



USE OF IMAGE FOR COMMERCIAL PURPOSES IN UKRAINE

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1. Image as an object of intellectual property

In their commercial activities, companies often use images for the purposes of advertising, on their Internet websites, business cards, in printed materials, etc. Such images shall be used by the company within the legal framework; and they shall not violate rights of third parties or right holders of such images. Otherwise the company can be sued by the right holder of such image (author, or actor who is depicted in the image) and / or suffer significant penalties due to illegal use of an image for commercial purposes, which includes advertising.

The legitimate use of images for commercial purposes by the company is the use of image (or its components) in the company's advertisement, presentations (or portfolio) of the company, in design or as a component of a website, on the company's website, etc., exclusively with a written permission of the owner of this image, if such image and rights for its use are not in full ownership of the company.

Photographs, which are results of the creative work of the illustrator, designer of advertising agency, photographer or any other person (both published and unpublished), regardless of their purpose (education, information, advertising, entertainment, etc.) are protected by copyright law.

The legal protection provided in the Law of Ukraine "On Copyright Law and Related Rights" only applies to the form of expression of the work, and is not applicable to ideas, theories, principles, methods, procedures, processes, systems, means, concepts, discoveries, even though they are illustrated in a photograph.

Generally, companies use images as a component of their trademark. The object of a trademark could be any mark or a combination of marks. Such symbols could be letters, numbers, graphic elements, colours and combination of colours, and any combination of such symbols.

A part of an image (design, illustration, picture), which may be used on its own, is deemed to be a work and is protected in accordance with Ukrainian legislation and international treaties, to which Ukraine is a party.

A company that purchases a photograph for use for commercial purposes may separately purchase both right for use of the photograph and/or the photograph itself (as a file) with the rights for its use. In the latter case, the company acquires full ownership to such photograph.

Copyright to a photograph is valid throughout the whole life of the author of a photograph and for 70 years following his/her death, except for cases specified in Article 28 of the Law of Ukraine "On Copyright Law and Related Rights". The length of protection of photographic works is in line with Article 9 of the World Intellectual Property Organization Copyright Treaty 1996, to which Ukraine is a party. In addition, protection by the World Intellectual Property Organization Copyright Treaty and the Law of Ukraine "On Copyright Law and Related Rights" fully applies to the works over the Internet.

Subjects of intellectual property (IP) are the creator (creators) of the IP object (a photographer, painter, illustrator, designer, etc.), who owns personal and/or proprietary IP rights in accordance with the law or agreement.

In order to get information about the author of a work (photographic image), the owner of the proprietary rights for such work (photographic image) and term of its legal protection, one should refer to the organizations of collective management of proprietary copyright. The list of the organizations of collective management, which are active in Ukraine, could be found on the official website of the State Intellectual Property Service of Ukraine (<http://sips.gov.ua/>). If there is no data on the author of a work (photographic image), the owner of the proprietary rights for such work (photographic image) and term of its legal protection on the territory of Ukraine, this matter should be referred to foreign organizations of collective management of proprietary copyright.

It is essential to get permission from the author or other subject of copyright to photographic works in order to have legitimate use of such photographic works as objects of copyright. Pursuant to Article 1107 of the Civil Code of Ukraine, disposal of IP rights is made on the basis of agreements.

The following acts of Ukraine and international treaties ratified by Ukraine specify the IP rights to an image as an IP object:

- the World Intellectual Property Organization Copyright Treaty,
- the Berne Convention for the Protection of Literary and Artistic Works,
- the Universal Copyright Convention,
- the Civil Code of Ukraine,
- the Law of Ukraine "On Copyright Law and Related Rights",
- the Law of Ukraine "On Protection of Rights to Marks for Goods and Services",
- Resolution of the Cabinet of Ministers of Ukraine "On approval of the minimum rates of remuneration (royalty) for the use of copyright and related rights",
- Resolution of the Cabinet of Ministers of Ukraine "On state registration of copyright and agreements concerning copyright to works",
- Order of the Ministry of Education and Science of Ukraine "On approval of the registration of collective management organizations and supervision of their activities".

2. Fair use of images for commercial purposes

The laws of Ukraine provide for the exhaustive list of fair use of works. Pursuant to the Law of Ukraine "On Copyright Law and Related Rights", the works of folk art, state symbols of Ukraine, state awards, symbols and signs of the state authorities, bank notes are not deemed to be IP objects and, therefore, do not require any permission for their use.

