or readily ascertainable by the public, and if the owner has made reasonable efforts to keep it secret. Although trade secrets provide no protection against those who independently obtain or develop the trade secret information, the owner of the information will be entitled to court relief against all those who have stolen or divulged such confidential information in violation of a duty of trust or a written non-disclosure agreement.²⁹

Be careful so as not to reveal competitor's trade secrets in your advertisements, if the owner has diligently tried to keep that information secret.

If you Pay an Agency to Create an Advertisement for Your Business, who Owns the Rights?

If your advertisement has been developed by an employee who is employed for this purpose, then, in most countries, you (as the employer) would own the copyright over the advertisement, unless you otherwise agreed with your employee.

However, many companies outsource the creation of their advertising campaigns to an outside contractor, and assume they own IP rights in it, simply because they paid for the work. Beware! You may be surprised to find out that you do not own the IP rights in what has been created for you. Independent contractors (unlike employees) usually own all IP rights in the works they create – **even if you have paid for it** -, unless otherwise agreed in a written contract.³⁰

- **Copyright** - In practice, the advertising agency will usually own copyright in an advertising campaign, as well as in copyrightable elements contributing to the campaign (such as colors, gifs, jpegs, setup, sound and music, photographs, etc.). Without a valid, written agreement transferring to you all these rights, you may end up owning nothing except perhaps a non-exclusive license to use your own advertising campaign. Different rules or exceptions may apply, such as in the case of commissioned photographs, films and sound recordings.

²⁹ If the court finds that trade secret theft has occurred, it may issue an order (injunction) requiring that you refrain from using it or disclosing it to others. The court may also award the trade secret owner monetary damages to compensate for any monetary loss suffered as a result of the theft. In cases involving willful or deliberate theft, the court may also order you to pay punitive damages. In some cases, criminal antitheft laws may be invoked and you may be subjected to criminal prosecution.

³⁰ See, for more information: Lien Verbauwhede, IP Ownership: Avoiding Disputes, 2002, http://www.wipo.int/sme/en/documents/wipo_magazine/11_2002.pdf.

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- **Example:** You commission a freelance advertising designer to create an advertising campaign for your company. The advertisement consists of a logo, some graphic illustrations, and text material. There is no agreement transferring all rights to you, so the copyright belongs to the designer (according to the national laws). A year later, you want to reuse some elements for another campaign. Under most national copyright laws, you will need authorization from the designer, and may be required to pay an additional fee, to reuse the works.³¹ Before commissioning an advertising, it is better to enter into a clear, written agreement with the designer that spells out clearly as to who owns IP rights in each element of the advertising campaign.
 - **Trademarks** - Unlike copyright, which exist from the moment of creation, trademark rights arise either from the use of a trademark in business in relation to the relevant goods or services, or from its registration. Accordingly, if an advertising agency creates a trademark or logo for your company, the agency will seldom own trademark rights, because it does not use the marks it creates in relation to any goods or services, and it does not apply for its registration as a trademark.³²
 - **Industrial designs** – If you commission a freelance designer to produce a specific design for your advertisement, in many cases the ownership of IP rights will not automatically belong to you, but will remain with the designer.
 - **Patents** – In some countries, where software patents are granted, you may have to consider filing for patent protection over certain aspects of rich media advertisements.

You should always have a written agreement with your advertising agent and other independent contractors, and specify the ownership details of each element of the work that will be created. Make sure that you receive ownership rights or a license that is broad enough so that you can use the advertisement (and all its elements) how and where you want. In negotiating and drafting such an agreement, consider the following issues:

- The price you pay for the creation of an advertisement will depend on who owns IP rights in the different components of the advertisement that are created by the advertising agency or designer (e.g., text, graphics, design, logos, music, etc.). For each element of an advertisement, you should carefully **contemplate what you need to own** versus what you only need a license to use.
- National laws may impose mandatory **requirements for transferring** one or more types of IP rights; make sure that your agreement complies with all such conditions.

³¹ Under some national copyright laws, a modified advertisement campaign may be considered a “**derivative work**” of the original campaign. Derivative works can only be made with the prior permission of the copyright owner of the original work. In most countries, you also have the obligation to respect the **moral rights** of an author. An advertising agent has the right to have his/her name on the advertisement (where you changed the work, the attribution should state that the advertisement has been changed, unless you have obtained the agent’s consent), and it is not permitted to change the advertisement in a way that would prejudice the agent’s honor or reputation.

³² Beware, however, with trademarks that contain a slogan, logo or graphic element. The creator (advertising agent) is likely to hold copyright in such elements.

- Who owns IP rights in **material that you have provided** to the agent for use in the advertisement? It is normally the case that you will supply trademarks, product logos, text and other subject matter that is owned by you. It would be prudent to include a list of elements wherein your ownership of such material is clearly confirmed.
- Who is responsible for getting **permission to use third party material** like text, trademarks or photographs in which someone other than you or the advertising agent owns the IP rights?
- Can the website developer use the advertisement, or certain elements of it, as a model for creating advertising campaigns for others, including competitors?

When negotiating an agreement for the creation of your advertising campaign with an advertising agency, you should make sure that it gives you all the rights you need for the use of your advertisement in the foreseeable future.

What Other Legal Issues Should you Bear in Mind?

