

GSLTR

Global Sports Law and Taxation Reports

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United States

Colofon

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EDITORIAL

We are proud to present and welcome readers to the second issue (March 2011) of our new Journal and on-line database: **Global Sports Law and Taxation Reports (GSLTR)**.

In this issue, we continue our comparative series on the Legal and Tax Aspects of Sports Image Rights with contributions from leading practitioners in Australia, Brazil and the United States of America. In Australia, for example, the introduction of a limited statutory cause of action in cases of serious invasions of privacy, but stopping short of introducing a statutory right of personality, is under active consideration, in view of the piecemeal legal protection that is available at Common Law across Australia State Jurisdictions. There is also a need, incidentally, for similar legislation in the United Kingdom, where there is no clear law on privacy, whether of celebrities or ordinary individuals. In fact, English Judges have, in recent times, refused to enunciate one! Perhaps not altogether surprising, given that, since time immemorial, English Judges have claimed that they do not create new Law, but merely interpret and apply the existing Law. What a fiction!

This issue also contains features on the taxation of sports persons in the United Kingdom in connection with their participation in the 2012 Olympics in London and also on tax planning for sports persons in Uruguay.

There is also a feature on the measures taken by FIFA and the Local organising Committee against 'Ambush Marketing' in relation to the 2010 World Cup in South Africa, which, despite the forebodings of many commentators, turned out to be a great success. Not only from a sporting point of view, but also from a financial point of view, due in no small measure to the development and strict enforcement of the corresponding World Cup Brand Protection Programme. In fact, it is reported that FIFA raked in US\$1.2 billion from the 2010 edition of the World Cup!

This issue also includes a very topical article on the Advocate General's Opinion delivered on 3 February, 2011 in the Murphy/QC Leisure Cases (Cases C 403/08 and C 429/08) on Sports TV Rights, pending before the European Court of Justice (ECJ). It will be interesting to see whether the ECJ follows the Advocate General's Opinion, namely, that it would be contrary to EU Competition Rules to allow the English FA Premier League and BSkyB to prevent pubs in the UK using a Greek satellite decoder card to show Premier League games rather than a more expensive UK decoder. The ECJ tends to follow the Advocate General's recommendations in 70% of cases. The Decision of the ECJ is expected later this year and we will return to this particular important topic in a subsequent issue of GSLTR.

In fact, the commercialisation and exercise of TV Sports Rights, which are a significant source of revenue for Sports Governing Bodies, is currently a live issue at the EU level: the ECJ (General Court) has delivered on 17 February, 2011, landmark Rulings in the FIFA and UEFA Cases (Cases T-68/08 and T-55/08 respectively) relating to the so-called 'Crown Jewels' of Sport under 'The Television Without Frontiers Directive' in which the listing of the World Cup and the European Championship as of "major importance for society" in the United Kingdom and Belgium and, as such, should be available on 'free-to-air' television has been upheld by the ECJ as not being anti-competitive under EU Law. In our next issue, we will feature an article analysing and commenting on these important Rulings. In this issue, as a 'taster', we include a Case Note on these important Cases. Furthermore, the Publishers of GSLTR are planning a major Conference on the Legal and Tax Aspects of Sports TV Rights, later in the year.

Finally, we would welcome your comments and suggestions on our Journal, which will help us to realise our aim of producing and providing an invaluable and must-have resource for all those involved in the ever-evolving and often intertwined fields of sports law and taxation. We would also welcome and look forward to receiving your contributions in the form of articles and topical case notes and commentaries. Please also spread the word about our Journal amongst your professional colleagues and associates around the world and thereby help us to achieve a truly global footprint and reach.

So, now read on and enjoy the second issue of GSLTR!

Dr Rijkele Betten (Managing Editor)
Prof. Ian S. Blackshaw (Consulting Editor)

March 2011

Combatting ‘Ambush Marketing’: The 2010 South Africa FIFA World Cup Experience*

By Prof. Ian Blackshaw

Introductory Remarks

Sport nowadays is big business representing more than 3% of world trade. And Football is not only the world’s favourite game, but it is also the world’s most lucrative sport. Indeed, according to Sepp Blatter, President of FIFA, the world governing body of football, it is a product in its own right.¹

Football’s premier event is the World Cup, which in 2010 took place in South Africa – for the first time in its history on the African Continent. And, by all accounts, it was a great success, despite the many doubts about security, logistics and other concerns expressed before the event.

In order to organise and stage such a major sporting event, claimed by FIFA to be the world’s biggest and most popular one, the name and the event itself need to be legally protected. Otherwise, sponsors and others wishing to associate themselves and their products and services with the event - so-called ‘commercial partners’ - would not be prepared to pay mega sums for the privilege, if others could usurp and infringe their rights with legal impunity.

And that is where Intellectual Property Rights (IPRs) kick in.² Their importance in the marketing and commercialisation of sports events cannot be overstated. Indeed, without them, many major international sports events, such as the World

Cup, could not take place – much to the disappointment of sports persons and sports fans. It is not surprising, therefore, that these rights are vigorously guarded by the various rights holders and in this article we will briefly explain in what particular ways they have been exploited and protected in relation to the 2010 FIFA World Cup in South Africa.

2010 FIFA World Cup South Africa Marks

As the owner of all the commercial and marketing rights in the World Cup, FIFA registered a number of trademarks in South Africa in relation to the organisation and marketing of the 2010 event in South Africa, which took place between 11 June and 11 July, 2010.³

These marks included an official Emblem for the Event, a Mascot and a Poster, pictorial examples of which follow:

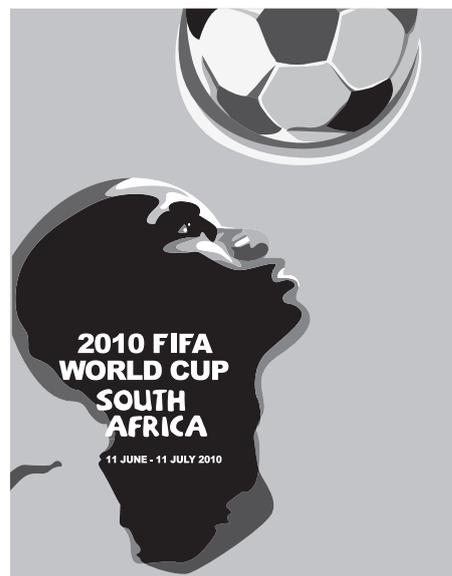
2010 FIFA World Cup™ - Official Emblem



According to FIFA and the Local Organising Committee, the 2010 identity is unique, vibrant and dynamic, graphi-

cally encapsulating the African continent while more intimately dipping into South Africa’s rich and colourful heritage for inspiration.

Official Event Poster



The official 2010 FIFA World Cup™ poster was unveiled on 23 November 2007. According to Sepp Blatter:

“Portraying a country in the shape of a man heading a ball is a new idea with potent symbolism. For me, football is all about emotion and passion, which is why I was particularly attracted to this poster. It invites the world to join in the celebration of the greatest football event on earth, while highlighting the pride and passion of the African continent and her people. It represents the African dream come true...”

Official Art Poster

The Official Art Poster Edition 2010 FIFA World Cup South Africa™ is a strictly Limited Edition. Only 2010 Complete Editions in 2010 FIFA World Cup™ Portfolio are available worldwide.

* This article is an abridged and updated version of a Paper given at a Seminar on ‘Sports Law and Taxation’ in Geneva, Switzerland, on 2 & 3 December, 2010, organised by Nolot BV, the Publishers of this Journal.

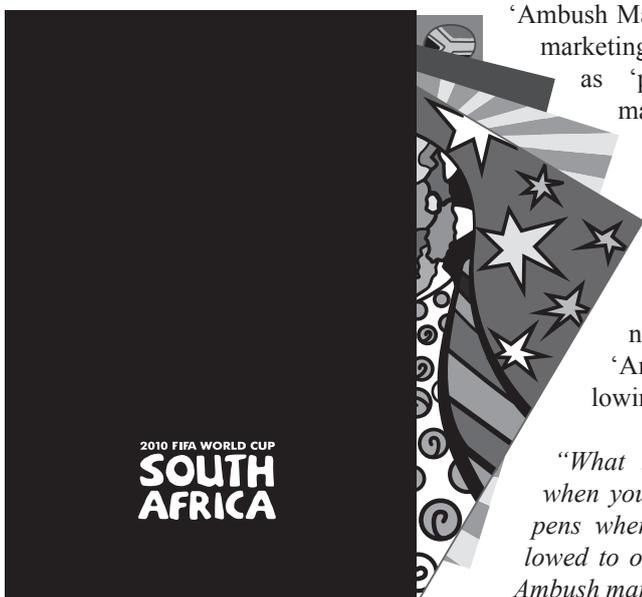
¹ For more information on FIFA and its activities, log onto their official website at: www.fifa.com.

² The International Sports Law Journal, ISLJ 2008/3-4, at pp. 146-150.

³ See Article 74.1 of the FIFA Statutes, August 2010 Edition.

Individual prints of the Official Art Poster Edition 2010 FIFA World Cup South Africa are also available.⁴

Zakumi - a Mascot with attitude



(© 2007 FIFA TM)

The name 'Zakumi' is a composition of 'ZA' standing for South Africa and 'kumi',



which translates into '10' in various languages across Africa, and is the subject of a number of merchandising programmes for a variety of products.

On the subject of 'Character Sports Merchandising' generally, which is a lucrative form of licensing if handled properly, see 'Character Sports Merchandising: International Legal Issues' by Karen Williams.⁵

In connection with the 2010 World Cup, FIFA registered in South Africa an extensive number of trademarks covering a wide range of goods and services⁶ in

order to protect the various stakeholders in this event, especially against 'Ambush Marketing'!

'Ambush Marketing' and Counter Measures

'Ambush Marketing' is a form of unfair marketing and has been described as 'parasite marketing'. Norman Mandel of The Coca-Cola Company, one of the world's leading marketing companies and probably the biggest sponsor and promoter of international sports events, put the case a number of years ago against 'Ambush Marketing' in the following forthright terms:

"What impacts on sponsorship is when you don't get value. This happens when ambush marketing is allowed to occur. Let's get this straight. Ambush marketing is stealing, thievery. Michael Payne [former Marketing Director of the IOC] got it right when he called it 'parasite marketing'. You know what parasite means. It is when one organism lives off another with no benefit to the host."

On the other hand, others claim that it is clever and creative marketing and fair game! And, as such, they regard 'Ambush Marketing' as a challenge to their creativity and ingenuity. Some get away with it; whilst others do not. But the 'Ambush Marketers' think it is worth a try and go to great lengths to gain a marketing and commercial advantage over their competitors. And the supporters of 'Ambush Marketing' say good luck to them! See further on the arguments against banning 'Ambush Marketing' an interesting and thought-provoking article entitled, 'Ambush Marketing: Criminal Offence or Free Enterprise' by Luisa Leone.⁷

In this article, Leone, a Partner and Head of the Sports Law Unit at Hewitsons, Cambridge, UK, supports her arguments against banning 'Ambush Marketing' by asking and answering the following "key questions":

- Does a ban on ambush marketing benefit sport?
- Does a ban on ambush marketing benefit the economy?
- How far can you go in limiting ambush marketing?
- Is a ban on ambush marketing necessary?

- Does existing law adequately protect the interests of sponsors?

Whether you agree with her arguments or not, her 'Conclusions' are worth reproducing as follows:

"Rather than demanding ever more stringent legislation, sponsors should be expected to counter ambush marketing themselves by pursuing all the commercial opportunities afforded by a particular event. We should bear in mind that sponsors of major sporting events tend to be large transnational corporations well able to look after themselves, with little need for additional protection. Above all, governments should remember the adage that "he who pays the piper calls the tune"; it is one thing for sponsors to demand the exclusive right to exploit a major sporting event for which they have provided all of the funding, but quite another to expect the same degree of exclusivity when, as more often occurs, the bulk of the money is coming from the taxpayer."

But what actually is 'Ambush Marketing'?

Basically, a company or firm claims an association, through advertising and consumer promotions, with a sports event, which it does not have, and, perhaps more importantly, for which it has not paid a penny. In such a case, sponsors do not get value for the considerable sums that they have expended on the particular sponsorship. 'Ambush Marketing' not only adversely affects official sponsors and their sponsorships, it also dilutes the value of the sports events themselves, as well as causing confusion amongst consumers.

For further general information on this important topic of 'Ambush Marketing' and the corresponding 'Brand Protection Programmes' designed to prevent it, see Chapter 11 by Ian Blackshaw in 'Sports Law' by Gardiner et al.⁸

Of course, the more popular and more global reach the sports event enjoys, the more it is likely to be the subject of attack from

⁴ For more information about these Posters, e-mail 'mail@brandsunited.de.'

⁵ The International Sports Law Journal, ISLJ 2009/1-2, at pp. 7-18.

⁶ See Nice Classification of Goods and Services for trademark purposes, the latest version of which may be found on line at www.wipo.int

⁷ The International Sports Law Journal, ISLJ 2008/3-4, at pp. 75-77.

⁸ 2006, Third Edition, Cavendish Publishing, London.

‘Ambush Marketers’! And, therefore, the more protection the organisers need to safeguard and defend their legitimate interests.

So what legally can be done about ‘Ambush Marketing’?

Depending upon the facts and circumstances of the particular case and also whether the sports event is protected by a special law or statute, which is a requirement of FIFA for awarding a host country the right to stage the World Cup, it may be possible to obtain a Court Injunction, or an award of damages, or other legal remedies.

Apart from special legal measures, FIFA can also rely on the general English Common Law of ‘passing off’ and, in the Civil Law countries, the doctrine of ‘unfair competition’ to combat ‘Ambush Marketing’ as David Gill, Senior UK and European Trademark Attorney, Rouse, a Global IP Firm, points out as follows:

*“Even if a word or a term is not a registered trade mark in that country, if it is used without permission to refer to FIFA’s tournament in a way that creates an association in the mind of the consumer between the user and the tournament, the activity may amount to passing off or unfair competition. FIFA hit the headlines back in 2002 when it successfully obtained emergency injunctions in several European and Latin American jurisdictions forcing a multinational soft drinks company to immediately pull their TV adverts at great expense because they included the unregistered term ‘TOKYO 2002’. This was considered by the courts to be a clear unauthorised association with the 2002 World Cup Korea/Japan.”*⁹

On the subject generally of protecting IPRs under ‘passing off’ and ‘unfair competition’, see ‘Protecting IP Rights under English Common Law and European Continental Law: ‘Passing Off’ and ‘Unfair Competition’ Compared’ by Ian Blackshaw.¹⁰

In the case of the 2010 South Africa World Cup, special legal measures were, in fact, put in place to enable FIFA and the local organising committee to counteract various forms of ‘Ambush Marketing’! In fact, leading up to and during the staging of the event, some 450 cases of ‘Ambush Marketing’ were brought by the organisers.