Fair use of a work with indication of the author and without the author's permission is possible, *inter alia*, in the following circumstances:

- use of literary works and works of art to the extent justified by the intended purpose as illustrations in publications, broadcasts, sound recordings or video recordings of

an educational character,

- reproduction, in order to present current events by means of photography or cinematography, to carry out broadcasting or other public communication of the works seen or heard in the course of such events to the extent justified by the information purpose,
- reproduction of works displayed at exhibitions, auctions, fairs and collections that are open to public in catalogues for coverage of the mentioned events, without use of these catalogues for commercial purposes,
- reproduction in newspapers and other periodicals for information purposes,
- free reproduction of graphic images for education.

As could be seen from the list, the use of a work for commercial purposes requires permission.

Any other use of a work, in particular processing, which leads to creation of the derivative work (including new photographic work, illustration, etc.), is only possible with permission of the author or right holder of this work. Any other actions regarding use of a work are considered to be a violation of its copyright.

3. Legal basis of use of images for commercial purposes

Pursuant to current legislation, an agreement or a licence is the basis for use of images for commercial purposes.

Pursuant to Article 9 of the Law of Ukraine "On Copyright Law and Related Rights", a part of a work, which might be used separately, is deemed to be a work and is protected according to this law.

The author and other person, who has copyright, have the exclusive right to provide permission for use of a work (including part of a work) to other persons by way of one or more means on the basis of an agreement. Use of a work by any person is only permitted on the basis of an agreement or a licence.

Thus, legitimate use of an image for commercial purposes (in advertising, print production, on a website, etc.) requires permission for use of the image on the basis of the written agreement with the author or a licence provided by the author.

Disposal of proprietary IP rights by the author is made on the basis of the following agreements:

- 1) licence for use of the object of IP rights,
- 2) licensing agreement,
- 3) agreement on creation on commission and use of object of the IP right,
- 4) agreement on transfer of exclusive proprietary IP rights,
- 5) agreement with the individual owner (author) of the image and rights to its

commercial use,

6) agreement with a photobank on commercial use of the image.

Agreements for disposal of proprietary IP rights are executed in a simple written form. In the event of failure to execute an agreement on disposal of proprietary IP rights in writing, such agreement is null and void and might be challenged in court or declared invalid.

Licence for use of object of IP rights is the authority, provided in writing by a person who has the exclusive right to grant permission for use of the IP object (the licensor) to other person (the licensee), which entitles use of such object in certain limited areas. Such licence might be executed as a separate document or could be a part of the licensing agreement.

Depending on the terms and conditions of a licence (subject matter, amount of rights, term and conditions of permission), licences could be classified into the following types: licence for inventions, utility model, industrial design, trademark, image or any other object of copyright.

Based on the amount of granted rights, there are full and limited licences. Choice of the licence type depends, primarily, on the market volume and character of the object.

Non-exclusive licence does not preclude the licensor from use of the IP object in the area limited by such licence and issuance of licences for use of this IP object in this area to other persons.

Under **the licensing agreement**, one party (the licensor) grants to the other party (the licensee) permission to use the IP object (the licence) on terms specified by the parties.

In cases specified by the licensing agreement, there is a possibility for the sublicensing agreement to be executed, under which the licensee may grant sublicense to the other person (sublicensee) for use of the IP object. In such case, the licensee is liable to the licensor for actions of the sublicensee, unless otherwise provided by the licensing agreement.

The licensing agreement specifies type of the licence, area of use of the IP object (specific rights granted under the agreement, manner of use of the object, territory and term, for which the rights are granted, etc.), amount and terms of payment for use of the IP object, and other terms and conditions specified by the parties. It is deemed that under the licensing agreement a non-exclusive licence is granted, unless otherwise stipulated by the licensing agreement.

It is worth noting, that the rights for use of the IP object, which were not effective at the time of execution of agreement, cannot be the subject of the licensing agreement. The rights for use of the IP object and manner of its use are not granted to the licensee, unless directly specified in the licensing agreement.

In the event of absence of clause on the territory of use of the IP object rights in the licensing agreement, the licence is valid only on the territory of Ukraine.

Also, in the event of execution of the licensing agreement with a non-resident of Ukraine, such agreement must be in line with the requirements of the Law of Ukraine "On Foreign Economic Activity". In particular, the Law of Ukraine "On Foreign Economic Activity" specifies that the foreign economic agreement (contract) shall be executed by the subject of economic activity or its representative in a simple writing form, unless otherwise

provided in the international treaties of Ukraine or laws.

For example, it is prohibited to purchase rights to use an image for commercial purposes (in advertising, etc.) without execution of an agreement in writing with non-resident (the author, photobank, etc.).

