

# Intellectual property law

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Newsletter

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Lovell White Durrant's intellectual property services include advice on the protection and exploitation of rights, drafting and negotiation of licences and assignments (often as part of a corporate acquisition or restructuring) and advice on the subsistence, ownership, validity and infringement of rights. The firm offers a trade mark filing service in France, the Czech Republic, Hong Kong, China, Vietnam, Laos, Myanmar (Burma) and Cambodia, and through its associates in countries around the world.

This Newsletter is written in general terms and its application in specific circumstances will depend on the particular facts. If you would like to follow up any of the issues which it raises, please contact Robert Anderson, Quentin Archer, Michael Golding, Nicholas Macfarlane or Lindy Golding in London (UK and EC), David Latham in New York (USA), Milan Chromecek in Paris (France and EC), Tomas Bettelheim in Prague (Central and Eastern Europe) or Henry Wheare or Stephen Hayward in Hong Kong (Hong Kong, China and Indo-China).

The firm's New York office does not practise US intellectual property law nor does its Tokyo office practise Japanese law. We do however have close connections with firms of US and Japanese lawyers enabling us to obtain advice quickly on questions affecting intellectual property in those countries.

Details of the firm's foreign offices appear in the rear inside cover of this Newsletter.

# Copyright

## First circuit diagram copyright case under CDPA 1988

*Mackie Designs Inc v Behringer Specialised Studio Equipment (UK) Ltd* (unreported, 23 April 1999) is the first High Court decision on one aspect of the protection of circuit diagrams under the Copyright Designs Patents Act 1988 (CDPA).

The plaintiff, a US company, claimed literary, or alternatively artistic, copyright in circuit diagrams for a piece of electrical equipment called a mixer. The circuit diagrams had been drawn by a US citizen in 1993. It was alleged that one of the defendants had manufactured circuit boards which infringed this copyright.

Pumfrey J was asked to determine two questions of law:

- (i) Whether the circuit diagrams were "design documents" within the meaning of s 51 CDPA 1988; and
- (ii) if so, whether the defendants had any defence to copyright infringement under s 51.

The judge observed that unregistered "design rights" had been introduced under the CDPA in order to protect designs which were applied industrially. As a result, copyright protection was no longer available for ordinary, functional, commercial articles.

Section 51(1) provides that:

"if a work amounts to a design document, then it is not an infringement of any copyright in the design document to make an article to the design, or to copy an article made to the design ..."

In other words, the definition of "design document" in this subsection (which is echoed in the definition of design right in the CDPA) is used to demarcate the boundaries between design and copyright protection.

The definition of "design document" in s 51(3) includes:

"any record of a design or any aspect of the shape or configuration (whether internal or external) of the whole or part of any article ...".

The circuit diagrams were, in the judge's view, aspects of the design of the electronic circuitry and therefore fell within the definition of "design documents". As such, copyright protection could not be invoked for the circuit diagrams.

The judge concluded that the defendants had copied an article made according to the circuit diagrams. Therefore, under s 51(1), there was no infringement of copyright in the circuit diagrams. He remarked that the words of s 51(1) related to any act of copying of the article, whatever the result of the copying.

This case implies that the scope of copyright protection for circuit diagrams is extremely limited. Whilst this protection is supposed to be complemented by the existence of design rights, US citizens are not entitled to design right protection under the CDPA, unless they are habitually resident in the EU, or in one of the limited list of qualifying countries, or can show that they satisfy another qualification criteria. This is important, since it would seem that, in general, American authors of circuit diagrams have no protection in the UK against persons copying their circuits, unless they can obtain patent protection.

Nicola Dagg

## Court considers meaning of substantial part of a copyright work

Under s 16(3) CDPA 1988, it may be an infringement of a copyright work to copy all or a "substantial part" of it. In *Designers Guild Ltd v Russell Williams (Textiles) Ltd* (unreported, 26 March 1999), the Court of Appeal had to consider what amounted to a substantial part of a work for these purposes.

The plaintiff had sued the defendant for copyright infringement, alleging that it had indirectly copied, in one of its fabrics, the whole or a substantial part of the original painting of a design of the plaintiff's fabric, by directly copying the fabric derived from the design. At trial, the judge held that a substantial part of the design had been copied and that therefore the allegation of copyright infringement had been made out.

The defendant appealed on the basis that, notwithstanding that copying had taken place, and that there were similarities between the defendant's and plaintiff's fabrics, there had been no infringement, because the part of the design copied did not amount to a substantial part of the copyright work.