One high profile and spectacular case brought against two Dutch women, who

were among a group of about three dozen who wore skimpy orange dresses, accused of an illegal promotion stunt by the brewer Bavaria at a match between The Netherlands and Denmark on 18 June, 2010, was prosecuted by FIFA, but then the case was dropped on 22 June, 2010. According to the South African National Prosecuting Authority:

“Fifa was not interested in proceeding with the matter. There was a settlement that was reached between the parties and we ... decided to exercise discretion and not proceed with the matter.”

These anti ‘Ambush Marketing’ legal measures, their background and the need for their enforcement are explained by FIFA in the following terms:

“FIFA works all year and all around the world to ensure that its official trademarks and other intellectual property (IP) rights are properly protected and enforced, but when it comes to the protection of its major tournaments there is no substitution for good old legwork Sometimes misrepresented, particularly in local media, as an attempt to stifle the creativity of small businesses, the rights protection programme (RPP) is in fact aimed primarily at tackling organised “ambush marketers”, counterfeiters, unauthorised ticket sellers and other “event pirates”, all of whom seek to profit from an event to which they have contributed nothing. Without constant vigilance and swift action to prevent such infringements, high-profile tournaments such as the FIFA World Cup™ would face extreme difficulty in attracting official sponsors, in turn damaging FIFA’s ability to stage its eleven other international tournaments, many of them in the women’s game or at youth level, and carry out its important work in promoting the game and funding football-related social programmes.”

Over the years, the FIFA Rights Protection Programme has been generally criticised for attacking small and local businesses and traders as being easy targets. And this criticism has been roundly denied by FIFA in the following terms:

“The situation is similar when it comes to small businesses who are naturally keen to benefit from the financial opportunities that arise from staging a FIFA World Cup. Before and during the 2006 FIFA World Cup™ there were many inaccurate media reports claiming that FIFA was taking

vigorous action against local bakers for selling “World Cup buns” or “World Cup bread”. The truth is that FIFA decides in each individual case whether an infringement should be pursued and how to do so. In the case of the last World Cup, there were no instances of FIFA taking such steps against a small business.

Indeed, the public information sheet produced by FIFA to explain its official trademarks clearly sets out a number of “do’s and don’ts” to help businesses understand the ways in which they can benefit from the financial knock-on effects of a FIFA World Cup without abusing FIFA’s protected rights.

FIFA is as keen as anybody to see local businesses doing well out of the FIFA World Cup, as this helps to further enhance the attraction of the event while also fostering good relations with the people who live and work in the areas where the football is taking place.”

Anti ‘Ambush Marketing’ 2010 South Africa World Cup: Statutory Provisions

Special legal provisions to protect the marketing of the 2010 World Cup in South Africa were introduced in an amendment to the Merchandise Marks Act of 1941, which was passed on 17 January 2003.¹¹

In May 2006, the South African Minister of Trade and Industry published a notice declaring the 2010 South Africa World Cup to be “a protected event” pursuant to the provisions of Section 15A of the Merchandise Marks Act. Under these provisions, ambush marketers can be prevented from competing unlawfully with FIFA by obtaining special promotional benefit from, or associating themselves with, the 2010 World Cup, without being official sponsors.

This Statutory measure is a criminal one used in a civil law context. But note particularly that under the measure it is possible - in theory at least - to send ‘Ambush Marketers’ to jail in appropriate cases! In the run up to the World Cup in South Africa, a major landmark decision was rendered by the Pretoria High Court in

⁹ ‘2010 FIFA World Cup South Africa: how to stay on side’, The In-House Lawyer Magazine, 16 October 2009.

¹⁰ The International Sports Law Journal, ISLJ 2008/3-4, at pp. 150-152.

¹¹ See Republic of South Africa Government Gazette Vol. 451 Cape Town 17 January 2003 No. 24278

favour of FIFA and the following report posted on the FIFA official website on 1 October, 2009:¹²

“The Pretoria High Court in South Africa has today (1 October 2009) confirmed FIFA’s rights in relation to the 2010 FIFA World Cup™, and with its ruling against an infringement committed by Metcash Trading Africa (Pty) Limited (“Metcash”), the court also underlined the effectiveness of South Africa’s anti-ambush marketing legislation (Section 15A of the Merchandise Marks Act). This pronouncement in FIFA’s favour reaffirms the fact that no companies other than FIFA’s Partners may associate themselves with the 2010 FIFA World Cup™.

“This is a major victory for FIFA in its battle against unauthorised association with the FIFA World Cup through ambush marketing initiatives and campaigns. FIFA is as keen as anybody else to see local businesses doing well out of the FIFA World Cup, as long as companies understand the special rules surrounding the competition and respect the exclusivity of the commercial rights granted to FIFA Partners,” explained Jörg Vollmüller, Head of FIFA’s Commercial Legal Department.

Without constant vigilance and swift action to prevent such infringements, high-profile tournaments such as the FIFA World Cup would face extreme difficulty in attracting official sponsors, which in turn would damage FIFA’s ability to stage its eleven other international tournaments, many of them in the women’s game or at youth level, and carry out its important work in promoting the game and funding football-related social programmes.

FIFA launched proceedings against Metcash in November 2007 when Metcash refused to cease selling a lollipop product marketed under the name “2010 POPS” in its Trade Centre stores. The packaging of the product features images of footballs in the design of the official ball of a past FIFA World Cup™ tournament combined with the South African flag. FIFA claimed that this, taken together with the name of the product, took advantage of the publicity surrounding the 2010 FIFA World Cup™ and constituted ambush marketing.”

The offending packaging is reproduced below:



Another case worth mentioning is that of the Eastwood Tavern, which was also resolved in favour of FIFA. Eastwood Tavern, a restaurant located very close to the Loftus Stadium in Pretoria, one of the match venues for the 2010 World Cup, supplemented its main signage displaying its name by emblazing it with the legend “World Cup 2010”. At the same time, banners were erected featuring the flags of a number of prominent soccer playing countries, accompanied by the numerals 2010, as well as the words “Twenty Ten South Africa”. A photograph of the Tavern and its trade dress is reproduced below:



Accordingly, an application was launched in FIFA’s name in the Pretoria High Court, claiming ‘interdicts’ against Eastwood Tavern on the grounds of infringing the registered trade marks WORLD CUP 2010, SOUTH AFRICA 2010 and TWENTY TEN SOUTH AFRICA; ‘passing off’ a form of unfair competition under the English Common Law; and unlawful competition through violating Section 15A of the Merchandise Marks Act and Section 9(d) of the Trade Practices Act. FIFA also claimed the costs of the court proceedings against Eastwood Tavern. The case achieved the desired result when an order granting all the relief sought was made in the High Court of South Africa (North Gauteng), Pretoria on 7 April 2009.

Altogether, as mentioned above, 450 ‘Ambush Marketing’ cases were pursued in South Africa by FIFA and the local organising committee to protect the 2010 FIFA World Cup.

Concluding Remarks

It is clear from the above account, which, for reasons of space, is by no means comprehensive, that FIFA and the organisers of the 2010 World Cup in South Africa assembled and successfully relied on a number of general, especially IP, rights, whose importance in a sporting context cannot be over emphasised, and also special legal measures, including Section 15A of the Merchandise Marks Act, to protect their goodwill and investment in this major sporting event.

This not only enured for their benefit, but also for the benefit of their sponsors and all their other ‘commercial partners’, who wished to legitimately associate themselves and their products and services with the event and have paid good money for the privilege of doing so. The legal measures were also beneficial for consumers and fans, who, as a result, were saved from being misled by false and misleading claims and unfair marketing practices.

Whether or not FIFA is overzealous in waging its war on ‘Ambush Marketing’ and ‘Ambush Marketers’, especially small and medium-sized businesses, considered to be ‘easy targets’ is, of course, always open to debate, despite FIFA’s protestations and arguments to the contrary.

However, what can be said, with some certainty, is that the whole area of protecting major sporting events and attacking ‘Ambush Marketing’ is - and will continue to be in the foreseeable future - a very interesting and challenging area of legal practice. And, undoubtedly, a lucrative one too for sports lawyers!

¹² See fn 1 supra.

Taxation of high net worth sports persons in Brazil

By Prof. Luís Eduardo Schoueri*

It sounds quite nostalgic to remember that some years ago, sportsmen used to play enthusiastically, dreaming about the honor of representing their countries in international competitions. Sports have become a quite profitable business, and athletes have understood that they are entitled to get a share thereof. Salaries reach unimaginable levels, and athletes usually get further remuneration from marketing activities. No matter which specialization, sportsmen will usually:

- Concentrate their remuneration in a very short period of their lives (although there are some exceptions, like the Brazilian Pelé, who seems to earn even more from his image today, as he did as a player);
- Derive their income from different sources and for several titles (active playing; training; image etc.);
- Share part of their earning with their agents.

Although from an international perspective, taxation of sportsmen has been specifically addressed in tax treaties, Brazilian internal tax law does not foresee specific regulation in this field. Thus, one notes that Brazilian sportsmen usually try to look for some tax structure which could minimize/postpone their taxation, even if such structure is not specifically designed for their needs.

This article will present an overview of Brazilian taxation, specifically addressing those structures which are usually employed by athletes.

1. The sportsman being taxed as an individual

Brazilian taxation of individuals has a comprehensive spectrum: although one could mention some specific schedules, like capital gains or financial income, one can say that as a matter of rule, Brazilian

income tax is not scheduler: income is taxed independent from its nature. In this sense, it is irrelevant whether the sportsman earns salaries, royalties for his image or any other kind of income. There is also no difference between local or international income: all income received in a month will be subject to a withholding tax (if income is paid by a local company) or prepayment, according to the progressive rates of the following table:

1. Monthly Income	2. Tax Rate	3. Deductible Amount
Up to BRL 1,499.15	Exempt	-
BRL 1,499.16 to BRL 2,246.75	7.5%	BRL 112.43
BRL 2,246.76 to BRL 2,995.70	15.0%	BRL 280.94
BRL 2,995.71 to BRL 3,743.19	22.5%	BRL 505.62
Above BRL 3,743.19	27.5%	BRL 692.78

Basically, the calculation of the Individual Income Tax is made by the formula:

$$[(\text{Monthly income} (-) \text{Deductions}) \times \text{Tax Rate}] (-) \text{Deductible Amount}$$

As a rule, the Brazilian tax law does not authorize relevant deductions to the monthly tax base of the Individual Income Tax. One of the exceptions is the monthly deduction for dependents, which, however, is not realistic (BRL

150.69 per dependent) and shall make no difference in case of the huge amounts sportsmen usually earn.

Every year, the taxpayers are obliged to submit an Individual Income Tax Return (“Declaração de Imposto de Renda da Pessoa Física”), where the deduction of other expenses incurred during the year is allowed by the tax legislation. In this final return, the tax effectively due by the taxpayer is calculated, and compared with tax paid in the year. In the end, the taxpayer may be entitled to a refund of the tax paid in excess, or will have to pay the difference.

Some of the expenses which can be deducted from the annual income tax base:

- Alimony payments;
- The amount of BRL 1,808.28 per year, per dependent;
- Social Security Contributions (INSS);
- Payments to Brazilian private pension plans;
- Medical expenses paid by the taxpayer for himself or dependents, without limits;
- Educational expenses paid by the taxpayer for himself or dependents, up to BRL 2,830.84 per person.

Alternatively to the complete tax return, with the

deduction of all the mentioned expenses, the taxpayer may opt for the simplified tax return, with the allowance of a presumed deduction of 20% (twenty percent) of the taxable income, limited to BRL 13,317.09.

The annual progressive table is the following:

1. Annual Income	2. Tax Rate	3. Deductible Amount
Up to BRL 17,989.80	Exempt	-
BRL 17,989.81 to BRL 26,961.00	7.5%	BRL 1,349.24
BRL 26,961.01 to BRL 35,948.40	15.0%	BRL 3,371.31
BRL 35,948.41 to BRL 44,918.28	22.5%	BRL 6,067.44
Above BRL 44,918.28	27.5%	BRL 8,313.35

Again, the formula to the calculation of the Individual Income Tax due in the year reads as follows:

$$[(\text{Annual income} (-) \text{Deductions}) \times \text{Tax Rate}] (-) \text{Deductible Amount}$$

From the deductions above, one which seems relevant for sportsmen are pension funds. Accordingly, Brazilian tax law provides for investment in private pension plans. There are two main possibilities, which are the PGBL and VGBL plans, with different tax consequences.

* Professor of Tax Law, University of São Paulo and Presbyterian University Mackenzie (São Paulo), Brazil.

By choosing the PGBL (“Plano Gerador de Benefício Livre”) plan, the investor may deduct the contributions made to the plan of the annual income tax base, until the limit of 12% of his annual gross taxable income. In the redemption of the plan, all the amounts received will be taxed by the progressive tax rates of the Individual Income Tax, or by regressive tax rates (from 35% to 10%), which vary according to the period of the application. The investor has the option of electing one of these ranges of tax rates, in the moment of the creation of the plan.

On the other hand, in the VGBL (“Vida Gerador de Benefício Livre”) plan, the taxpayer is not allowed to deduct the contributions to the plan from the annual tax base. But in the redemption, only the earnings accrued to the original amount are taxed by the progressive rates of the Individual Income Tax or by regressive rates.

For sportsmen, PGBL could be an interesting tax planning, in order to reduce their present tax burden. As mentioned above, sportsmen tend to concentrate their income in a relatively short period of their lives. PGBL could be a manner of postponing taxation to a later period, when the taxpayer actually benefits from his income. In other words, PGBL would be a way of not being taxed when income is received, but rather when it benefits the taxpayer.

However, the 12% limit shows that this alternative is not enough for avoiding a very high taxation upon receipt of income. If one considers that deductions are very limited, one could summarize by saying that in case sportsmen derive their income in their capacity as individuals, their tax burden will be roughly 27,5% of the gross amount received.