Advertising is a powerful means to influence the purchasing power of people. Such influence over people, however, carries with it the potential for misuse and abuse. This is why in many countries worldwide advertising practices are heavily regulated to prevent and control unjust business behavior.

If you launch an advertisement, you need to comply with a whole range of laws and regulations, which may differ from country to country, and may also depend upon the content of the advertisement. General issues that you need to consider as you develop an advertising campaign include:

- **Geographical indications** - You may not use geographical indications on your packaging and promotional material if such use is likely to mislead the public as to the true origin of the products.³³ Similarly, **false indications of origin or source** if used are actionable, in some countries, under the trademark law.
- **Sensitive categories** – Most countries have special controls or prohibitions on advertising for specific types of products, such as medicines, tobacco, food, toys, pornography, testimonials, credits, slimming and sanitary protection products, casino games, etc. Some countries also have bans or restrictions on the marketing of certain professional services, such as lawyers, notaries, pharmacists, tax advisers, accountants and auditors.
- **Labeling** – There are a multitude of laws which prescribe specific packaging and labeling requirements for certain products. The objective is to inform the consumer about the characteristics of the product and to protect health and safety. Most commonly, labeling legislation relates to food, textiles, drugs, toys, and stuffed articles. As there is considerable diversity amongst the labeling laws of different countries, the advice from a local legal expert may be required. For example, in some countries the legislation requires labeling (and advertising) to be in the national language. Some countries have

³³ See footnote no 7.

environmental laws, which affect product packaging requirements.

- **Advertising and children** – Most countries allow businesses to advertise to children, provided a set of minimum criteria is observed. These criteria place on the advertisers a special responsibility to protect children from their own susceptibilities. It may thus be unauthorized, for example, to glamorize violence in advertising directed to children. Some legislations also forbid the use of children in advertisements for certain products, or forbid to feature naked children.
- **TV advertising** – Many countries have some form of specific legislation or code of practice for TV advertising. For example, there may be broadcast time restrictions for particular products.
- **Marketing practices** – Be careful in using, or avoid altogether certain marketing techniques. For example, some promotional methods, such as direct marketing³⁴, unsolicited e-mails³⁵, free gifts and discounts, may be forbidden or restricted.
- **Distance selling** – “Distance selling” includes all forms of contracts concluded where both parties do not meet face to face. Many national legislations give rights to consumers who buy goods and services at a distance. If you advertise online or through other types of distance communication, you will need to comply with the applicable requirements.
- **Sponsorship** – Some forms of sponsorship advertising techniques are forbidden. One example is a virtual advertising technique where the broadcaster can change an advertisement (such as a panel in sports grounds) from one moment to the next or choose the advertisement shown on the screen depending on where the target audience is. This form of advertising is banned in some countries, whereas it is allowed in others.
- **Privacy** - If you collect personally identifying consumer information, such as names, addresses, e-mail addresses, gender and professions, be sure you protect the privacy of such information. National Data Protection or Privacy laws may put limits and obligations on the collection, use and disclosure of personal information. You need to have a clear privacy policy³⁶, and train and supervise all employees with access to such information.³⁷

³⁴ **Direct marketing** is a sales and promotion technique in which the promotional materials are delivered individually to potential customers via direct mail, fax, telemarketing, door-to-door selling or other direct means. Many countries provide for an “opt-out system” or forbid certain types of direct marketing. For example, it is illegal, in certain national legislations, to send unsolicited faxes or make calls to wireless phone numbers.

³⁵ **Unsolicited email**, or **spam**, currently accounts for over half of global e-mail traffic. Various countries are putting into place new rules for unsolicited e-mail, making spam illegal. **In Europe**, the Directive on privacy and electronic communications 2002/58/EC prohibits the sending of unsolicited marketing emails to individuals within the European Union. The only exception is where there is an existing business relationship and the email advertises similar goods or services to those already supplied. **In the USA**, the CAN-SPAM Act (“Controlling the Assault of Non-Solicited Pornography and Marketing”) allows consumers to choose to stop further unsolicited spam from a sender (opt-out standard), and makes certain forms of spam illegal.

³⁶ A **privacy policy** is a statement of how and why your company collects information, what it does with it, what choices the consumer has about how it is used, whether the consumer can access the information, and what you do to assure that the information is secure.

³⁷ For more information on privacy protection, see: E. LaFlamme, Privacy Is Becoming a Company Affair, 2002, <http://www.akingump.com/docs/publication/465.pdf>

Conclusion

Advertising depends upon, and celebrates, creativity. Major technology advance and the Internet have facilitated the widespread use of advertising and the creation of new, advanced marketing techniques. But along with those possibilities come new issues of IP law that require advertisers to be vigilant in unaccustomed ways. Today, it is impossible to be a successful advertiser, or run a successful advertising agency, without understanding the legal framework surrounding the business of advertising.

Advertisements are common targets for infringement lawsuits. If you are not cautious, you can lose your IP rights or be liable for infringement of the IP rights of others. This article has tried to provide some tips that can help businesses better protect their advertisements and its content, as well as avoid legal trouble. As with any undertaking, prevention is better than cure. Before launching an advertising campaign, businesses should have it 'cleared' or approved, both from a general legal perspective and from an IP perspective.