Morritt LJ described the steps involved: First, he said, it was necessary to ascertain what constituted a "substantial part" of a work for the purposes of section 16(3)(a) and (2) and, secondly, it was necessary to determine whether such part was copied by the defendant. The first enquiry was a question of law, the second an issue of fact.

While Morritt LJ recognised the impossibility of providing a precise definition of what is a "substantial part" of a work, he noted that the authorities provided pointers in deciding this question.

"First, the part to be considered is the part of the copyright work which has been copied. Second, the copying which is relevant is the copying, not of the idea, but of the expression of the idea. Third, substantiality is a qualitative not quantitative test. Fourth, the antithesis of "substantial" is

"insignificant". Fifth, in considering whether the part which has been copied is substantial, no weight is to be attributed to that which is commonplace or well-known or derived from some other source. Sixth, it must be borne in mind that the object of the law of copyright is to protect the product of the skill and labour of the maker, not to confer on him a monopoly in the idea it may express."

Morritt LJ referred to the dissection test set out in *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1WLR 273. In that decision, the Court had rejected the notion that the subsistence of copyright was to be determined by dissecting the different elements of a work and asking whether each part separately could be protected if it stood by itself. Here, however, Morritt LJ stated that some dissection was essential for the purposes of deciding whether a copyright work had been infringed by copying a substantial part of a work, in order to determine what the relevant part of a work was.

Morritt LJ then compared different elements of each of the plaintiff's and defendant's fabric design. He found that the two fabrics did contain similar elements, for example the pattern on each was a combination of flowers and stripes, although the flowers on the defendant's fabric differed from those on the plaintiff's. He also found that comparable techniques had been used, but with different visual results. Accordingly, although the defendant had adopted the same idea as the plaintiff and some of the same techniques, the techniques resulted in a different visual effect and the subject matter of the techniques, the stripes and flowers, were not copies of the plaintiff's flowers and stripes.

In upholding the defendant's appeal, the Court of Appeal found that the defendant had copied the plaintiff's idea but not a substantial part of its expression. In allowing the defendant's appeal, the Court referred to the danger of casting the net of copyright protection too wide and thereby creating monopolies in ideas.

Diane Hamer

## Court rules on public interest defence in copyright action

In *Hyde Park Residence Ltd v Yelland* (unreported, 16 March 1999), Jacob J held that there was, in principle, a public interest defence to a claim for infringement of copyright.

In 1997, the plaintiff provided protection and security services for Mohamed Al Fayed's home in Paris, Villa Windsor. There was at the time widespread speculation as to the nature of the relationship between the Princess of Wales and Mr Al Fayed's son, Dodi. Having been warned that the couple were to visit Villa Windsor on 30 August, the fourth defendant, the villa's chief security officer, set the video cameras to record their arrival and departure.

The following day, the Princess and Dodi were killed in an accident, attracting massive publicity. Shortly afterwards, the fourth defendant made stills from the video system, which showed that the interval between the couple's arrival and departure had been about 28 minutes. However, in the days following the accident, Mr Al Fayed contradicted this in various press articles, claiming instead that the couple had spent two hours touring the villa, with a view to making it their matrimonial home.

The other defendants, who together produced the Sun newspaper, published copies of the stills. The plaintiffs sued for infringement of copyright. The defendants pleaded the defence of fair dealing for the purpose of reporting current events (under s 30(2) CDPA). Alternatively, they argued that publication had been justified in the public interest.

The judge held that the defendants had clearly made out a defence under s 30(2). Once Mr Al Fayed had deliberately brought the couple's activities at Villa Windsor into the public forum, it had virtually been "necessary" for the defendants to publish the stills to refute his version of events.

Given his conclusions as to s 30(2), the judge did not need to decide whether there was a defence of public interest. However, his view on the basis of

earlier case law was that, in principle, a public interest defence could be available to refute a claim of copyright infringement.

Caroline Clarke-Jervoise

## Decision on joint authorship of musical copyright

Three members of Spandau Ballet, the pop group, recently failed in their High Court action against the group's songwriter, Gary Kemp, and his publishing company, for breach of contract and infringement of copyright.

The plaintiffs claimed that the defendants had breached an agreement between the four members of the group, under which Kemp had agreed to share royalties from his "publishing income". They also sued for infringement of copyright, arguing that copyright in the Spandau Ballet songs vested jointly in all of them.