2. The sportsman being taxed as a legal entity

In principle, Brazilian athletes hired by local teams would be subject to the Individual Income Tax, in line with the provisions previously mentioned. However, it is a common tax planning by which sportsmen constitute a legal entity, taxed by the regime of deemed profit, to render services to the team, receiving their salaries thorough such enterprise, and being taxed in a more favorable way.

There are three methods to determine the tax base of a company in Brazil, which are: actual profit; deemed profit; and arbitrated profit. A company can either choose between the deemed or the actual profit system, unless the law imposes the use of the actual profit system. The arbitrated profit is not eligible by the taxpayer, since it is imposed by the tax authorities in certain situations, as inadequate or unreliable record keeping.

The actual profit is derived from the book profit, which is adjusted by additions and exclusions allowed or required by the tax law. The Corporate Income Tax is levied at a 15% rate, with an additional rate of 10% to the amount of profit that surpasses BRL 60,000.00 in a period of three months, and the Social Contribution on Net Profit is levied at a 9% rate. Both Corporate Income Tax and Social Contribution on Net Profit have basically the same tax base. Other social contributions, called PIS and COFINS, are usually charged in the so-called non-cumulative regime, which means that the taxpayer is allowed to recognize tax credits for the contributions levied on certain inputs. These contributions are levied on the gross revenues and their rates under this system, as a rule, are respectively, 1.65% for PIS and 7.6% for COFINS.

On the other hand, the deemed profit system consists in the application of a certain percentage over the gross income. This percentage is determined by law, which takes into account the activities performed by the taxpayer. The percentages to Corporate Income Tax and Social Contribution on Net Profit are the following:

Activity	Corporate Income Tax	Social Contribution on Net Profit
Retail of fuels	1.6%	12%
Sale and transportation of goods	8%	12%
Transportation (except of goods)	16%	12%
Services rendering	32%	12%

Thus, under the deemed profit system, the taxpayer applies a certain percentage (e.g. 32% for service revenue) over his gross incomes, that will result in the deemed profit to be taxed. The Corporate Income Tax rate is also 15% (and the additional tax rate of 10% also applies), and the Social Contribution on Net Profit is levied at a 9% rate.

However, the rates for PIS and COFINS are lower than the rates of the same contributions in the real profit system. Such rates are 0.65% for PIS and 3% for COFINS, but the taxpayer is not allowed to keep the credits on the inputs, since this is a cumulative regime, with a clearly cascading effect.

The deemed profit system may result in a lower tax burden than the one achieved under the actual profit system if the enterprise does not have many deductible expenses. As a matter of fact, the deemed profit system will always represent a tax economy to those companies whose profit rate is higher than the deemed profit percentage determined by the tax authorities.

As previously mentioned, some high net worth sportsmen constitute legal entities taxed under the deemed profit system to render services to their teams, so the total tax burden on their earnings is lower.

As an example, we can imagine a sportsman who earns BRL 1,000,000.00 a month. Being taxed as an individual, the total tax burden would be approximately **BRL 275,000.00** (disregarding the possible expenses of this athlete).

If this same sportsman constitutes a legal entity to render services to the team, taxed according to the deemed profit system, the total tax burden would be:

Corporate Income Tax	BRL 1,000,000.00 (x) 32% (profit percentage to services rendering) = BRL 320,000.00 (x) 25% (tax rate plus additional) = BRL 80,000.00
Social Contribution on Net Profit	BRL 1,000,000.00 (x) 12% (profit percentage to services rendering) = BRL 120,000.00 (x) 9% (tax rate) = BRL 10,800.00
PIS and COFINS	BRL 1,000,000.00 (x) 3.65% (tax rate of PIS and COFINS) = BRL 36,500.00
Total Tax	BRL 80,000.00 + BRL 10,800.00 + BRL 36,500.00 = BRL 127,300.00

As one may see, the second option is clearly more favorable to the sportsman. Of course, one could consider more sophisticated situations, where sportsmen must pay business expenses (e.g. for their agents) which could lead to a favorable taxation according to the actual profit. Usually, however, the deemed profit system would be the most interesting.

Although this structure is quite normal in Brazilian reality, one should mention that at least once it has been challenged by the Brazilian tax authorities. Quite discussed in Brazil is the Luiz Felipe Scolari case, judged by the administrative court. Luiz Felipe Scolari is not properly a sportsman, since he works as a football coach, but his case represents the position of Brazilian authorities when it comes to this kind of tax planning.

2.1. The Luiz Felipe Scolari case

The traditional tax planning by which sports persons constitute a legal entity for the purpose of receiving their payments was faced by the Administrative Council of Tax Appeals, which is Brazilian highest administrative tax court, on the occasion of the judgement of the so-called Luiz Felipe “Felipão” Scolari case.

Accordingly, the tax authorities imposed tax on Luiz Felipe Scolari, former coach of the Brazilian national football team, in respect of the income derived from the agreement that his enterprise (a legal entity under the name of “L. F. Promoções, Serviços e Participações”) had signed with a Brazilian football club (“Sociedade Esportiva Palmeiras”) for the coaching of the Palmeiras professional football team, as well as the supervision of all of its amateur teams.

Under the provisions of the agreement signed between Sociedade Esportiva Palmeiras and L. F. Promoções, Serviços e Participações, the coaching should be undertaken exclusively by the partner Luiz Felipe Scolari.

Taking into account such circumstance, the tax authorities understood that the coaching services were rendered in an individual and personal way by Mr. Scolari, thus deeming the agreement signed between his enterprise and the football club as a sham transaction performed for the purpose of tax avoidance. According to the tax authorities, the income derived from activities which were rendered in a personal way by Mr. Scolari as a coach of the Palmeiras football team – none other of his partners in the enterprise was allowed to perform the coaching contracted with the Palmeiras football society. Therefore, the income derived from such activity should not be taxed by the Corporate Income Tax as income of the enterprise, but rather by the Individual Income Tax as Mr. Scolari’s personal income.

As understood by the tax authorities in the case, all the partners must perform the same activity, and not render services individually and in their personal name, in order for the income to be regarded as belonging to the enterprise. This would not be the case in the present situation, since, as verified by the tax authorities, the agreement signed between the football team and Mr. Scolari’s enterprise provided that the latter would be “mandatorily represented by its partner Luiz Felipe Scolari, independently of any other professionals, in the performance of this agreement”; for the tax authorities, such provision would exclude the services rendered by any other partners or employees of the enterprise, what is characteristic of the services rendered by a legal entity.

Moreover, in the tax authorities’ understanding, there would have happened a joint action between the Palmeiras football society and the taxpayer with the intention of avoiding the levy of the Individual Income Tax on Mr. Scolari’s income by means of the interposition of an enterprise in the deal. Therefore, the referred arrangements would evidence a

sham transaction for the purpose of tax avoidance.

The taxpayer, then, appealed to the Administrative Council of Tax Appeals. In the reasoning of his appeal, Mr. Scolari claimed that his enterprise was regularly constituted and that there was no provision in Brazilian Law establishing the individual taxation of the partner which renders the service – to this effect, he argued that “while the Law does not provide for the activities which must be mandatorily taxed on the individual, the option for the constitution of a legal entity, to undertake lawful activities, for any reason, has legal support”. Moreover, Mr. Scolari claimed that the tax authorities disregarded the legal entity without any authorization from the Judiciary, as required by Brazilian Law.

The majority of the judges of the Council, following the understanding of the reporting judge José Ribamar Barros Penha, stated that there was no disregard of the legal entity in the present case, remaining Mr. Scolari’s enterprise intact. Nevertheless, they adopted the understanding whereby whether it was the coach, as an individual, who rendered the services, the correspondent remuneration was due to him, and thus it must be taxed by the Individual Income Tax.

According to the majority of the judges, the constitution of legal entities for the purpose of services rendered is allowed, provided that all the partners act in the activity and under the name of the company – in the case, L. F. Promoções, Serviços e Participações did not have a structure in which all of its partners worked under its name, but, on the other hand, the coaching activities were performed personally by Luiz Felipe Scolari. In such circumstance, the income derived must be taxed by the Individual Income Tax.

In spite of deciding for the taxation by the Individual Income Tax, the judges understood that there was no sham in the case. For the judges, the constitution of legal entities by football players (and the same would be applicable for coaches) is quite common, and, moreover, it is usually required by the football clubs, since it supposedly avoids the player from claiming, in the future, his rights under the provisions of the labor law – the relation between the football club and the legal entity would be a service rendered, and not an employment: in other words, a contract for services not a contract of service.

Therefore, as stated by the judges, the constitution of a legal entity by Mr. Scolari was not aimed at tax avoidance, but was rather an outcome of the practice of football clubs in not hiring coaches due to the high burdens under the labor law. Moreover, for the judges, evidence that the Mr. Scolari's enterprise and the Palmeiras football club were not involved in a sham transaction would be the distance, in time, between the constitution of L. F. Promoções, Serviços e Participações and its agreement with the club.

One must mention that a sham transaction was recognized by the Council in a posterior case involving the coach Luiz Felipe Scolari. In this case, differently from the previous, the coach, as an individual, signed an agreement with Cruzeiro football club for the granting of his image rights. Nevertheless, Mr. Scolari did not receive his remuneration from the club, which rather paid it to an enterprise ("GOL - Consultoria") in which the coach was a partner during his time as a coach in Cruzeiro football club.

Taking into account the difference between the two circumstances (in the first case, it was Mr. Scolari's enterprise which signed the agreement, as well as it was the same legal entity who received the payments; in the second, Mr. Scolari signed

the agreement as an individual, but the payments were made to a legal entity in which he was a partner only during his time as coach at the club), the judges recognized the sham, and thus applied the penalty of 150% on the amount due concerning the transactions involving GOL – Consultoria.

2.2. Article 129 of Law No. 11,196/05

Due to the Scolari case, as well as some cases concerning TV artists, there was a lobby for changing Brazilian tax law, in order to permit parties to decide whether they wish to hire individuals or companies, even, if in the latter case, services are to be performed on the personal capacity of companies' partners.

Article 129 of Law No. 11,196/05 provided that the rendering of intellectual services, including scientific, artistic and cultural ones, when performed by a legal entity provider of services, in a personal nature or not, with or without the attribution of any obligations on the partners or employees of such legal entity, is subject exclusively to the legislation applicable to legal entities for tax and social security purposes.

Thus, this Law established that the constitution of a company for the rendering of intellectual services, even if by a part-

ner in a personal way, would not be disregarded for tax purposes. Consequently, in these cases, the partner will not be taxed as an individual, as happened to Luis Felipe Scolari.

However, although the lobby intended to cover all cases, the Law itself does not mention sports activities in its ambit of application. Thus, Law No. 11,196/05 is an interesting tool for artists, but its benefits may not extend to sportsmen.

Given that, there is a chance that sportsmen who receive their earnings through legal entities constituted with the purpose of rendering services, in a personal way, to the teams may suffer a tax assessment from the Brazilian tax authorities.

3. Conclusion

One can conclude that Brazilian tax law does not provide for specific structures for athletes. Although they usually try to avoid a high tax burden by means of being hired through a company, this scheme has already been challenged by tax authorities and has not been accepted by the Courts. Article 129 of Law No. 11,196/05 could be a solution for this problem, but its scope does not seem to cover sportsmen.

Uruguay:

Tax treatment of income obtained by sportsmen from the performance of sports activities and from the exploitation of sports image rights

By Carla Kaphammell¹

1. Income Tax

1.2. General Comments on Income Tax

In Uruguay, only income derived from Uruguayan source is taxed. As of January 2011 an exception to this principle has been approved, which establishes that income obtained by Uruguayan resident individuals that is derived from capital, originated in deposit, loans, and in general in any placement of capital or credit of any nature, if those income came from foreign entities, is also subject to income tax in Uruguay.

In order to determine the tax applicable over the income derived from Uruguayan source, it is important to determine who is obtaining the income. There are currently in Uruguay three different taxes applicable to income: i) Income Tax on Economic Activities - IRAE (applicable to Uruguayan entities), ii) Income Tax on Residents - IRPF (applicable to resident individuals) and iii) Income Tax on Non Residents – IRNR (applicable to non-residents entities and individuals).

*Fiscal residence*²

An individual is considered to be a tax resident in Uruguay when he or she meets any of the following conditions:

- If the individual stays more than 183 days in the Uruguayan territory during a calendar year. Sporadic absences shall not be taken into account, unless the person provides evidence of tax residence in another country.

- The economic activities or individual interests of the individual are located in Uruguay, whether directly or indirectly.

It is presumed that an individual has his the residence in Uruguay if his wife/husband and minor age children depending have their permanent residency in Uruguay.

Legal entities are considered to be fiscal residents if they are set up in Uruguay according to Uruguayan legislation.

Legal entities that were set up in a foreign country, but which have established their domicile in Uruguay later, are considered as fiscal resident after they have accomplished all legal procedures in Uruguay. Moreover, legal entities that were set up in Uruguay, but that established their domicile later in a foreign country, will not be considered as fiscal residents if they lack any domicile in Uruguay and accomplished all the necessary legal procedure in order to transfer their domicile abroad.

*Uruguayan source rules relevant for sportspersons*³

Income derived from Uruguayan source is the one arising from activities performed, goods located at or rights economically used within the Uruguayan territory.

Additionally, a special regime is established in relation to the source of income derived from leases, use, assignment or transfer of federative rights, image rights or similar of sportsmen, and for income originated in the mediation/intervention of them.

This type of income is considered as being derived from Uruguayan source in case one of the following conditions is met:

a) The sportsman has resided in Uruguay for more than 183 days, in the previous immediate period of the date of the lease, use, assignment or transfer;

b) The sportsman has been registered with an Uruguayan sports entity, for a period of not less than sixty days within the period established under a), if during those 60 days the sportsman has participated in sport competitions representing the Uruguayan sport entity.

1.2. Income Tax on Economic Activities (IRAE)⁴

IRAE is levied annually on net income derived from Uruguayan source and obtained by companies. The tax rate is 25%.

For determining net income, the expenses incurred during the fiscal year may be de-

¹ Guyer & Regules – www.guyer.com.uy – Montevideo Uruguay.

