Workshop on E-Commerce, Development and SMEs:
The Rise of Trade in Digital Content – Trade in IP

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**The views expressed do not reflect the views of WIPO or its member states.
The rise of the Internet have fundamentally changed how digital content is produced, distributed and consumed.

- lowered the costs and distribution of creative works, increasing the access to and supply of creative goods

- Internet becoming the infrastructure to trade in intellectual property (IP)-related products

- Unprecedented opportunities for international trade in IP, intangible assets, and digital content

See also: Ideas workshop on Trade-related Aspects of IP in today’s global economy, organized by the IP Division, WTO, 26 September 2012
# Market size and growth of online content industries

<table>
<thead>
<tr>
<th></th>
<th>Games</th>
<th>Music</th>
<th>Film</th>
<th>News</th>
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</thead>
<tbody>
<tr>
<td>Global revenues (2010)</td>
<td>USD 53.7 billion</td>
<td>USD 23.44 billion</td>
<td>USD 84.19 billion</td>
<td>USD 159.7 billion</td>
</tr>
<tr>
<td>Online revenues (2010)</td>
<td>USD 22.7 billion</td>
<td>USD 7.19 billion</td>
<td>USD 5.28 billion</td>
<td>USD 6.56 billion</td>
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<tr>
<td>Online market growth, 2009-10</td>
<td>23.6%</td>
<td>6.9%</td>
<td>30.8%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Online share in total (2010)</td>
<td>42.3%</td>
<td>30.7%</td>
<td>6.3%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: Authors based on PriceWaterHouse Coopers, updated from OECD
Digital content share and growth 2009-2010

Source: Authors based on PriceWaterHouse Coopers, updated from OECD
1) Market access for digital content
Earlier perspectives on digital trade need to be reassessed

- We started from the notion that the digital trade of digital products does not yet face pervasive trade barriers.

- Notion that WTO Members do not apply tariffs, quotas, and other regulatory barriers to digital products.

- Notion that the Internet is a largely unregulated (pristine) ‘borderless’ distribution platform with little laws & regulations

- Notion that it would be easy for everybody to sell digital content across borders – with large potential for creators and large & small firms in developing countries to serve customers in high-income countries
Unresolved digital trade issues as evoked in WTO E-commerce Work Program

1. Permanent Duty free-moratorium on digital trade

2. Digital products: Unresolved Questions Of Classification
   - *Goods (GATT) or Services (GATS)?*
   - *If Under GATS: What Service Trade Commitments?*
     - If Under GATS: Do Existing Commitments Apply To Digitally-Delivered Content Products?

Ten or more years ago nobody imagined the complexity of putting online distribution and business models together.

Accessing diverse international content over online platforms is still difficult.

Online offerings are segmented along national boundaries.

Roadblocks have been: the fear of online piracy, technological issues, IP rights negotiations and the difficulty of agreement on revenue sharing & business models.

To enable these new forms of delivery, offline transactions have moved online entailing new business models and new distribution systems affecting business models.
New Digital Content Value Chains

1. Content
2. Infrastructure / Pipe
3. Intermediaries
4. Platform (hardware or online)
Proliferation of new digital broadband content business models

1) Voluntary donations and contributions
2) Digital content sales (pay-per-track, pay-per-view, pay-per-game, etc.)
3) Subscription-based revenues
4) Advertising-based revenues
5) Selling goods and services (including virtual items) to the audience
6) Selling of user data and customised market research
7) Licensing content and technology to other providers
New forms of digital trade barriers

- Rise of different online “content enclaves” – with select content being tied to particular hardware, online platforms or particular publishers – rather than having deep and rich online content catalogues featuring long-tail type, international content.

- Lack of access to technology distribution channels and networks / anti-competitive practices

- Technical (national / proprietary) standards, interconnectivity, compatibility of protocols and hardware, and resulting interoperability problems
Regulatory complexity

Internet protocol-based geo-localisation & digital rights mgt allow national segmentation + price discrimination

- Territoriality of copyrights
- Consumer protection
- Data protection
- Spam and advertising regulations
- Liability of Internet service providers
- Payment issues
- Digital Signatures
Copyright infrastructure challenges and the role of WIPO

- Enormous complexity – infrastructure is missing

- Lack of information and awareness on how to negotiate IP rights ++++ Lack of harmonization

- Enforcement on the internet is extremely complex

- Normative & non-normative solutions proposed by WIPO
  - The International Music Registry (IMR) - WIPO


Asset management in the digital age: beyond copyright (as we know it) Paolo Lanteri, Assistant Legal Officer, Copyright Law Division
How to make money of music?

How to Make a Living from Music
By David Stopps
Creative Industries – No. 4

Contact: Creative Industries and Copyright Sector, WIPO
2) Intellectual Property, e-commerce and SMEs
SMEs and IP

- Important to understand what it is that SMEs own, what others own, and what they need to do to protect their work.

- Evidence shows that the awareness of formal IP is low among small firms.
  - Lack of adequate human resources
  - Perceived lack of relevance of the IP system
  - Perceived high cost and complexity of the IP system
  - Lack of awareness of usefulness of IP system.

Source: WIPO intervention under agenda item 13 “IP and innovation: SMEs”, TRIPS COUNCIL, March 6, 2013
## WIPO Awareness Raising: IP in an e-commerce operation

<table>
<thead>
<tr>
<th>E-commerce systems, search engines or other technical Internet tools</th>
<th>Patents or utility models</th>
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<tbody>
<tr>
<td>Databases</td>
<td>Copyright or database laws</td>
</tr>
<tr>
<td>Business names, logos, domain names, etc. trademarks</td>
<td></td>
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<tr>
<td>Website design</td>
<td>Copyright</td>
</tr>
<tr>
<td>Software, including the text-based HTML code</td>
<td>Copyright or Patent</td>
</tr>
<tr>
<td>Graphic symbols, graphic interfaces</td>
<td>Industrial design law</td>
</tr>
<tr>
<td>Hidden aspects, such as algorithms</td>
<td>Trade secrets</td>
</tr>
</tbody>
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References

- TRIPS Council, Background Note by the Secretariat, Work Programme on Electronic Commerce: Addendum, IP/C/W/128/Add.1 (15 May 2003) at para. 7 (Second TRIPS Background Note).
- Asset management in the digital age: beyond copyright (as we know it), Paolo Lanteri, Copyright Law Division, Brussels, October 26 2012