On 30 April, Park J dismissed the breach of contract claim on the facts. He also rejected the claim in copyright. He said that, in order to become a joint author of a copyright work, an individual must have made a significant and original contribution to the work's creation. He accepted that, in a "jamming" session, all players could be classed as joint authors of the music created. However, on the facts, he found that Spandau Ballet did not "jam" in this way and there was (with one minor exception) no other justification for treating them all as joint authors.

Christine Jackson

## Government publishes proposals on crown copyright

In March, the Government published a White Paper on the future of Crown copyright. This is available from the HMSO website (<http://hmso.gov.uk>) or by telephone (0171 270 1271).

The White Paper takes into account comments on the Green Paper of January 1998 on Crown copyright in the information age (see our March 1998 issue). The Green Paper invited suggestions for improving access by the public and the information industry to Government-produced material, particularly through electronic means, without significantly diminishing its revenue from this material.

At the moment, the various Government departments and agencies are free to decide individually what information they will license or distribute and at what cost. Initially, the Government mooted the idea of harmonising these policies and treating all these materials in the same way, but this plan seems to have been abandoned, and to a large extent there will still be different policies for different types of material.

The Government has, however, continued with its original idea of centralising the administration of Crown copyright. It recommends that an "Information Asset Register" be created, setting out the range of official materials available and the ways in which they can be accessed and copied.

In the event, the UK may decide to wait until the European Commission has published its plans on improving access to information, following its Green Paper on the needs of the EU Information Market.

Caroline Clarke-Jervoise

# Patents

## Clarification of UK policy on patents for computer programs

The Technical Board of Appeal of the European Patent Office recently decided that the EPO's practice under Articles 52(2) and (3) European Patent Convention should be changed in certain respects in relation to claims to computer programs. This follows its decision in an appeal relating to a European patent application by IBM (The Times, 25 April 1999).

On 19 April, the UK's Patent Office published a practice note, stating that the UK's policy will be changed to reflect the EPO's. In future the Patent Office will accept:

"claims to computer programs, either themselves or on a carrier, provided that the program is such that, when run on a computer, it produces a technical effect which is more than would necessarily follow merely from the running of any program on a computer, and which is such that claims to the computer when programmed would not be rejected under s 1(2)(c) Patents Act 1977 under the existing practice".

The Practice Note is available on the Patent Office's website (<http://www.patent.gov.uk>).

Conor Ward

## Decision on exhaustion of patent rights

In *Sandvik AB v Pfiffner (UK) Ltd* (unreported, 31 March 1999), in the course of an interlocutory hearing, Neuberger J followed the European Court of Justice's reasoning on the meaning of "consent" for the purpose of the exhaustion of patent rights.

The doctrine of exhaustion of rights was developed by the ECJ in an attempt to reconcile the monopolistic and essentially national nature of intellectual property rights with the principle of free movement of goods in the European Community. It has been interpreted to mean that, once a patentee (or owner of other intellectual property rights) has consented to placing his product on the market in the European Economic Area, he has exhausted all further rights over the product and cannot stop its subsequent export within the EEA.

Sandvik had entered into an agreement with a third party, acting on behalf of "ZCC", to modernise ZCC's Works so as to improve the quality of the products manufactured there. The products included disposable cutting tools, known as indexable inserts. Sandvik manufactured a number of different types of such insert. The two in issue were known as 435 inserts and 415 inserts. Both could be manufactured by a method disclosed in Sandvik's European "Dopant patent" or, Sandvik alleged, by other means.

The Dopant patent subsisted in the UK, Germany, France and Italy only. Under the agreement, Sandvik granted ZCC a non-exclusive licence under certain patents (not including the Dopant patent) to make, use and market certain defined products, which did not include 435 inserts. On the day on which the agreement became effective, ZCC agreed to a letter

written by Sandvik, setting out which products could be marketed and sold in specified countries (until 1 January 1990) and thereafter worldwide, without limitation.

During 1992/93, Sandvik realised that 415 inserts, manufactured in accordance with the Dopant process, and 435 inserts, which could only be manufactured in accordance with that process, were being imported into and marketed in the UK and Germany by the "Emporia Group". Sandvik alleged that this infringed its rights under the Dopant patent. Emporia claimed that the inserts had been lawfully purchased from ZCC's German subsidiary. Emporia obtained an injunction in the German Court, restraining Sandvik from claiming to its customers that distribution of the inserts infringed the Dopant patent. Five weeks later Sandvik began proceedings in the UK against members of the Emporia Group and ZCC.