² “IRAE” :Article 13 and 14 Title 4, Texto Ordenado 1996 and Article 2 Decree 150/07; “IRPF” : Article 6, Title 7 Texto Ordenado 1996 and Article 5 Decree 148/07, “IRNR” : Article 7 and 8, Title 8, Texto Ordenado 1996 and Article 13 Decree 149/07.

³ “IRAE” : Article 7, Title 4 Texto Ordenado 1996 and Article 3 Decree 150/07, “IRPF” : Article 3, Title 7 Texto Ordenado 1996 and Article 3 Decree 148/07- “IRNR” : Article 3 Title 8 Texto Ordenado 1996 and Article 11 Decree 149/07.

⁴ “IRAE” Title 4 Texto Ordenado 1996 and Decree 150/07.

ducted exclusively if they were necessary to obtain and maintain the income and only if they are duly documented.

In general, the only deductible expenses are those constituting a taxable income for the counterparty, whether under the IRAE, under the IRPF, IRNR, or under any type of income tax abroad. In some cases, certain limitations apply to deductions, depending on the rate of the tax paid by the counterparty.

1.3. Income tax for Uruguayan residents (IRPF)⁵

IRPF is levied annually on income that arises from an Uruguayan source and is obtained by resident individuals.

Additionally, and only for IRPF purposes, the following categories of income are considered as being derived from an Uruguayan source:

- income derived from capital, originated in deposit, loans, and in general in any placement of capital or credit of any nature, if those income came from foreign entities.
- income derived from services rendered abroad, in a dependent relationship, in case those services are rendered to a taxpayer that is subject to IRAE.

A dual system is established: one for capital income (income derived from capital factor and net worth capital increases) - Category I - and one for labor income from dependent or non-dependent work - Category II- (in both cases with their own rules and deductions).

Income obtained from leases, subleases, and the incorporation or assignment of rights on tangible and intangible assets, and those derived from the assignment of image rights' exploitation, are included in Category I.

Almost no deductions are allowed in Category I (none at all in case of income derived from image right's exploitation).

The general rate of income included in Category I is 12%. However, some income in this category is subject to tax at a different rate (as it is the case of dividends received when the income that originated those dividends was taxed by IRAE, then the tax rate is 7%).

Category II income includes all income derived from personal services rendered in dependent or non-dependent relation-

ships, and pensions. In the case of the dependent work relationship, any ordinary or extraordinary income, in cash or in kind, needs to be included.

Reimbursement of travel expenses, in case the employee renders such expenses, are not subject to income tax. The same applies to the benefits of allowance and food supply obtained by sportsman when concentrating or training outside their residence.

In the case of labor income derived from dependent work, contributions made over the salary may be deducted. In case of non-dependant work, no contributions are made but a 30% deduction over the total income is allowed as tax deductible expenses. Also other minor deductions are allowed.

In this case, a scale of income bands and progressive aliquots has been fixed, going from 0% to 25%

Regarding income obtained by sportsmen, there is a special provision establishing that income derived from leases, use, assignment or transfer of federative rights, image rights or similar of sportsmen, and for income originated in the mediation/intervention of them are included in Category I. Additionally, it is established that income derived from their salaries (established in their work's contract), is included in Category II.

1.4. Income tax for non residents (IRNR)⁶

IRNR is levied annually income arising from an Uruguayan source that is obtained by non resident individuals.

The general rate of the IRNR is 12% but certain types of income are taxed at a different rate (as it is the case of dividends received when the income that originated those dividends was taxed by IRAE, then the applicable rate is 7%).

In this case, income obtained derived from capital or labor factor is taxed at the same rate. No deductions are allowed, except in some minor cases.

1.5 Tax treaties⁷

Currently, in Uruguay there are 3 tax treaties in force: with Germany, Hungary and Mexico. Tax treaties with inter alia Spain and Portugal have been signed, but these treaties are not yet in force.

2. Social Contributions⁸

In case of professional's sportsmen, social contributions are currently regulated by the Decree 398/09 (published during September 2009). The Decree established that sportsmen whose income derived from such activity represents their principal means of subsistence, should as of January 2010 pay contributions over their real salary (for basketball players this applies since April 2010).

However, a transitional regime was ruled establishing that sportsmen, except basketball players, that enter into a labor contract after the issuance of the mentioned Decree may choose to pay social contributions over their real salary or a fixed amount of approximately USD 720 (per month). This option can be used regarding their salaries corresponding to the year 2011. In case of football players belonging to the second professional division, the fixed salary is minor.

In case of basketball players, the transitional regime establishes that a player whose enter into a labor contract after the issuance of the mentioned Decree may choose to pay social contributions over his or her real salary or a fixed amount that arise to approximately USD 480 until March 2011, and USD 720 from that date until March 2012. In case of basketball players belonging to sports entities of second division, the fixed salary is minor.

From January 2012 sportsmen should contribute social contributions over their real salary. Basketball players should do so from April 2012.

The applicable social contributions rates are the following:

- general social security contribution is 15%;
- specific contribution for health insurance is 3% 4.5% or 6%;
- contribution intended to finance a fund of recovery of work is 0.125%.

⁵ "IRPF" Title 7, Texto Ordenado 1996 and Decree 148/07.

⁶ "IRNR", Title 8 Texto Ordenado 1996 and Decree 149/07 "IRNR".

⁷ Uruguay – Germany – Law 16.110, Uruguay – Hungary – Law 16.366, Uruguay – Mexico – Law 18.645.

⁸ Law 16.713 – Decree 398/09.

Football Association Premier League Ltd and Others

v

QC Leisure and Others

(Reference for a preliminary ruling from the High Court of Justice,
Chancery Division, United Kingdom)

Karen Murphy

v

Media Protection Services Ltd

(Reference for a preliminary ruling from the High Court of Justice,
Administrative Court, United Kingdom)

By Max Eppel¹

Attempt by Premier League and BSkyB to prevent public showing of Football matches via broadcaster from another EU state contravened EU single market principles.

An Advocate General has recommended that the Court of Justice of the European Union (“CJEU”) find that the Premier League and BSkyB ought not to be able to prevent pubs in the UK using a Greek satellite decoder card to show Premier League games rather than a more expensive UK decoder.

Background

The landlady of the Red, White and Blue pub in Portsmouth² was one of an increasing number of publicans in the UK who found a sneaky way around having to pay expensive fees to BSkyB for showing Premiership football in their pubs.

By using a decoder for a Greek channel, showing the games at a far cheaper rate than BSkyB charges, she was able to lure in drinkers and save money. Unsurprisingly BSkyB and the Premiership object to this.

BSkyB have the exclusive contractual right to broadcast Premiership games in the UK. It is not in BSkyB or the Premiership’s interests for games screened abroad to be shown in the UK as both stand to lose substantial revenue. BSkyB loses revenue from potential customers who buy decoder cards elsewhere in the EU, and the Premier League loses the extra revenue it is able to secure from a UK broadcaster over a foreign one.

The Guardian newspaper notes that the Premier League benefits by more than £1.6bn by its three-year deal with BSkyB, and more than £1bn for foreign rights between 2010-13.³

The Facts

The Premier League, legally the The Football Association Premier League Ltd (“the FAPL”), grants the right to broadcast Premiership football matches to a number of licensees. The licensees buy the rights to broadcast, and economically exploit the broadcasts, within the areas they broadcast to - usually a country.

The licensee is under a general obligation under the terms of the contract to safeguard the exclusivity of their licence. More specifically, they are required to encrypt their satellite signal and to transmit the broadcast in encrypted form. Subscribers in their territory can view the broadcasts using a

decoder that un-encrypts the signal to make it viewable. This decryption is done with a decoding card; there are further stipulations in the exclusivity agreement between the FAPL and the broadcaster which restrict the distribution of decoder cards outside the broadcaster’s exclusive territory.

The cases before the European Court of Justice result from attempts to clamp down on the circumvention of this exclusive arrangement. UK pubs are offered decoder cards which have been obtained abroad. The foreign decoder cards are attractive to publicans because it is cheaper for them to buy the foreign decoder cards than to pay BSkyB for the UK transmission. In this case the pub was using a Greek decoder.

Proceedings were brought in the UK (Case C-403/08) by the FAPL against the sale of foreign decoder cards in the UK and (C-429/08) against the landlady of the pub in Portsmouth.

The High Court referred⁴ the cases to the CJEU for preliminary ruling. They asked several questions relating to the interpretation of EU law.

The Opinion

The Advocate General (“AG”) Juliane Kokott applied⁵ one of the fundamental principles of the EU in her Opinion on this case. She considered how the operation of the exclusive broadcasting agreements operated in relation to the single market for services, Article 56 of the Treaty on the Functioning of the European Union (“TFEU”).⁶

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² <http://www.fullers.co.uk/rte.asp?id=243&itemid=246&task=View>

³ <http://www.guardian.co.uk/media/2011/feb/03/eu-law-sports-rights?INTCMP=ILCNETTXT3487>

⁴ <http://www.ipo.gov.uk/ecj-2008.htm>

⁵ <http://curia.europa.eu/juris/cgi-bin/form.pl?lang=EN&Submit=rechercher&numaff=C-403/08>

⁶ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:115:0047:0199:EN:PDF>

The AG found that the exclusive arrangements had the effect of partitioning the internal EU market into separate national markets, which represents a serious impairment to the freedom to provide services across the EU.

The AG then considered whether the protection of industrial and commercial property rights in relation to the live broadcast of football matches could justify the partitioning of the internal market.

In the cases considered, the ability to view the transmitted video was achieved using a decoder card. That decoder card had been paid for. Just because there was a discrepancy between the amount paid for a Greek card and a UK card does not represent an infringement of the economic exploitation of the rights in question as there is no specific right to charge different prices in different Member States. It is part of the logic of the single market that price differentials are offset by trade.

“Where a programme content provider enters into a series of exclusive licences each for the territory of one or more Member States under which the broadcaster is licensed to broadcast the programme content only within that territory (including by satellite) and a contractual obligation is included in each licence requiring the broadcaster to prevent its satellite decoder cards which enable reception of the licensed programme content from being used outside the licensed territory, such licence agreements are liable to prevent, restrict or distort competition.”

The practices of the FAPL and broadcasters represent an unjustified attempt to partition the internal market and an unjustified restriction on the freedom to provide services.

The AG expressed the view that where there is contractually a different pricing structure for private or domestic use and for commercial use there is still no justification for restricting the freedom to provide services.

She also found that there was no protection in EU law, under the terms of the Copyright in the Information Society Directive⁸, in relation to a broadcast to the public where no entry fee is charged.

She also considered how her ruling would be affected by the Satellite and Cable Directive.⁹ European competition law and the Conditional Access Directive.¹⁰ She

found that her application of the principles of the single market in services was consistent with all of them.

Reaction of the Premier League

Having comprehensively failed to have their interests represented in the Opinion of the AG, the Premier League rejected that Opinion just as comprehensively.¹¹ They said that the Opinion was incompatible with EU law and would damage the interests of broadcasters and viewers.

They accused the AG of ignoring EU law, which supports the cultural diversity within the EU, and of preventing rights holders from marketing their rights in a way that matches the demands of broadcasters to acquire exclusive rights within their own territories, creating services which reflect the cultural preferences of those territories.

They accused the AG of overstepping her role:

“If the European Commission wants to create a pan-European licensing model for sports, film and music then it must go through the proper consultative and legislative processes to change the law rather than attempting to force through legislative changes via the courts. The ECJ is there to enforce the law, not change it.”

Commentary

As anyone with a holiday home in France or Spain could tell you, satellites do not discriminate. They sit up there beaming down pictures to whoever is in their footprint and can grab them.

That is why signals are encoded, but the proliferation of UK Sky cards being used in houses in Europe illustrates the blurring of the territorial rights to those signals.

These cases before the CJEU are the other side of the coin; the showing of Greek broadcasts of live Premiership games in British pubs.

For obvious reasons there is less interest in Premiership games in Greece than the UK so the Greek broadcaster, licensed to show those games to Greek viewers in Greece, pays a lot less than a UK subscriber and so charges less for the privilege. When those cards are purchased by someone in the UK for substantially less than a UK decoder, the owner of those rights has a problem. In this case they attempted to solve the problem by taking action against the seller

of the cards and the pub which benefited from the cheaper decoder.

As many have found in the past, including car companies and pharmaceutical companies, the CJEU takes a puritan view of the single market and forces any companies seeking derogation from that principal to have very good reason for doing so. In this case the AG sought to put the single market above all else.

It must be remembered that this is an opinion, not a judgment. While the CJEU usually follows the AG's recommendation it does always do so. In the past it was considered that the ECJ followed the AG's opinion 80% of the time but the true figure is harder to ascertain.

The Fallout

The Court's ruling on this case is expected later this year. Were the CJEU to follow the AG's Opinion when it rules on this case, there is a very wide spectrum of expectation as to the commercial and cultural impact. To illustrate that I will outline the two poles of opinion:

Maximum Impact

This is summed up in an article penned by the Premier League's head of EU Policy and Commercial and IP Solicitor before the AG's opinion was released.¹⁴ It outlines the perils of the ECJ finding against them.

The list of losers according to the Premier League is a long one; owners of copyright, workers in creative industries, equipment makers, consumers, Member States. Further, such a ruling would limit investment in sport, create market chaos, inhibit competition and threaten cultural diversity.

⁷ AG Opinion Paragraph 8

⁸ Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (OJ 2001 L 167, p. 10).

⁹ Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission (OJ 1993 L 248, p. 15).

¹⁰ Directive 98/84/EC of the European Parliament and of the Council of 20 November 1998 on the legal protection of services based on, or consisting of, conditional access (OJ 1998 L 320, p. 54).

¹¹ <http://www.premierleague.com/page/Headlines/0,,12306~2284336,00.html>

¹² http://europa.eu/institutions/inst/justice/index_en.htm

¹³ <http://www.out-law.com/page-11458>

¹⁴ EPFL Sports Law Bulletin, No. 7, June-October 2011.

The reason that there are so many potential losers is that such a ruling would throw the protection offered by copyright in many more areas than sport into doubt. Any rights offered exclusively to licensees in different markets would be affected and undermined. That would threaten the livelihoods of those who work in creative industries as well as the manufacturers of the equipment they work with.

Consumers would lose out because content that has been tailored to their requirements would no longer have such a tailored service as content is offered on a pan-European basis. Member States would lose out because this would represent a shift in policy to pan-European copyright, which Member States properly have a right to participate in framing.