In the event when under the licensing agreement for publishing or other reproduction of a work, remuneration is specified in the form of a fixed monetary sum, the maximum number of copies of such work should be established in the agreement.

Under **the agreement on creation on commission and use of the IP object (image)**, one party (the author, photographer, designer, etc.) undertakes to create the IP object in accordance with the requirements of the other party (the client) and within the prescribed term. The agreement on creation on commission and use of the IP object shall specify manner and conditions of use of this object by the clients.

Thus, the original work, created on commission, is transferred to the client's ownership. However, the proprietary IP rights remain with the author, unless otherwise specified by the agreement. Therefore, it is necessary to specify transfer of all proprietary rights to use a work in such agreement or execute a separate agreement on transfer of all exclusive rights to the created work, unless otherwise agreed by the parties.

It should also be mentioned that any provisions of the agreement on creation on commission and use of the IP object that limit the right of the author of such object to create other objects are null and void.

In accordance with **the agreement on transfer of exclusive proprietary IP rights**, a person, who has the exclusive proprietary right to the work, shall transfer such rights partially or in full to the other party under the terms specified in the agreement and current legislation. Execution of the agreement on transfer of exclusive proprietary IP rights in any way does not affect previous licensing agreements.

For example, conditions of the agreement on transfer of exclusive proprietary IP rights that worsen the status of the creator of such object or his/her successors, and also limit the right of the creator to create other objects, are null and void and may be challenged or declared invalid by court.

Under **the agreement with the individual owner (author) of the image**, the author (an individual) transfers the right to use a work by a specific method and in a specific manner exclusively to a single person, and grants this person a right to permit or prohibit the similar use of a work by other persons. In addition, the person, who transferred the exclusive right to use a work, possesses the right to use a work only in relation to those rights which have not been transferred. Thus, under this agreement only one person acquires the proprietary right to the extent established by the agreement with the author, on the specific territory and for the specific time.

The person, who was granted the rights, is entitled to use the work in a particular manner and/or to prohibit such use by any other person. Thus, pursuant to Article 32 of the Law of Ukraine "On Copyright Law and Related Rights", the right to use a work (image), transferred under the agreement, is deemed to be non-exclusive, unless the agreement provides for transfer of exclusive rights to use a work.

The essential terms of such agreement are:

- 1) term of the agreement,
- 2) manner and location of use of a work, image, photo,
- 3) territory, on which the right is granted,
- 4) amount and procedure of payment of author remuneration, which should be not less than the minimal amount under the Resolution of the Cabinet of Ministers of Ukraine "On approval of the minimum rates of remuneration (royalty) for the use of copyright and related rights",
- 5) other terms which require consent of all parties involved.

4. Use of images from photobanks

One of the means of legitimate commercial use of image is execution of an agreement with a photobank and / or its official representative office active on the territory of Ukraine.

Agreement with a photobank has to be executed in writing along with provision of all supporting documents by a photobank: invoice, schedules to the agreement, transfer and acceptance act of rights to use an image, etc.

It is worth noting that not all photobanks, which act on the basis of public offer placed at their official websites, provide a written licensing agreement and supporting documents for the transaction, which might be requested, for example, by a state tax controlling authority during its audit of a company.

Thus, according to the agreement with a photobank, a photobank provides a licence for use of a photographic image (illustration, design, etc.) for commercial purposes of the company. In accordance with this agreement, the photobank guarantees that the rights to use the image for commercial purposes are 'cleared' and the photobank is liable in case of any claims to the company.

As an example, photobanks, which are officially active on the territory of Ukraine, provide all required documents for commercial activities, and also pursuant to the written agreement (licensing agreement), provide a guarantee that all rights to the image are 'cleared'. The company is entitled to use this image for its commercial purposes and on terms and conditions specified in the written agreement (licensing agreement) with the photobank. In case of a breach of the guarantees provided by the photobank, the photobank undertakes to reimburse the company with all incurred expenses, losses, fines, etc.

A photobank charges a commission for its services, which is used to pay compensation to photographers for each sale of rights. There are two types of licence: Royalty-Fair and Right-Managed.

Purchase of **Royalty-Fair (RF)** images provides for one-time payment. Licensing under RF entitles the purchaser to use materials for unlimited time and there are no restrictions for formats and prints. The RF photo materials are not for sale, distribution in collections, rent, etc. In addition, the RF licence prohibits the purchaser to use the image in products where such images are the main part. This could be, for example, calendars, postcards,

marks and other goods, which bring immediate profit to the seller. For such purposes, there is the Right-Managed licence.