ZCC contended that the letter, when construed with the agreement, amounted to consent by Sandvik for ZCC to manufacture and distribute Dopant inserts from 1990 on a non-exclusive worldwide basis. It went on to claim that it had been granted the right to market the inserts generally in the EC, in the states in which Sandvik had no patent protection and that it could rely on the doctrine of exhaustion in relation to countries where Sandvik had patent protection.

The Court had to decide the following issues, in relation to the doctrine of exhaustion:

- (i) Had Sandvik consented to the marketing of the Dopant inserts in Germany?
- (ii) To what extent did ZCC's right to market, under the terms of the agreement and letter, the Dopant inserts in EC states where there was no Dopant patent, exhaust Sandvik's rights under that patent in states where there was patent protection?

Neuberger J rejected ZCC's claim that, by not challenging the German injunction, Sandvik had effectively consented to the marketing of Dopant inserts in Germany. He also rejected its argument that, in order for there to be sufficient "consent" to marketing, consent had to be under the patent

concerned, rather than a consent to marketing alone. Consent to marketing, not consent under the patent, was of the essence.

Sarah Turner

# Trade marks and passing off

## Parallel import battle still rages

Exhaustion of rights (see above) has also recently been a hot topic in trade mark disputes. In our September 1998 issue, we reported on the *Silhouette* case, where the ECJ held that where goods had first been put on the market outside the Community by an entity which owned registered trade marks within the Community, the proprietor had not exhausted his rights. Therefore the proprietor could use those registrations to prevent importation of those goods into Community countries where the marks were registered.

Some commentators have criticised this decision and have argued that a rule of international exhaustion of trade mark rights should apply. They argue that, once the trade mark owner has consented to goods bearing his trade mark being put onto the market *anywhere in the world*, he should lose the right to object to their re-importation into any other country.

*Sebago Inc v GB-Unic SA* (unreported) is the first potential challenge to the *Silhouette* decision. The case concerned shoes marketed under the trade marks *Docksides* and *Sebago*. The defendant claimed to have brought a consignment of genuine shoes bearing these trade marks from outside the EEA, which it then imported into the Benelux. The trade mark owner and its exclusive Benelux distributor issued proceedings for trade mark infringement.

The Belgian court referred the following questions to the ECJ:

- (i) was the *Silhouette* case conclusive on the issue of Community, rather than international, exhaustion, and

- (ii) by consenting to the marketing of identical trade-marked shoes both inside and outside the Community, had the trade mark owner effectively exhausted his right to object to parallel imports into the Community of specific shoes first sold outside the Community?

On 25 March, the Advocate General Jacobs gave his opinion. Not surprisingly, he followed his own opinion in *Silhouette* and answered yes to the first question. On the second, he said that exhaustion of rights only applies to particular goods which have been put on the market in the EEA, rather than all goods of the same description, wherever first sold.

It is difficult to see how the ECJ could come to a different conclusion, without overturning *Silhouette*, but we will report on the ECJ decision when it has been given.

In the meantime, another case on exhaustion of rights, *Zino Davidoff SA v A&G Imports Ltd* (The Times, 24 May 1999), has been taxing the High Court in England. The plaintiff sold various luxury cosmetic/toiletry products under the marks *Cool Water* and *Davidoff Cool Water*. These were made (by its exclusive licensee) in France and sold throughout the world, in identical packaging, with identical trade marks, but at different prices in different markets. The defendant bought the goods in a country where they were cheap (assumed by the court to be Singapore), and sold them more expensively elsewhere.

The plaintiff sued for trade mark infringement and passing off. It applied for summary judgment, on the basis that the defendant had no arguable defence and that the case should not proceed to trial. Its principal argument was that the principle of exhaustion of rights did not apply, since the defendant has been buying the goods *outside* the EEA.

On 15 April, Laddie J dismissed the plaintiff's application. He held that the defendant had an arguable defence in law that, since the plaintiff had not imposed any restrictions on the further sale of the goods when putting them on the market initially, purchasers could sell them where they liked, inside and outside the EEA. He therefore gave leave to the defendant to defend.

The judge had clear reservations about the *Silhouette* decision, saying that the decision had:

"bestowed on a trade mark owner a parasitic right to interfere with the distribution of goods which bore little or no relationship to the proper function of the trade mark right".