In relation to sport in particular;

*“...there would be direct consequences for investment in the sporting spectacle (talent acquisition, talent development, stadia and facilities improvements) and for re-distribution and investment in community and grass root activities.”*¹⁵

They say that a judgment which went against the FAPL's case would create a new commercial environment where broadcasters had to broadcast on a pan-European basis, which would discriminate against small broadcasters and inhibit new entrants to the market given the associated start-up costs.

It is also asserted that cultural diversity in the EU, one of the founding principles, would suffer as broadcasters offered pan-European coverage rather than tailoring content for each market.

Minimum Impact

The minimalist view is put forward by Jefferies Research, the analysts at Jefferies Investment Bank.¹⁶ Their view is that BSkyB makes £200m per year from commercial subscriptions and that at most

£60-£70m would be at risk if pub landlords could shop around.

Conclusion - Should we worry about this case?

The short answer is: Not nearly as much as the FAPL would want us to. They are a commercial organisation quite properly seeking to protect their interests by suggesting that something which potentially affects their revenue will have a disastrous and devastating impact on swathes of European industry and impact the rights of European Member States and consumers.

This is a case about how we watch football in pubs. Let's not forget that.

The FAPL's argument against the perils of pan-European coverage is undermined to some extent by the fact that Greek TV was showing Premiership football in a way that was appealing and accessible to UK viewers. It was the same or similar coverage to that which they would have accessed with a UK subscription. If the product was adequately differentiated for the Greek market, viewers in UK pubs would not be interested in Greek decoders.

We should also be wary of falling in with the FAPL's implication that the single market is a bad thing. There are a lot of people who feel we have benefited from that single market over the years, and whether we have or not, the single market is a reality that corporations like the FAPL have to take account of – remember Bosman?

Whatever the final judgment in this ruling, football will carry on much as it has, adapting to changing conditions. Both the FAPL and broadcasters like BSkyB will use it as a springboard to change and adapt, finding new ways to commercialise sport, new ways to create protected rights and new markets to build and develop. Just as they always have.

¹⁵ *ibid*, p.40

¹⁶ <http://www.telegraph.co.uk/finance/news-bysector/mediatechnologyandtelecoms/media/8301303/EU-Court-advisers-football-ruling-a-blow-for-BSkyB.html>

Protection of image without a right of personality: effective or archaic?

Deborah Healey¹

Australia is no different from other countries throughout the world: the cult of celebrity looms large and sportspeople attract attention like Hollywood stars.² The popularity of sportspeople means that they are both newsworthy and sought after for endorsing and publicising products and services. This attractiveness is enhanced by the apolitical, clean-cut, uncomplicated image of many sports stars. The combination of achievement and 'wholesome endeavour' is a winning formula for marketers. Sportspeople are involved in sponsorship and marketing individually or as team members, and these sponsorship relationships are typically governed by sponsorship contracts with the sport, team or individual. Arrangements within a sport or team may limit the ability to negotiate individual deals. Endorsements by individuals may be for products or services related to their sport; they may focus on individual sporting achievements; or they may involve more random products or services which benefit by mere association with a celebrity spruiker.

The advantage which arises from the association with a famous name or reputation or image encourages unauthorised use. Sportspeople such as athletes, coaches and officials have rights to use and to protect their names and reputations. This

encompasses both the commercial exploitation of a name and reputation, and the right to prevent others from exploiting that name and reputation by formal or informal means. The lines between celebrity endorsement and commercial exploitation, the right to publicity, right to privacy, and the exploitation of celebrity by commercial press coverage, create significant issues for the brightest lights of celebrity in the sports world. When the rights and wrongs of these issues are coupled with important concepts such as freedom of the press and the public interest in news reporting, the position is complex.

This article considers briefly the laws currently protecting image rights in Australia, their adequacy and recent consideration of whether a law or laws focusing on personality rights and protection of celebrity privacy should be developed.³ It adopts a broad definition of sports image rights encompassing all aspects of persona or "brand"⁴

The nature of image rights

The famous 4 categories of privacy of Prof William Prosser which were adopted in the Second Restatement of the Law, Torts⁵ paint a useful picture of the types of behaviour relevant to protection of image. They focus on the dual issue of protection of individual rights to commercially

exploit image exploit and protection of individual privacy to prevent unauthorised exploitation. They are, put simply:

- intrusion upon a plaintiff's physical solitude⁶
- public disclosure of embarrassing facts
- placing the plaintiff in a false light in the public eye
- appropriation for commercial benefit of the plaintiff's name or likeness.

The most relevant of the categories for our purposes is the appropriation for commercial benefit of the plaintiff's name or likeness- the so-called 'right of personality' category- but the first three categories- which might be called the 'right of privacy' categories- are also important. All are protected in some way by the law in Australia, although not in a comprehensive fashion. Australian athletes depend on a combination of laws such as those dealing with statutory misrepresentation and passing off, intellectual property and defamation to protect image and reputational rights.

Protection based on misrepresentation

Most effective protection in relation to claims of unauthorised commercial use of a name or image in Australia is under the misleading or deceptive conduct provisions of the Australian Consumer Law ('ACL') (formerly s52 of the Trade Practices Act ('TPA')).⁷ The misleading or deceptive conduct provisions are used by consumers and business people including those marketing goods and services to prevent unfair practices in the marketplace.

Section 18 of the ACL prohibits a corporation 'in trade or commerce' from 'engaging in conduct which is misleading or deceptive or is likely to mislead or deceive'. The court may grant an injunction to prevent future likely breach. Damages may be awarded for loss suffered. The court may make other orders including for corrective advertising.⁸

The courts have found that 'mislead' means 'lead into error'.⁹ Conduct that

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² For an interesting discussion on the phenomenon of celebrity, see P. Loughlin, B. McDonald and R. Van Krieken 'Celebrity and the Law' (2010) Federation Press Sydney.

³ To this extent it is similar to the UK. See for example J Davis Fame and its exploitation; the legal protection of celebrity in the United Kingdom in B Bogusz & Ors, 'The Regulation of Sport in the European Union' (2007) Edward Elgar at 185.

⁴ In the sense encompassed by names such as rights of privacy (UK), rights of publicity (US) and rights of personality (EU). See I. Blackshaw 'Protecting Sports Image Rights in Europe' (2005) Vol 6 No 2 Business Law International 270 at 274.

⁵ R. Prosser 'Privacy' (1960) 48 California Law Review 383, 389.

⁶ In some situations this category might be addressed in Australia by laws dealing with things like assault, stalking or torts such as trespass.

⁷ As from 1 January 2011 section 18 of the ACL mirrors the well known section 52 of the Trade Practices Act, which has not been amended but merely renumbered. In a process which has substantially overhauled all Australian consumer law. The Trade Practices Act 1974 is now called the Competition and Consumer Act 2010 ('CCA'). The Australian Consumer Law is Schedule 2 to the CCA for reasons relating to the power to make laws under the Constitution of Australia. Put simply, in a process which has substantially overhauled all Australian consumer law, uniform consumer laws have been implemented by agreement of the Commonwealth, the States and Territories.

leads people ('the target audience') into error or is likely to do so, therefore, falls within the provision. 'Conduct' covers a very wide range of behaviours.¹⁰ Whether conduct is misleading is assessed by the court in all of the circumstances after hearing the case, taking into account its effect on the people who would be its target audience – those likely to observe or respond to it.¹¹ This provision is particularly useful because people other than consumers are entitled to bring actions for breach as long as consumers are likely to be affected.¹² Trade competitors often take action to stop their rivals making untrue or misleading claims about products or services, and success benefits both consumers and themselves. Consumers may bring actions if they have been or are likely to be misled; affected sportspeople may bring actions to prevent consumers being misled; competitors may bring actions to prevent consumers being misled.

Section 29 of the ACL¹³ prohibits the making of representations that are misleading or false. 'Representation' includes words and other things that convey an impression to those who see them, such as photographs, illustrations or diagrams so these provisions are particularly relevant to the unauthorised use of image and persona. Different paragraphs of the provision are aimed at particular types of false or misleading representation. Representations suggesting that goods or services have sponsorship or approval that they do not have, for example, are prohibited by section 29(g) and (h).¹⁴ This includes representations that an athlete or organisation is connected with a product, service or other organisation when it is not.

Breaches of sections 18 and 29 are civil breaches.¹⁵ The scope of these provisions is broad and their predecessors have been used by sportspeople, sports and others to prevent a range of misleading conduct beyond the scope of image rights. In the a very early case during the World Series Cricket (WSC) "war" with the Australian Cricket Board, for example, the provision was used to stop WSC calling matches "Super Tests" and suggesting that they would be played under "Test match conditions" when they had no association or connection with the Australian Cricket Board or Australian Test Cricket.¹⁶

In addition, there have been a number of cases in relation to unauthorised use of image or reputation of individuals. Tracey Wickham, for example, a former

world record-holding distance swimmer, complained that a pool company which she had authorised to use her name and photographs continued to use them after the termination of the agreement. In the straightforward situation the court found that the use of "Tracey Wickham Pools" by the company misrepresented that it had her continuing approval.¹⁷

A more contentious early case involved an Australian representative athlete. Gary Honey, a multiple Australian representative long jumper competing in the Edinburgh Commonwealth Games, was photographed during his gold medal winning jump. The photograph was used without his permission on a poster by Australian Airlines, and distributed free of charge in schools. Honey's name was noted on the bottom of the poster. Permission for use was granted to the airline by the photographer as creator of the photograph under the Copyright Act. A non-profit religious group was later given permission by the airline to use the poster on the cover of one of its books. Honey took action based on misleading conduct and passing off but failed. Honey argued that the use of the photograph was misleading because it represented that he had some commercial association with the airline and the religious group. This was particularly embarrassing to him as a teacher in a different religious school. The judge found that the essential aspect of the photograph supported participation and excellence in sport and nothing more, and did not warrant the finding of approval, sponsorship or endorsement of the airline or the book by Honey. The judge took this view on the basis that the Commonwealth Games was an amateur competition, so it was not easy for the public to draw the conclusion

that there was some kind of commercial connection between the parties.¹⁸ The fact that the book was not a particularly commercial publication may also have played a part. One might also assume that the more recognisable the athlete, the more likely the target audience would be to assume a commercial connection. Factors such as these are relevant to consideration of the surrounding circumstances in which conduct is assessed in a particular case.

This case should be contrasted with later cases, particularly those involving Australian actor Paul Hogan and the use of aspects of his character 'Crocodile Dundee' from the movie of the same name. In a case involving use of the 'get up' of the character arguably 'cashing in' on a well known scene from the movie in an advertisement for shoes, the court ultimately found that the advertiser had misled television viewers. The advertisement misrepresented a commercial association between the actor and the product, the shoes, which was misleading or deceptive and also constituted passing off. The more commercial environment of the representation was obviously very important to these findings of implied commercial association, as was the overwhelming recognition of the actor and the role. Given the increased commerciality of athletics in the time since the Honey case, the Hogan case is now more representative of the approach a court would be likely to take in situations where representations of connection, sponsorship, approval or affiliation can be implied, particularly in relation to a very well known athlete.¹⁹

Other cases have involved a more overt use of name, reputation or image. Swimmer Keiran Perkins, through his management

⁸ See, for example, *Janssen Pharmaceutical Pty Ltd v Pfizer Pty Ltd* (1986) ATPR 40-654.

⁹ *CRW Pty Ltd v Sneddon* (1972) 72 AR 17.

¹⁰ See CCA s.4 (2).

¹¹ See *Taco Co of Australia Inc & Anor v Taco Bell Pty Ltd & Ors* (1982) ATPR 40-303, particularly pp.43,751-2.

¹² *Hornsby Building Information Centre Pty Ltd & Anor v Sydney Building Information Centre* (1978) ATPR 40-067.

¹³ Formerly s53 of the TPA.

¹⁴ New provisions contained in s29(e) and (f) prohibits false or misleading representations in relation to a testimonial by any person relating to goods or services. A reversal of onus applies in these cases: s29(2). Despite this, the new provisions are unlikely to advance argument in relation to exploitation of personality except in the most obvious cases.

¹⁵ There are also mirror criminal provisions in the ACL but these and their predecessors have not proved relevant to date in this context.

¹⁶ *Parish v World Series Cricket* (1977) ATPR 40-039;40-040. This case was taken under the former s52 of the TPA.

¹⁷ *Wickham v Associated Pool Builders Pty Ltd & Ors* (1986) ATPR 40-741; (1988) ATPR 40-510.

¹⁸ *Honey v Australian Airlines Ltd & Anor* (1989) ATPR 40-961. Honey took action under then sections 52, 53(c) and (d) of the TPA and passing off. See also *10th Cantanae Pty Limited & Ots v Shoshana Pty Limited* (1988) ATPR 40-833.

company, complained about telecommunications carrier Telstra and its advertising insert in a Brisbane newspaper. The insert showed Perkins beside a pool wearing a cap with a Telstra logo²⁰. Perkins argued that the advertisement indicated that he supported Telstra in a scheduled ballot for telecommunications carrier pre selection, which was the subject of the advertisement. Telstra had a sponsorship agreement with Australian Swimming to sponsor the Telstra Dolphins Australian swimming team, but Perkins was not a member of that team even though he had swum many times for Australia. The Court of Appeal found that the conduct was misleading because it implied Perkins' consent and that he supported Telstra in the pre selection ballot. The court concluded that the conduct reduced Perkins' ability to commercially exploit his reputation.²¹

The Leo Barry case was well publicised because it revolved around the use of a very well-known photograph of Barry taking a contested mark in the 2005 AFL Grand Final. The player Leo Barry took action against the Australian Football League ('AFL') and Tabcorp for misleading or deceptive conduct,²² passing off and breach of contract. Tabcorp apparently used the photo with AFL permission. Barry claimed that this was in breach of the collective bargaining agreement (CBA) between the AFL and AFL players. He claimed that under the CBA he should have been categorised as a 'featured player', which would have given him the right to grant or refuse permission for use of the image, and to earn a substantial royalty payment. Tabcorp cross-claimed against the AFL, presumably because it had been given permission to use the photo.²³ The matter was settled but it is a better example of a contractual dispute around permission than the misrepresentation aspect of use of image.

Despite misleading or deceptive conduct being alleged it is more difficult to see the misrepresentation in this situation because of the undoubted commercial connection between Barry, the Grand Final, his club and the AFL, and the AFL and Tabcorp.