Sale of a right to a photograph under the **Right-Managed** licence provides that the rights to use photographs may be granted on the exclusive basis with attachment to region, industry, printed copies, manner of use, terms, etc. In this case, exclusivity means restriction in relation to sale of rights for a particular term, on a particular territory, and also to particular individuals and companies (due to their activities).

Right-Managed licensing system might be divided in four types based on exclusivity rights:

- 'exclusivity based on type of use',
- 'industrial exclusivity',
- 'spot exclusivity',
- 'full exclusivity'.

Purchase of rights with 'exclusivity based on type of use' limits sale of the image to a third party within the specified term and use of the image to a particular territory. However, a photobank may sell rights to the image to other companies, which will use the image differently. For example, if you buy a photograph for use on business cards, this photograph at the same time might be sold by a photobank to the other company for external or internal advertising.

The 'industrial exclusivity' licence is required in order to obtain exclusive right to an image and do not allow its use by the competitors. Such licence includes limitations in relation to term and territory of use, as well as similarity of the business with your company. For example, your company sells furniture and you bought the rights of 'industrial exclusivity' to the image of a model near such furniture. For the period of validity of the licence, the photobank will not sell this photograph to your competitors (sellers of furniture) for commercial purposes.

'Spot exclusivity' is the most economic type of exclusivity rights to a photographic image, which provides for minimum limitations. If you purchase an image on condition of 'spot exclusivity', a photobank will not sell the licence to the companies in your field for the same purposes and in the same location and timeframe. As one can see, such licence, in fact, only ensures that your competitor will not issue advertisements with the same picture and at the same time with you.

'Full exclusivity' provides for the full list of limitations for use of rights to an image by third parties. Purchase of the 'full exclusivity' rights provides for halt of sales of this image for the specified term in the specified region to any individual or company. Thus, by way of purchase of an image with 'full exclusivity' on the territory of Ukraine you can be sure that for the period of validity of the licence the photobank will not sell this photograph to any other person.

Also, purchase of any type of exclusivity rights does not limit use of images by mass media for illustration of a front page or other materials. Most of the images used in design are taken from the photobanks. Thus, if a website, a layout, or an advertisement is being developed for your company, it is vital to know whether the images used therein were bought from a photobank or taken from the Internet.

It is worth remembering that in case of disputes in relation to violation of copyright during

use of images for advertising purposes, such disputes will be referred to your company and not to the designer, which used the image in his/her work.

In order to protect your company from such kind of disputes, you can search the image via Google Images or other Internet resources and identify the origin of the file and image.

5. Liability for breach of intellectual property rights

Protection of IP rights is provided in civil, administrative and criminal legislation by way of specification of forms, means and methods of protection.

Violation of IP right, including failure to recognize this right or its infringement, results in liability specified by the Civil Code of Ukraine, other laws or agreements (Article 431 of the Civil Code of Ukraine). Methods of the civil law protection of IP rights are stipulated in Articles 15, 16, 432 of the Civil Code of Ukraine.

Pursuant to Article 52 of the Law of Ukraine "On Copyright Law and Related Rights", the subject of copyright is entitled to demand (through court proceedings) foreclosure from the offender of his/her copyright in the amount between 10 to 50,000 minimum salaries (instead of reimbursement of incurred losses or foreclosure on profits achieved due to violation).

The administrative methods of protection of IP rights are used in cases specified by the Code of Ukraine on Administrative Offences (Articles 52-2 of the Code of Ukraine on Administrative Offences).

The administrative law provisions in relation to protection of IP rights are also found in legislation on protection of economic competition, and special legislation in the area of IP that regulates relations in connection with protection of rights in the State Intellectual Property Service of Ukraine.

For breach of legislation on protection of economic competition a company can be fined in the amount of up to 5 % of the profit (turnover) from realization of products (goods, works, services) in the last reporting year prior to the year, when the fine is imposed (Article 21 of the Law of Ukraine "On Protection Against Unfair Competition").

Criminal liability is provided for in case of violation of copyright and related rights (Article 176 of the Criminal Code of Ukraine), unlawful use of trademark, commercial (brand) name (Article 229 of the Criminal Code of Ukraine).

Thus, for legitimate use of image for commercial purposes a company must execute an agreement in writing, purchase rights for commercial use of image from a photobank, or attract, for example, illustrator, which under the agreement on creation on commission and use of the object of IP right, will create an image (or a number of images, designs, illustrations, etc.) and transfer all of exclusive proprietary rights to such image to the company with the right of the company to sell, rent or freely transfer the image to third parties (both individuals and companies).

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