Essentially, therefore, to prevent the parallel import of his goods back into the EEA, a trade mark proprietor should make clear to all involved in the chain of distribution of its goods the precise limits of where the goods can and cannot be sold. He could do this by contract or by stating this on the goods themselves.

By way of postscript, note that the Amsterdam Treaty, entered into force on 1 May 1999. This changes the content of the EC and EU Treaties, and renumbers many of their existing provisions. Importantly, articles 85 and 86 (which deal with concerted practices and abuses of dominant position) have metamorphosed into articles 81 and 82.

Patrick Wheeler/  
Caroline Clarke-Jervoise

## Court refers Philips v Remington to ECJ

The trade mark dispute between Philips NV and Remington Consumer Products, which we analysed in our March 1998 issue, continues. Philips had registered a trade mark, consisting of a picture of a three-headed, rotary electric razor. At the time, it was the only manufacturer of this kind of razor, but Remington began producing rotary shavers. Philips sued for infringement of its trade mark. Remington argued that the mark was invalid. Jacob J held that the trade mark was invalid and not infringed. Philips appealed.

The Court of Appeal, in a judgment given by Aldous LJ, decided that Jacob J had been right to hold the trade mark invalid. However, the judgment of the Court of Appeal is unusual, in that it is only provisional. The Court held that the case raised difficult issues of construction of the Trade Marks Directive (Council Directive (EEC) 89/104) and that a reference to the European Court of Justice was therefore necessary before a final decision could be reached. This judgment will presumably stand until and unless the ECJ reaches a contrary decision.

The Court considered the trade mark to be invalid under s 3(1)(a) Trade Marks Act 1994, ie for lack of distinctiveness. It agreed with Remington's submission that, if a trade mark was simply a description of the goods being sold, without any "capricious" addition or alteration, it was not capable of distinguishing the goods of one trader from those of other traders who were entitled to manufacture and sell such goods, and therefore fell foul of s 1. The fact that a trade mark had, by use, become capable of denoting goods of a particular trader did not mean it was capable of distinguishing. Using an earlier case as a comparison, the Court pointed out that, while the phrase WELDED MESH was wholly descriptive and not capable of distinguishing welded mesh from one undertaking from welded mesh from another, WELDMESH contained "sufficient capricious alteration to enable it to acquire a secondary meaning".

If this provisional decision stands, it means that a wholly descriptive trade mark can never be valid, as it will never be able to distinguish goods from one undertaking from those of another in the manner required by s 1. In keeping with this, the Court took the view that the shape of an article could not be registered in respect of goods of that shape, unless some addition to the shape gave it trade mark significance.

The Court of Appeal also held that the mark was invalid under s 3(1)(b) for lack of distinctive character. The idea that Philips' use of a purely descriptive mark could give it distinctive character was a fallacy - the trade mark contained no feature which could become a distinctive character. Furthermore, the mark was invalid under s 3(1)(c), since it consisted exclusively of an indication of the

kind of goods for which it was registered and of their intended purpose.

The Court did not stop there, but held that the mark consisted exclusively of the shape which was *necessary to achieve a technical result* and was therefore also invalid under s 3 (2)(b). This was still the case, even if there were other shapes which could obtain the same technical result. All that had to be shown was that the essential features of the shape were attributable only to the technical result.

Policy considerations were clearly significant to the Court's judgment, as borne out by its reminder that the function of a trade mark was to identify the trade origin of goods or services and that "to enable monopolies granted in respect of patents, registered designs and the like to be extended by trade mark registrations would be contrary to the public interest, unless justifiable on grounds of the public good"

## Graham Burnett-Hall

### Decision on honest use of another's trade mark

In May, AB Volvo, the vehicle manufacturer, obtained summary judgment on part of a claim against a former dealer for trade mark infringement. Lovell White Durrant was acting for Volvo.

Volvo had registered the mark "Volvo" for maintenance and repair services. Heritage (Leicester) Ltd, had been one of its authorised dealers, but when the dealership ceased, Heritage replaced the authorised dealer signs outside its premises with signs claiming that it was an "Independent Volvo Specialist". It also adopted a logo with these words in its stationery and in advertising (the "IVS logo"). The words "*Independent*" and "*Specialist*" were in much smaller type than "Volvo".

Heritage had also sent various letters to customers, without stating clearly that it was no longer a Volvo authorised dealer. Some also referred to the fact that Heritage offered "Volvo service".