The crux of these cases is the misrepresentation itself and its effect on the target audience. Other cases have shown clearly that unauthorised use of image or persona which does not mislead cannot be addressed by this provision. In *Olivia Newton-John v Scholl-Plough*, for example, an image of a lookalike model of the singer was used in an advertisement for cosmetics, along with the words 'Olivia? No Maybelline.' This disclaimer was effective to dispose of the claim of misleading conduct.²⁴ Absent some broader right of personality or other cause of action the singer could not prevent this advertisement because it was factually true.

A specific attempt to develop misleading or deceptive conduct to include a right of personality in the nature of the US cause of action was rejected by the Australian courts in a case involving the sale of unauthorised recordings of music superstar Michael Jackson. The recordings were marked as "unauthorised". They had been recorded illegally but were sold in cases which clearly used his pictorial image. The Full Court found that there was no misleading conduct in the circumstances. The Court also stated that an interlocutory injunction application (to prevent the alleged misleading recordings from being sold) was not the place to decide about a right of personality, which would be a substantive change to the law in Australia.²⁵

Passing off

Passing off has also been used to prevent unauthorised use of name and persona,

and was in issue in a number of the cases already mentioned. An action for passing off at common law prevents the use of a name or some other factor that misleads the public by suggesting that goods or services are the goods of, or are associated with, another person. A court may grant an injunction to stop the use and compensate for loss or damage suffered if there was an intention to deceive.²⁶ To prove a case it must be shown that goodwill exists in the business, that the defendant has made a misrepresentation that there is a connection between it or its goods and the plaintiff or the plaintiff's business, and that the plaintiff's business has suffered or is likely to suffer damage as a result of that misrepresentation, usually by damage to reputation or loss of customers. There is no need to show a common field of activity.²⁷

Formula One driver Eddie Irvine, for example, was successful in a claim in the UK against a radio station for using his likeness to promote it when there was no connection between them (in circumstances somewhat similar to those of the Keiran Perkins case previously discussed).²⁸

A broader approach to passing off was taken in Australia in *Hogan v Koala Dundee*²⁹ where the judge supported the idea that misappropriation of commercial reputation was sufficient in itself to found an action without the need for a connection between the image and a business. Subsequent cases have returned the focus to the issue of misrepresentation.

Many of the cases previously mentioned included an alternative claim for passing off. An action for passing off is similar in many respects to a misleading or deceptive conduct case but not completely interchangeable. Misleading or deceptive conduct requires the possibility of a misrepresentation - actual deception of consumers - and not just confusion as to the source of two similar products or the degree of connection between them. Passing off may be used by anyone at all, as long as the activity complained of has the capacity to mislead or deceive members of the public. The remedies available for passing off are similar, but the right to injunction and the type of orders that might be made are narrower. 'Account of profits' is available for passing off.

Intellectual property protections

Laws protecting registered trade marks and copyright may be relevant to protec-

¹⁹ *Hogan & Ors v Pacific Dunlop Limited* (1988) ATPR 40-914; on appeal (1989) ATPR 40-948. A similar case involving the use of a character similar to the Crocodile Dundee character for merchandising purposes was found to constitute passing off in *Hogan & Anor. v Koala Dundee Pty Limited & Ors* (1988) ATPR 40-902. The right of action was arguably further extended in *Twentieth Century Fox Film Corporation & Anor. v The South Australian Brewing Co Ltd & Anor* (1996) ATPR 41-483, (the "Duff Beer" case).

²⁰ The trade mark of Perkins' cap sponsor was removed in the photograph to achieve this.

²¹ *Talmax Pty Ltd & Anor v Telstra Corporation Limited* (1996) ATPR 41-535.

²² Under then section 52 of the TPA.

²³ The matter was reportedly settled on confidential terms.

²⁴ *Olivia Newton-John v Scholl Plough (Australia) Limited* (1986) ATPR 40-697.

²⁵ *Sony Music Australia Limited & Anor v Tansing* (1993) ATPR 41-279.

²⁶ As to passing off generally see J McKeough et al (2004) 'Intellectual Property in Australia' (4th edn) LexisNexis Butterworths, Chatswood, and cases like *Campomar Sociedad Limitada v Nike International Limited* [2000] 202 CLR 45.

²⁷ *Henderson v Radio Corporation* (1960) SR (NSW) 576 ; *Campomar Sociedad, Limitada v Nike International* (2000) 202 CLR 45.

²⁸ *Irvine & Anor v Talksport Ltd* [2003] EWCA Civ 423; [2003] 1 WLR 1576.

²⁹ Op cit.

tion of image, and are discussed briefly below in the context of image.

Registered trade marks

A trade mark distinguishes the owner's goods or services from those of another, indicates their source, serves as an indication of their quality and represents the goodwill of the owner.³⁰ Athletes in Australia have registered their images, names, nicknames and signatures as trade marks under the Trade Marks Act 1995.³¹ To qualify for registration a mark must be a distinctive badge indicating the origin of goods or services, and must not be merely descriptive. A mark will not be registered if it is deceptively similar to another mark. A mark is registered in respect of a particular class or classes of goods or services, and is infringed by anyone other than the registered proprietor who uses the mark or a similar mark in relation to that class. Devices, logos, words and combinations of words and devices, signatures and likenesses may register as trade marks. Greg Norman, for example, is well known as "The Shark" and has registered trade marks in that name. Ian Thorpe successfully applied to register the trade mark 'Thorpedo' in relation to sportswear despite the previous registration of the mark 'Torpedoes' by another company that manufactured clothing.³²

Copyright protection

The Copyright Act 1968 provides substantial protection for an author of literary

works, drawings, photographs and other depictions that qualify as 'artistic works'³³. Copyright arises automatically, and there is no system of registration. The owner of the copyright (or licensee) may obtain an injunction restraining the infringement and either damages or an 'account of profits'. Of course, as was the issue in the Honey case, the copyright holder may not be the person featured in the photograph, so it may not assist the athlete.³⁴ Copyright is also particularly relevant to broadcast rights.³⁵

The right to privacy

The other side of exploitation of celebrity is the use of image or private information, or the invasion of privacy for commercial exploitation, such as to sell newspapers or magazines. While other jurisdictions have actions such as torts of invasion of privacy and breach of confidential information,³⁶ there is no established action for invasion of privacy in Australia.

The High Court has left open the possibility of the development of an action for invasion of privacy at common law.³⁷ The elements of such an action and whether it would be developed at common law or provided for by statute were also left open.

Some lower courts have found it to exist.³⁸ The rights were again in contexts divorced from the area of celebrity. The two cases related to circumstances involving conduct akin to stalking arising after a previous relationship between the parties, and the identification by broadcasters of the victim of a sexual assault.

There has not, however, been a flurry to develop the area either in the extreme kinds of situations the subject of the earlier cases and discussion or in the area of celebrity privacy.

Defamation

Celebrity news sells newspapers. The glamour involved in high-profile sports means high demand for any news about the individuals involved. Positive publicity may be useful to the person involved and to promoters, as it usually increases the drawing power of the competitor. Negative publicity may have the opposite effect. Untrue but newsworthy claims about famous sportspeople have resulted in defamation proceedings by sportspeople who feel that their professional reputation has been injured by media reports about their conduct on or off the field.

The use of an image may be defamatory if the implication would tend to lower the person in the estimation of others by making them think the less of the person.³⁹ Defamatory material must have been 'published', which involves the communication of word pictures or other representations to at least one other person. The law of defamation in Australia was traditionally complicated and inconsistent throughout the country. Following the enactment of model provisions in all States and Territories the law of defamation is now substantially the same and is based on the common law with some modifications. In some circumstances the law provides a defence even where the publication is false, for example, where comments are made in Parliament or in the course of court or tribunal proceedings. Truth and fair comment may be defences. Some other circumstances raise the defence of qualified privilege, such as where a defendant has a duty to make the statement and acts reasonably in all the circumstances. Statements which are comments may also be protected.

Aside from those many cases where statements or reports have been queried on the basis of their correctness⁴⁰, a number of more unusual claims emanating from celebrity have been taken as defamations.⁴¹

The case of *Tolley v J.S. Fry & Sons* is well known as a sporting defamation involving use of an image. A prominent English amateur golfer sued a chocolate manufacturer who had used a caricature depicting the golfer with a pack of its chocolate. The golfer sued the company successfully on

³⁰ See D Healey & A Terry (1990) 'Misleading or Deceptive Conduct', CCH Australia, Sydney

³¹ See H Black, 'The role of trade mark law in the protection of celebrity personality' (2002) 7(2) Media & Arts Law Review 101. Unauthorised use of an unregistered trade mark can also be prevented under laws dealing with misleading or deceptive conduct or passing off.

³² *Torpedoes Sportswear Pty Limited v Thorpedo Enterprises Pty Limited & Anor* [2003] FCA 901. Other athletes such as Don Bradman, Shane Warne, Brett Lee, Lauren Jackson and Mark Webber have trade marks registered in Australia, some which involve caricatures or likenesses of the individual.

³³ See Copyright Act 1968 (Cth) ss 32, 89-92. As to whether athletic routines are able to be copyrighted, see W Tucker Griffith (1998) 'Beyond the perfect score: protecting routine-orientated athletic performance with copyright law', 30 Conn. L. Rev. 675.

³⁴ See *Cruise and Kidman v Southdown Press* (1993) IPR 125., where the actors were not able to establish copyright in the photos of their adopted child to the satisfaction of the court. They failed to restrain publication.

³⁵ See, for example, *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* [2004] HCA 14. As to issues of passing title in copyright see *Australian Olympic Committee Inc & Anor v Big Fights Inc & Ors* [1999] FCA 1042.

³⁶ See, for example, UK, NZ, EU.

³⁷ See *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199. The case scenario was, however, almost as far from the context of celebrity privacy as could be imagined. The case involved the incursion of persons unknown into a possum abattoir to film processing. The film was supplied to the Australian Broadcasting Commission by an animal liberation group. The claim of invasion of privacy was made against the ABC, which was proposing to show the film. See G Taylor and D Wright 'Australian Broadcasting Corporation and Lenah game Meats: privacy, Injunctions and Possums: An Analysis of the Court's Decision' (2002) 26 Melbourne University Law review 707.

³⁸ *Grosse v Purvis* (2003) Aust Torts Reports 81-706; *Doe v Australian Broadcasting Corporation* [2007] VCC 281.

³⁹ JF Fleming (1998) 'The Law of Torts' (9th edn), Law Book Company, Sydney.

the basis that people would think that he had agreed to the advertisement for gain, which would have affected his amateur status.⁴²

A sporting defamation case that received a huge amount of publicity in Australia was the Andrew Ettingshausen case.⁴³ Ettingshausen was a high-profile rugby league player and sometime model with a very wholesome image. He claimed that the publication by a magazine of an unauthorised photograph of him in the shower which appeared to show his penis was defamatory. Initially the court awarded the player \$350 000 against the publisher of the magazine. On appeal the finding of defamation was upheld, but the amount of damages was reduced.

In a very highly publicised recent case, the naked image of high profile AFL player Nick Riewoldt was circulated on the internet by a girl who initially claimed she had taken the photograph. It ultimately transpired that the photograph had been taken by one of the player's teammates and stored on that teammate's computer. The girl had apparently downloaded the photograph from the teammate's computer without his permission. The owner of the computer took action against the girl and Facebook claiming that the photograph had been downloaded without his consent. An injunction was granted preventing the girl from posting further images of that nature. Facebook undertook to remove any offensive photographs which she posted

subsequently.⁴⁴ Threats of a defamation action were made by the player against a number of publishers of the picture or a pixilated version of it but the matter was ultimately settled. Interestingly, the person who had taken and stored the photo, and from whom it was downloaded, and not the player himself, was the applicant for the injunction. Based on the Ettingshausen case, the player may have had a right of action in defamation, although the circumstances were different.⁴⁵

More recent developments: right of privacy

Following a lengthy inquiry into privacy law and legislation the Australian Law Reform Commission in 2008 expressly recommended the enactment of a limited statutory cause of action for serious invasions of privacy, while expressly rejecting the idea of a statutory right of personality. This was despite the Report "...recognising the need to accommodate legitimate journalistic and artistic activities and to uphold freedom of expression." A statutory cause of action will also avoid the problems inherent in the piecemeal and not necessarily uniform development of a common law action across Australian state jurisdictions.

The proposed cause of action will apply only where the individual concerned had a reasonable expectation of privacy and the conduct complained of was highly offensive to a reasonable person of ordinary sensibilities. The recommended approach

is seen to avoid the problems inherent in attempting to fit all the circumstances giving rise to an invasion of privacy into a pre-existing cause of action or formulating a previously unrecognised cause of action, as well as allowing a more flexible approach to defences and remedies.

Two of the examples of such circumstances specifically referred to in the Report and relevant to the current discussion are the following:

- 'After the breakup of a their relationship, Mr A sends copies of a DVD of himself and his former girlfriend (B) engaged in sexual activity to Ms B's parents, friends, neighbours and employer;..
- Ms D works in a hospital and obtains access to the medical records of a famous sportsman, who is being treated for drug addiction. D makes a copy of the file and sells it to a newspaper, which publishes the information in a front page story.'⁴⁹

The Government has announced that it will address this proposal in the second stage of amendments to be introduced following 'extensive consultations' with the public and private sectors.⁵⁰

Conclusions

It can be seen that despite the fact that there is no right of personality in Australia, laws based on misrepresentation, passing off, intellectual property and defamation are well established to protect many categories of athlete image rights. These laws do not cover every situation but have proved effective in many situations to redress the commercial misuse of celebrity image. There has been no real move in the courts to develop a right of personality of late.

The area of celebrity privacy is, however, more problematic because the avenues for redress are even more fragmented. There is currently no right of privacy and the common law development of any right is likely to be very slow. Existing cases suggest that it would necessarily be state based, not uniform and limited to more extreme situations, at least in the foreseeable future.

Proposed amendments to privacy legislation will give a privacy right only in extreme circumstances, and will not assist to protect the actual exploitation of image rights.

⁴⁰ See, for example, *Boyd v Mirror Newspapers* [1980] 2 NSWLR 449; *Harrigan v Jones* (2001) Aust Torts Reports 81-621; *Hall & Ors v Gould* [2002] NSWSC 359; *Coates v Harbour City Radio Pty Ltd* [2008] NSWSC 292.

⁴¹ For an example of alleged defamation of a celebrity photographer, see *Fawcett v John Fairfax Publications Pty Ltd* [2008] NSWSC 139.

⁴² *Tolley v JS Fry and Sons Ltd* [1930] 1 KB 467.

⁴³ *Ettingshausen v Australian Consolidated Press* (1991) Aust Torts Reports 81-125.

⁴⁴ In a novel twist, notices and orders were reportedly served on the girl via her Twitter account. http://www.dailytelegraph.com.au/sport/afl/turning_the_tables_on_the_nude_avenger/story.

⁴⁵ Lara Bingle, former fiancée of Australian cricketer Micheal Clarke, also threatened to take action in respect of a naked photograph circulated by a former lover, a famous AFL player. <http://www.theage.com.au/victoria/bingle-photo-privacy-poser-20100302-pgfo.html>.

⁴⁶ Australian Law Reform Commission Report No 8 For Your Information: Australian Privacy Law and Practice

<http://www.austlii.edu.au/au/other/alrc/publications/reports/108/> at 2566: "It is undesirable for the cause of action to be used as an intellectual property right to protect commercial value. Consequently it is undesirable to expressly include use of another's name, identity, likeness or voice" in the list of types of intrusion that will ground the cause of action for serious invasion of privacy". For the complete recommendations on this issue see recommendations 74-1 to 74-5. The ALRC approach was broadly in line with that of the NSW Law Reform Commission, Report No 120 Invasion of Privacy, April 2009. Both recommended a national statutory approach to the problem.

⁴⁷ *Ibid* at 18.

⁴⁸ *Ibid* at 2564. Remedies proposed for such a cause of action included damages, injunction, account of profits, apology, correction order, delivery up and destruction of materials and a declaration. These were adopted from an earlier NSW Law Reform Commission proposal. See *ibid* at 2579.

⁴⁹ *Ibid* at 19.

⁵⁰ Australian Government Enhancing Privacy Protection: First Stage Response to ALRC Report No 108, October 2009 at 14 http://www.dpmc.gov.au/privacy/alrc_docs/stage1_aus_govt_response.pdf.

Sports image rights in the United States

John Wolohan¹

I. INTRODUCTION

In a case that could have a significant impact on not only the future of popular sport video games, but potentially the Hollywood movie industry as well, the United States Ninth Circuit Court of Appeals must decide whether Electronic Arts Inc., (EA), the National Collegiate Athletic Association (NCAA) and the Collegiate Licensing Company unfairly used the likeness and image of Sam Keller, a former college football player, and other past college and professional players in popular sport video games. The case, which is scheduled to be heard in February 2011, is challenging a California District Court decision that EA use of the former athletes' likeness and image was not protection of free speech under the First Amendment of the United States Constitution (*Keller v. Electronic Arts*, 2010).

To help the reader understand the issues involved in the case, and examine the image rights of college and professional athletes, this paper will first review the legal protection of Image Rights in the United States. The review will begin with a historical overview of the development of the right of privacy and trace it all the way to the modern right of publicity. The paper will then examine some of the common First Amendment defenses used to justify the unauthorized use of another's image. After reviewing the law, the paper will examine the facts of the *Keller v. Electronic Arts* case. The paper will then examine some of the defenses raised by EA, and review how courts in past cases have looked at such unauthorized use of another's image. Finally, the paper concludes with the potential impact the court's decision could have on athletes, both past and present, and their ability to control the use of their images.

II. LEGAL PROTECTION OF IMAGE RIGHTS IN THE UNITED STATES

Historical Developments

In their 1890 Harvard Law Review article, "The Right of Privacy" Samuel Warren and Louis Brandeis outlined a legal theory that would guarantee individuals the right of privacy. The theory, which was unheard of at the time in the American judicial system, held that all private individuals had a basic right to be left alone and that the court should protect that right against the outrageous and unjustifiable infliction of mental distress by the press and advertisers, a growing problem at the time (*Warren & Brandeis*, 1890).

In developing the new theory, Warren and Brandeis pieced together past American and English decisions based on defamation, invasion of property rights, and breach of contract, and argued that there was a broader legal theory entitled to separate recognition by the courts. Warren and Brandeis called the new legal theory "the right to privacy" and argued that it should "extend protection to the personal appearance, sayings, acts, and to personal relations, domestic or otherwise" (*Warren & Brandeis*, 1890). The general object of the new theory, therefore, was to protect the privacy rights of private citizens, and not prohibit the publication of legitimate news dealing with matters of public or general interest.

Not every court, however, accepted the new theory. In 1902, the Court of Appeals of New York, in *Roberson v. Rochester Folding Box Company*, held that a young woman whose picture, without her consent, had been used on flour advertisements could not recover damages based on a violation of her right to privacy. In finding that there was no such right recognized at common law, the court concluded that the injury was of purely mental character, not physical, and that recognizing such a right would potentially flood the courts in

lawsuits. Perhaps most importantly, the court feared that due to the difficulty of determining a private from public figure, recognizing a right of privacy would restrict the First Amendment guarantees of freedom of the press (*Roberson v. Rochester Folding Box Co.*, 1902).

As a result of the court's decision in *Roberson*, and the public storm that followed, the New York State Legislature quickly responded by amending the State's Civil Rights Law to establish a statutory right to privacy. The new law made it illegal for a person or corporation to use for advertising purposes, or for the purposes of trade, the name, portrait or picture of any living person without having first obtained the written consent of such person (NY Civil Rights Law, § 50). In addition to making such conduct illegal, the law also allowed individuals to recover civil damages under tort law, including injunctive relief, compensatory damages, and, if the defendant acted knowingly, exemplary damages (NY Civil Rights Law, § 51).

While the new law codified the right for private citizens, it said nothing about celebrities. In fact, since these "celebrities" had dedicated their life to the public most courts held that they had "waived their right of privacy" (Nimmer, 1954). The new law, therefore, offered them little protection against commercial misappropriation. For example, in 1941, the Fifth Circuit Court of Appeals held that David O'Brien, a famous American football player, could not invoke a right of privacy against a brewery, after the beer company used his photograph in uniform on calendars. In rejecting O'Brien's right of privacy argument, the court held that "because O'Brien was an outstanding football figure and had completely publicized his name and his pictures" he had waived his right of privacy (*O'Brien v. Pabst Sales Co.*, 1941).

In order to protect celebrities against commercial misappropriation, and prevent the

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unjust enrichment of others off a celebrity's reputation, the right of privacy was extended to include a "Right of Publicity." The right of publicity was officially recognized by the courts in *Haelan Laboratories, Inc. v. Topps Chewing Gum*, 202 F.2d 866 (2nd. Cir. 1953). Haelan, a chewing-gum company, entered into various contracts with professional baseball players, which provided the company the exclusive right to use the player's photograph in connection with the sales of its' chewing-gum. In addition, the contract also stated that the players agreed not to grant any other gum manufacturer a similar right during the terms of the contract. Topps, a rival chewing-gum manufacturer, knowing of plaintiff's contract, deliberately entered into contracts with various players to use the player's photograph in connection with the sales of Topps' gum.

In recognizing the new right in the publicity, the Second Circuit Court of Appeals held that "in addition to and independent of that right of privacy (which in New York derives from statute), a man has a right in the publicity value of his photograph, i.e., the right to grant the exclusive privilege of publishing his picture," (*Haelan Laboratories v. Topps Chewing Gum*, 1953) and that the licensees and assignees of that right could enforce the right against infringing third parties. This right, the court held "might be called a 'right of publicity'" (*Haelan Laboratories v. Topps Chewing Gum*, 1953). In support of the new right of publicity, the court held that "it is common knowledge that many prominent persons (especially actors and ball-players), far from having their feelings bruised through public exposure of their likenesses, would feel sorely deprived if they no longer received money for authorizing advertisements, popularizing their countenances, displayed in newspapers, magazines, busses, trains and subways (*Haelan Laboratories v. Topps Chewing Gum*, 1953).

The Modern Right of Publicity

Since the Second Circuit Court's decision in *Haelan Laboratories v. Topps*, the right of publicity has been acknowledged in most states either by common law or statute. Although the right of publicity is not uniformly applied by all the states, most states agree with that in order to show the common law right of publicity, a plaintiff must satisfy a four prong test: "(1) the defendant's use of the plaintiff's identity; (2) the appropriation of plaintiff's name or likeness to defendant's advantage, com-

mercially or otherwise; (3) lack of consent; and (4) resulting injury" (*Eastwood v. Superior Court*, 1983).

Some States have even begun broaden the right of publicity by expanding the "traditional meaning of "name and likeness" (*Eastwood v. Superior Court*, 1983), to include such things as nicknames, drawings, celebrity look-alikes or by including characteristics such as vocal idiosyncrasies within a more general formulation of identity" (Clay, 1994). For example, in *Motschenbacher v. R.J. Reynolds Tobacco Co.*, R.J. Reynolds produced some television ads "utilizing a stock color photo photograph depicting several racing cars on a race track" (*Motschenbacher v. R.J. Reynolds Tobacco*, 1974). The drivers in the cars were not visible in the photo, and the cars had been altered, the numbers were changed and a spoiler was added upon which the company placed their product's name. In finding the ads violated *Motschenbacher's*, a well known race car driver, right of publicity, the Ninth Circuit Court of Appeals held that even though a professional race car drivers personal likeness was unrecognizable, his identity could still be inferred by the distinctive decorations on his car.

In *Midler v. Ford Motor Company*, 849 F.2d 460 (9th Cir. 1988), the court held that, even though the defendants had not used *Midler's* name or likeness, *Midler* had stated a claim for violation of her California common law right of publicity because "the defendants . . . for their own profit in selling their product did appropriate part of her identity" by using a *Midler* sound-alike. In *White v. Samsung Electronics America*, 971 F2d 1395, 1399 (9th Cir. 1992), the court held that when viewed separately, the physical attributes, its dress, and its stance tell us little about the mechanical robot used by the defendant in its print advertisement. However, when viewed, they leave little doubt about the celebrity the ad is meant to depict.

In reading these cases, it is clear that the common law right of publicity has been developed to protect the commercial interest of celebrities in their identities and that if the celebrity's identity is commercially exploited, there has been an invasion of his right whether or not his "name or likeness" is used (*White v. Samsung Electronics America*, 1992).

III. FIRST AMENDMENT DEFENSES

Since the intent of the First Amendment is to protect the dual freedoms of speech and the press, the courts will allow the "unauthorized use of an individual's name or likeness" when it is used for the "dissemination of ideas and information," or for other cultural purposes (McCarthy, 2003). It is also important to note that the First Amendment "looks beyond written or spoken works as mediums of expression, and covers all forms of peaceful expression in its myriad of manifestations" (Whitman, 2001). The three main First Amendment defenses in image rights cases are: the newsworthiness doctrine; the incidental use exception; and parody defense.

The Newsworthiness Doctrine

The newsworthiness doctrine permits the media to use the unauthorized likeness of celebrities or anyone of interest in connection with a news item about the person. The definition of "news" has been given a broad reading and includes matters of public concern and interest (*Montana v. San Jose Mercury News*, 1995).

Incidental Use Exception

The courts have recognized an incidental use exception in cases where a newspaper or magazine has used the image or photo of an athlete or other celebrity previously in a story, for advertisement. The advertisements, the courts have held are simply "incidental" to the original, newsworthy publication (*Namath v. Sports Illustrated*, 1975).

Parody Defense

The First Amendment also allows for the use of parodies under certain circumstances. For example, parodies that use of another person's image, when used in a traditionally non-commercial medium such as a newspaper, magazine, television program, book or movie will likely be granted First Amendment protection. Parodies, however, used in a commercial context will generally not receive First Amendment protection.

IV. KELLER V. ELECTRONIC ARTS

In 2010, Sam Keller, a former starting quarterback for the Arizona State University and University of Nebraska football teams, claimed that Electronic Arts, an interactive software company, developed and produced among other video game,

the “NCAA Football” series. The video game, which allowed consumers to play football games between college and university teams, used virtual football players designed to resemble real-life college football athletes. Keller claimed that these virtual players are nearly identical to their real-life counterparts, in that they share the same jersey numbers, have similar physical characteristics and come from the same home state. The only thing they do not share is the real-life athletes’ names. However, Keller claimed that consumers had the ability to access an online service in which they can download actual team rosters and the athletes’ names, and upload them into the games.

As a result of the information and characters used, Keller and other former college and professional athletes, claimed that EA had misappropriated their likeness and images without consent. In addition, Keller argued that the National Collegiate Athletic Association (NCAA) and the Collegiate Licensing Company (CLC) who helped facilitated and profited from the use violated the athletes’ statutory and common law rights of publicity.

In examining Keller’s right of publicity claim, the District Court held that California’s right of publicity statute provides:

Any person who knowingly uses another’s name, voice, signature, photograph, or likeness, in any manner, on or in products, merchandise, or goods, or for purposes of advertising or selling, or soliciting purchases of, products, merchandise, goods or services, without such person’s prior consent . . . shall be liable for any damages sustained by the person or persons injured as a result thereof. Cal. Civ. Code § 3344(a).

The statutory right of publicity, the District Court held, complements the common law right of publicity, which arose from the law of privacy. Therefore, to state a claim under California common law, Keller must allege: (1) the defendant’s use of the plaintiff’s identity; (2) the appropriation of plaintiff’s name or likeness to defendant’s advantage, commercially or otherwise; (3) lack of consent; and (4) resulting injury (Downing v. Abercrombie & Fitch, 2001).

Although the statutory and common law rights are similar, the Court held that

there were differences. For example, to state a claim under section 3344, Keller must prove knowing use in addition to satisfying the elements of a common law claim.

While EA did not challenge that it used Keller’s image, it did claim that Keller’s right of publicity claims were barred by the First Amendment and California law. The Court considered and rejected each of the defenses. The First defense raised by EA was the Transformative Use Defense. Under the Transformative Use Defense, a defendant may raise an affirmative defense that the challenged work is “protected by the First Amendment inasmuch as it contains significant transformative elements or that the value of the work does not derive primarily from the celebrity’s fame” (Keller v. Electronic Arts, 2010). The defense essentially requires the court to perform a balancing test between the First Amendment and the right of publicity.