Volvo sued for trade mark infringement and sought summary judgment. Rattee J considered that the addition of the italicised words above would not clearly indicate to the average customer that Heritage was no longer an authorised Volvo dealer. He also thought that the letters to customers were very misleading about Heritage's status.

Heritage raised two main defences. It relied on a case recently decided by the European Court of Justice - *BMW v Deenik*, where BMW had sued a motor trader, who described himself as a "BMW Specialist" on his stationery, for trade mark infringement. The ECJ held that, under the European Trade Marks Directive, a trade mark owner could not prevent a third party from using the mark to inform the public that he repaired and maintained goods manufactured under that trade mark by the proprietor, or that he was a specialist in those services. This was, however, subject to an important proviso: if the mark was being used in a way that could create an impression of a commercial connection between the trader and the trade mark owner (for example, that the trader was its authorised dealer), where there was none, there could still be infringement. Rattee J held that Heritage fell foul of this proviso.

Heritage also relied on s 11(2)(c) Trade Marks Act 1994, which states that a trade mark is not infringed by the use of the mark where it is necessary to indicate the intended purpose of a product or service, provided the use is *in accordance with honest practices in industrial or commercial matters*. The judge accepted that Heritage had to use the word "Volvo", if it wished to advertise itself as servicing Volvo cars. However, he considered that the particular uses that Heritage had made of the Volvo trade mark in the IVS logo did not satisfy the requirement of "honesty". He therefore awarded Volvo summary judgment.

This case raises a number of points of interest.

- (i) It is a useful example of conduct which is not considered to be "honest" so as to satisfy the proviso under s 11(2) of the Trade Marks Act. The Judge held that the honesty test was objective and was answered by asking whether a reasonable motor trader, knowing all the relevant facts that the defendant knew, would

think that the use of the trade mark concerned was honest in all the circumstances and the context in which that use was made.

- (ii) Although not expressly stated in the judgment, it is implicit that a former authorised dealer must satisfy a much higher test to prove that his use of the manufacturer's trade mark is "honest", than a trader who was never a dealer. If the former is in any way misleading about his changed status, he may not be able to satisfy the Court that his use has been honest.
- (iii) It is the first UK application of the *BMW v Deenik* decision and shows that motor traders can only use manufacturers' trade marks to describe themselves as "BMW Specialists" or "Volvo Specialists" if they do so honestly.
- (iv) The judge held that use of the IVS logo amounted to infringement under s 10(1) Trade Marks Act 1994, being a sign which was identical to the registered trade mark "Volvo", used for identical maintenance and repair services to those for which it was registered. Applying the test in *British Sugar v Robertson* ((1996) RPC 281), he held that the words "Independent" and "Specialist" were mere added matter and could be disregarded.
- (v) The final point of interest is the form of injunction that was granted. Heritage asked for a narrow form of injunction, which would in effect merely have prevented it from using the IVS logo. The judge rejected this approach. He granted a broad injunction - that Heritage should not infringe the claimants' trade mark registration. He also made a specific order of delivery up and removal of signs, which directed Heritage to discontinue and remove all uses of the IVS logo.

Patrick Wheeler

## Battle over millennium marks

Perhaps inevitably, a dispute has arisen over the right to use the word "Millennium" in relation to goods. The luxury goods manufacturer, Alfred Dunhill, has registered "Millennium" for a range of goods, including watches and clocks. De Beers, the diamond dealers, intends to launch a collection of "Millennium Diamonds". It argues that the mark should never have been registered, since it is manifestly descriptive, and has issued proceedings to have it expunged from the register for invalidity.

It is likely that, given the timing of this dispute, and the legitimate wish of other traders to launch "Millennium" products and services, the court will hear this dispute with a degree of urgency.

Caroline Clarke-Jervoise

## Elvis trade mark appeal fails

In our March 1997 issue, we reported on *Elvis Presley Enterprises Inc v Sid Shaw, Elvisly Yours*, where Laddie J rejected an application to register the words ELVIS and ELVIS PRESLEY, and a reproduction of the well known singer's signature, as trade marks.

The plaintiff, Elvis's legal successor under US law, had applied to register the three marks in respect of cosmetics and similar goods. The defendant, a London trader who had, since the late 1970s, traded extensively in a huge range of Elvis memorabilia under the registered mark ELVISLY YOURS, opposed the applications. His oppositions failed in the Trade Marks Registry and he appealed to the High Court.