To determine whether a work is transformative, a court must inquire into:

whether the celebrity likeness is one of the “raw materials” from which an original work is synthesized, or whether the depiction or imitation of the celebrity is the very sum and substance of the work in question. We ask, in other words, whether a product containing a celebrity’s likeness is so transformed that it has become primarily the defendant’s own expression rather than the celebrity’s likeness. And when we use the word “expression,” we mean expression of something other than the likeness of the celebrity (Comedy III Prods., Inc. v. Saderup, 2001).

To qualify for legal protection, the court held, the person who uses the image of a celebrity must contribute something more than a trivial variation, but create something recognizably his own, in order to qualify for legal protection. If distinctions exist, the First Amendment bars claims based on appropriation of the plaintiff’s identity or likeness; if not, the claims are not barred (Keller v. Electronic Arts, 2010).

In ruling that EA’s depiction of Keller in “NCAA Football” was not sufficiently transformative to bar his California right of publicity claims as a matter of law. In the game, the court noted that the quarterback for Arizona State University shares

many of Keller’s characteristics. For example, the virtual player wears the same jersey number, is the same height and weight and hails from the same state. EA’s depiction of Plaintiff is far from the transfiguration. EA does not depict Plaintiff in a different form; he is represented as he what he was: the starting quarterback for Arizona State University. Further, the game’s setting is identical to where the public found Plaintiff during his collegiate career: on the football field (Keller v. Electronic Arts, 2010).

The second defense raised by EA was the public interest defense. Under California law, the court held that “no cause of action will lie for the publication of matters in the public interest, which rests on the right of the public to know and the freedom of the press to tell it” (Montana v. San Jose Mercury News, Inc., 1995). In rejecting the public interest defense, the court held that the NCAA Football game does not merely report or publish Keller’s statistics and abilities. On the contrary, the court found that it allows the consumer to assume the identity of various student athletes and compete in simulated college football matches. Further, EA’s game provides more than just the players’ names and statistics; it offers a depiction of the student athletes’ physical characteristics (Keller v. Electronic Arts, 2010).

Therefore, while EA is correct that products created for entertainment deserve constitutional protection, the court found that these protections are not absolute and EA was not entitled to the public interest defense.

V. CONCLUSION

While the law concerning the image rights of athletes and other celebrities is still developing, moving from the original intent of preventing the unjust enrichment of others off a celebrity’s reputation to the expanded right of publicity, the courts have made it clear that everyone in the United States has some form of legal protection against commercial misappropriation. How far the courts are willing to expand that right however, and what an individual has to do to transform a celebrity’s likeness into the defendant’s own expression, should be made clearer when the Ninth Circuit returns a decision in Keller v. Electronic Arts.

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London 2010 – Olympic Income and Corporation Tax Exemptions

David Andersen and Graeme Perry

The introduction of the 50% higher income tax rate and the way this is applied by the UK Revenue has a significant impact on sports people competing in the UK. One of the conditions for the 2012 Olympics and Paralympics Games being granted to London was that income tax exemptions would be put in place for people coming to the UK in relation to the Games. The draft legislation covering these exemptions has now been published. These will impact on a high number of individuals who will be coming to London for the games with some exemptions coming into force as early as April 2011. We look into these exemptions and how they will be applied below.

UK income tax for non-residents

The high income tax rates in the UK are a problem not only for UK based sportspeople but also for those based outside the country who perform occasionally in the UK. Touring cricket teams for example or athletes competing at UK venues. This is because non-residents still fall within UK income tax on their UK based appearances and earnings. Possibly even more crucial is the fact that the UK Revenue also taxes these individuals on a proportion of their worldwide sponsorship income. The way in which this proportion is calculated has changed over recent years. It used to be that this would be represented by the percentage of the year which the individual spent in the UK. It is now based on the percentage of the individual's competitive appearances which take place in the UK. By way of example a tennis player who earns £10 million in sponsorship in one

year spends two weeks in the UK during that year and in total spends 20 weeks competing worldwide. Under the old scheme they would be subject to UK income tax on $2/56 \times £10 \text{ million} = £357,142$. Now they would be taxed based on $2/20 \times £10 \text{ million} = £1 \text{ million}$.

Given the tax position for non-UK athletes, the potential exposure for individuals competing at the 2012 Olympics is high particularly as they will appear on television and be highly visible. This affects not only competitors but journalists reporting on the games and officials sent over by national authorities amongst others. The provisions extend to individuals receiving income via companies and, in the case of sportspeople, are generally not protected by double tax treaties. Most treaties will provide that sportsmen and artists are taxable in the country in which they perform, regardless of their residency.

In order to avoid this becoming an issue, it was made a condition of London being awarded the 2012 Games that an income tax exemption must be introduced. This proposal was approved in the 2006 Finance Bill so that an exemption would be provided for the period of the Games to any foreign competitors and individuals involved with making the games happen. The legislation bringing this into place has now come into force. It has the effect of offering income tax exemptions to numerous people who are officially part of the Games.

Only non UK residents can benefit

In all cases the individual must not be resident or ordinarily resident in the UK during the 2012/2013 tax year (or 2011/2012 for the exemptions which apply from April 2011) in order to benefit from this exemption. Particular care will need to be taken by individuals who have spent significant time in the build-up to the Games training in the UK or making preparations for the games. The definition of UK resident

in UK domestic law is not clear and is the subject of current litigation. Where such individuals are resident in a country which has a double tax treaty with the UK this is less likely to be an issue but those who come from countries without such a treaty may find that they qualify as UK resident for the tax year in question. This would prevent them from obtaining this exemption. Individuals falling within this category may wish to consider seeking a clearance from the UK Tax authorities as soon as possible.

Competitors

The first set of individuals who can benefit from this exemption is the competitors. Where they receive income between 30 March 2012 and 8 November 2012 "wholly and exclusively" in respect of either performing at one of the sporting events or, importantly, for any activity which is "primarily to support or promote" the 2012 games, this will be exempt from UK income tax. It will be interesting to see how this test of 'primarily to support or promote' is defined by the authorities to see whether it would include only appearances at promotional events for the Games or could include use of images in adverts for official sponsors of the Games. It should be noted that there is no exemption if income is derived by an athlete who competes in the Games as a result of a contract entered into after 25 July 2012 being two days before the Games will begin.

As mentioned above, a number of athletes will have their affairs structured so that remuneration is received via a company or other entity. The legislation also covers these circumstances so where income for the activity is paid to a third party instead of the individual competitor the payment will still benefit from these exemptions. This will be useful for some people who wish to avoid taxation in their home country and may help to exploit loopholes in double tax treaties with the UK.

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Media workers

There are further exemptions for media workers (i.e. television/radio commentators, photographers, technicians etc), representatives of governments, heads of states etc, technicians who repair the various equipment, team officials and technical officials. These individuals can benefit if they have received an Olympics/Paralympics Identity and Accreditation Card. Any income derived from 30 March 2012 to 8 November 2012 from the function they are to carry on at the Games according to the Card they have been provided will be exempt from UK income tax. These individuals may already be exempt from UK taxation under the terms of a double tax treaty. Most treaties with the UK contain an exemption that if an individual spends less than 183 days in the UK during a tax year and receives income from a non-UK employer (and not from a UK permanent establishment of a non-UK employer) this income will not be taxable in the UK. This exemption would only apply to individuals resident in treaty countries however so media workers from many jurisdictions will need to rely on the newly introduced exemption under UK Law.

Other exempt individuals

Also exempt are individuals who perform at the opening and closing ceremonies of the Games.

Employees of organisations responsible for producing the international television and radio transmissions from the Olympics and for organisations who have exclusive broadcasting rights to the Games will benefit from the exemption from UK income tax. This exemption applies for a longer period of 6 April 2011 to 5 April 2013 allowing for a period of preparation and tidying up.

Individuals working for any entities holding association rights will be exempt from income tax on their revenue for their services provided wholly and exclusively for the Games from 30 March 2012 to 8 November 2012.

Companies

Helpfully the legislation also provides that any employer whose employees carry out some of the duties mentioned above, e.g. in broadcasting or promoting will not be deemed to have a permanent establishment in the UK simply by virtue of these activities. This should avoid companies falling within UK corporation tax and VAT charges.

Potential Tax Benefits

In certain circumstances individuals may be able to take advantage of any applicable double tax treaty so that no tax is due in any jurisdiction. It may be that

exclusive taxing rights are given to the host nation (ie the UK) to tax the individual, in which case any income received in this period could be received tax-free as the tax treaty will prevent the country of residence taxing the individual. Possibilities of weighting an individual's salary to reflect their responsibilities during the course of the Games may also bear contemplation. Similar considerations apply to companies particularly if their home country does not tax profits earned abroad or a new company structure can be set up for the purpose of income arising from the Games.

ECJ Case Note:

The European Court of Justice upholds the principle of the so-called ‘crown jewels’ of sport* in the recent FIFA and UEFA cases

by Prof. Ian Blackshaw

The commercialisation and marketing of sport, which includes sports sponsorship, merchandising, endorsement of products and services, and corporate hospitality, is big business globally and also in Europe. Perhaps the most important and lucrative side of sports marketing is the sale and exploitation of sports broadcasting rights around the world, which contribute mega sums to many sports and sports events, including the FIFA World Cup and the UEFA European Championship. Indeed, without the mega sums contributed from the exploitation of sports TV rights, many major sports events could not be organised and staged, much to the disappointment of sports persons and fans worldwide.

The commercialisation of sports broadcasting rights may, therefore, be considered as the ‘oxygen of sport’. There is a symbiotic relationship between sport and TV broadcasting and, according to David Griffith-Jones, QC: “This marriage between sport and television is one made in heaven.”¹ And as far as Professor Richard Parrish is concerned: “The broadcasting sector and sport have.....revolutionised each other.”²

The significance of new technology - especially broadband and quicker access to the Internet - in the development and financial importance of sports broadcasting rights cannot be over emphasised as Richard Verow, Clive Lawrence and Peter McCormick rightly point out:

“In many ways, the rise of new platforms for the dissemination of media products and the inevitable rise of sport as the global media property it now is have been intertwined. Just as the formation of the FA Premier League and the rise of satellite pay television through BSkyB seemed inextricably linked, so when new platforms, such as the proliferation of digital television channels or the exploitation for broadcast or quasi broadcast purposes of internet and mobile telephony platforms, come to the fore, their usual test bed in terms of content is in sport.”³

According to the media magnate, Rupert Murdoch, sport is the “battering ram and a lead offering in all our pay television operations”.⁴ In fact, the UK Government has just approved (3 March, 2011) the proposed takeover by Murdoch’s News Corporation of BSkyB, which has a very

significant amount of sports content, including the English FA Premier League live matches, for which it paid £1.782 billion for the 2010-2013 Seasons.

Against this background, on 17 February, 2011, the General Court (formerly the Court of First Instance) (Seventh Chamber) of the European Court of Justice (ECJ) handed down two landmark Judgments in the so-called ‘Crown Jewels’ cases brought by FIFA, the World Governing Body of Football, and UEFA, the European Governing Body of Football.

The cases turned on the interpretation and application of Article 3a of Council Directive 89/552/EEC of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (OJ 1989 L 298, p. 23), as inserted by Directive 97/36/EC of the European Parliament and of the Council of 30 June 1997 amending [Directive 89/552] (OJ 1997 L 202, p. 60), generally known in shorthand, as ‘The Television Without Frontiers’ Directive.

Para. 1 of this Article provides as follows:

“1. Each Member State may take measures in accordance with Community law to ensure that broadcasters under its jurisdiction do not broadcast on an exclusive basis events which are regarded by that Member State as being of major importance for society in such a way as to deprive a substantial proportion of the public in that Member State of the possibil-

* It should be noted that the ‘Television Without Frontiers Directive’ also applies to non-sporting programmes as well as sporting ones. For example, in the United Kingdom, it has been suggested that ‘The X-Factor’, a popular talent show, should be included in the list of ‘free-to-air’ broadcasts!

¹ Griffith-Jones, D., ‘Law and the Business of Sport’, 1997, London, Butterworth and Co, at p 289.

² Parrish, Richard, ‘Sports law and policy in the European Union’, 2003, Manchester and New York, Manchester University Press at p 11.

³ Verow, Richard, Lawrence, Clive, McCormick, Peter, ‘Sports Business’, Second Edition, 2005, Bristol, Jordan Publishing Limited, at p 321.

⁴ Address by Rupert Murdoch at the News Corporation AGM on 15 October, 1996.

ity of following such events via live coverage or deferred coverage on free television. If it does so, the Member State concerned shall draw up a list of designated events, national or non-national, which it considers to be of major importance for society. It shall do so in a clear and transparent manner in due and effective time. In so doing the Member State concerned shall also determine whether these events should be available via whole or partial live coverage, or where necessary or appropriate for objective reasons in the public interest, whole or partial deferred coverage.”

In the present cases, The United Kingdom and the Belgian Governments had decided to list all the FIFA World Cup matches and the UEFA European Championship as sporting events considered to be of “major importance for society” and should, therefore, be shown on ‘free-to-air’ television. The effect of these listings was to preclude these sports events from being sold exclusively to subscription and ‘pay-per-view’ channels.

FIFA and UEFA argued that the listing of these events, which are money-spinners for them, as ‘free-to-air’ under ‘The Television Without Frontiers Directive’ restricted their bargaining rights with TV companies for football content, which is much and widely in demand, and were contrary to EU Law, in particular, the Competition Rules under the renumbered articles 101 & 102 of the Lisbon Treaty.

The ECJ held that the World Cup and the European Championship were single sporting events and could not, therefore, be divided up (known, in the jargon, as ‘siphoning off’) at the will of FIFA and UEFA. In other words, a ‘pick and mix’ approach could not be followed. The Court also held that the Governmental measures, taken after full public consultation, to list these events as ones to be broadcast on ‘free-to-air’ television were proportionate and served the public interest; and, moreover, did not go any further than was necessary to attain that objective. In other words, they were not anti-competitive and, therefore, compatible with EU Law.

Not unnaturally, FIFA and UEFA were “disappointed” with these Rulings, and they are considering whether to appeal against them. They have two months in which to do so.

As mentioned in the Editorial of this issue of GSLTR, a full analysis of the legal arguments presented by FIFA and UEFA in these important Cases and the legal grounds on which the Rulings of the ECJ are based will be included in the June issue of GSLTR.

So, as they say: watch this space!