Laddie J overturned the Registry's ruling, holding that the three marks had little inherent distinctiveness. The function of a trade mark, he held, was to distinguish the trade origin of the goods to which it was applied from rivals' goods. The more a trade mark had come to describe the goods to which it was applied, or to indicate some quality of those goods, the less it could be inherently

adapted to carry out its true function of distinguishing those goods from similar goods produced by others. ELVIS and ELVIS PRESLEY had very little distinctiveness, because they primarily served as a reminder of the man himself, rather than of any trade source.

The applicants appealed. On 12 March, the Court of Appeal upheld Laddie J's decision (The Times, 22 March 1999). The Court agreed that it was unlikely that consumers would assume that goods bearing Elvis' name or image had some connection with his estate. The various marks applied for could not therefore fulfil their function as trade marks, ie to designate the goods' origin.

On the issue of distinctiveness, the Court warned that:

"there should be no *a priori* assumption that only a celebrity or his successors may ever market his own character. Monopolies should not be so readily created."

Although this case was brought under the Trade Marks Act 1938, the Court stated that its decision would probably have been the same if it had been brought under the 1994 Act.

This decision has obvious implications for the Princess of Wales' Memorial Fund, whose applications to register images of the late Princess as trade marks failed recently (see our previous issue). If the Fund appeals, it will face an uphill struggle in the light of this decision.

Michael Golding

# Biotechnology

## Government announces new measures on biotechnology

On 21 May, the Government issued three reports on biotechnology, which attempt to strike a balance between the aims of protecting public health/the environment and stimulating growth in the biotechnology sector.

The reports deal respectively with the framework for regulating biotechnology, the public health implications of genetically modified foods, and public consultation on biotechnology generally.

Amongst other things, the Government proposes to:

- (i) create two new strategic commissions, one on human genetics, and another on agriculture and the environment;
- (ii) introduce safeguards to control genetically modified crops grown on farms.

Further details are available from the Cabinet Office (0171 270 1131) or from its website (<http://www.nds.coi.gov.uk>).

Caroline Clarke-Jervoise

# Miscellaneous

## Revenue proposes to reform taxation of intellectual property

On 26 February 1999, the Inland Revenue published a "technical note", inviting views on the possible reform of the taxation of transactions dealing with intellectual property. The Revenue suggests a complete rationalisation of the existing collection of unconnected tax rules for different types of intellectual property rights.

The principal suggestion is that the taxation of intellectual property costs and receipts should follow the accounting treatment. Thus, tax relief would be available for all the costs of acquiring and developing intellectual property at the same rates at which the cost is depreciated in the accounts. Correspondingly, all receipts for intellectual property rights (whether royalties or sale proceeds) would be taxed in the year in which they accrue.

Under an accounts-based tax system, the Inland Revenue would have to ensure that businesses do not manipulate the depreciation rates applied to intellectual property costs, in order to reduce their tax liabilities. The Revenue is likely therefore to reserve powers to challenge depreciation rates perceived to be excessive. It might also require that the tax treatment follows the consolidated accounts rather than the individual company accounts.

The second main suggestion involves the introduction of a broad-based withholding tax obligation for payments for all types of intellectual property. This would apply to both "capital" and "income" payments (the distinction between which would therefore become irrelevant for this purpose). The territorial restrictions on the withholding obligation would need to be determined. One

suggestion is that the withholding tax should be limited *de facto* to payments by businesses trading in the UK, by requiring withholding as a pre-condition to the payer claiming tax relief for the payment in computing its own profits for UK tax purposes. The proposal also suggests that the withholding obligation would not need to apply where the Inland Revenue can collect the tax from the recipient (ie where the recipient is within the charge to UK tax).

The deadline for providing comments to the Inland Revenue on the proposal is 31 July 1999. If the reforms are agreed, they would probably be introduced in the March 2000 Budget, with effect from a date still to be determined.

Peter Halford

## LWD seminar on the Civil Procedure Rules

On 12 May, members of Lovell White Durrant's intellectual property group gave a seminar on the implications of the new Civil Procedure Rules on intellectual property litigation. Subjects included the new intellectual property practice direction and guide; the new rules on disclosure and expert evidence and their impact primarily on patent, trade mark and copyright actions.

If you would like a copy of our client note on the Rules generally, or on their impact on intellectual property litigation, please contact Sophie Miller.