

Newsletter
December 2002

Intellectual property

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Lovells' intellectual property practice advises, in the context of European Union, English, German, French, Italian, Dutch, Polish, Czech, Slovak, Croatian, Russian, Chinese (PRC mainland and Hong Kong), Singaporean, Vietnamese and international law (including WTO issues), in relation to all areas of intellectual property: trade marks, patents, design rights, copyright, and rights arising from IT, new technologies and the media such as the press and Internet. We also advise our clients in the fields of entertainment and the arts. Many of our lawyers have a scientific background, enhancing their understanding of the technical and commercial issues involved.

We can help with litigation and alternative dispute resolution and with the negotiation and formation of commercial agreements. We carry out audits of technology and intellectual property rights for the purposes of investment and company flotations.

In protecting the intellectual property rights of our clients we act at all levels, from advising on, applying for, registering and enforcing rights through to devising strategies and the investigation of infringement and counterfeiting activities. In addition, we act in structuring, negotiating and drafting licences and technology transfer transactions and have considerable experience in IP disputes before the Industrial Property Offices and in IP litigation before the courts, especially in cross-border or multi-jurisdictional disputes.

Applications and registrations are not currently handled in all legal systems listed above. However, we offer a complete trade mark filing and prosecution service at the Community Trade Mark Office as well as trade mark, industrial design, appellations of origin and domain names searches, clearances, filing and prosecution services before the national Industrial Property Offices in France, Germany, Czech Republic, Slovakia, Russia (together with all other CIS member states), Croatia,

Poland, Hungary, China, Hong Kong, Singapore, Indo-China (Vietnam, Cambodia and Laos) and elsewhere in South-East Asia.

We also offer a complete global domain name protection service including clearance searches, registration, watch and investigation covering all generic TLDs (top level domains) but also, importantly, most country TLDs in some 200 jurisdictions.

This newsletter is written in general terms and its application in specific circumstances will depend on the particular facts.

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With internationalisation of the world's market place, intellectual property proprietors increasingly require advice on legal matters that involve many jurisdictions. With our global spread and close relationships with law firms and intellectual specialist in all jurisdictions Lovells provides a fully integrated and seamless service on questions affecting intellectual property in a cost effective and efficient manner.

Please refer to the back of this newsletter for office details.

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Patents

Who can apply to revoke a patent?

In *Oystertec plc v Edward Evans Barker*¹, Jacob J had to consider who had locus standi (ie was entitled to) apply for the revocation of a patent. Under s 72(1) Patents Act 1977, the Comptroller of Patents can revoke a patent "on the application of any person". The appellant, Oystertec, owned a patent for an invention which was the subject of revocation proceedings being brought by the respondent firm of patent agents. Oystertec contended that a firm of patent agents could not apply for revocation, since it was not acting in its own interest, but on behalf of an undisclosed principal. "Any person" in s 72(1), it argued, referred to the *person applying for revocation*, not his agent.

Jacob J ruled that the agents could bring the application. A patent granted the patentee a monopoly and any member of the public could challenge a purported public monopoly. Provided proceedings were not being conducted in such a way as to constitute an abuse of process, anyone, irrespective of his reasons, could apply to revoke a patent on his own behalf or on behalf of another. The court could, where necessary, require the true attacker of a patent to be identified, but this was not the case here.

Caroline Clarke-Jervoise, London

Public v private interests in relation to inventions

In *Anstalt v Hayek*², the Court of Appeal had to balance the rights of investors to protect their investment against the public interest of having access to beneficial medical inventions.

The first defendant (aided by his brothers) had invented and patented a mechanical ventilator, an "oscillator". The brothers incorporated various companies ("the companies"), into which they transferred the rights in the invention. The first defendant was employed by the companies. The companies entered into an investment agreement with various entities and individuals, which gave the latter the right to participate in the commercial exploitation of the oscillator. The brothers signed a side letter to this agreement, covenanting not to act other than through the companies in the companies' range of activities "in connection with present and future generations and applications of the oscillator and/or emanating therefrom" or to compete directly or indirectly with the companies.

The brothers fell out and the first defendant left his employment, set up his own company and developed a new ventilator. The companies and investors sued him (and his company) for breach of covenant and obtained an order to the effect that he had breached the side letter. He appealed and the Court of Appeal had to decide whether the restriction on competition in the side letter was enforceable.

1. unreported, 14 November 2002

2. unreported, 26 November 2002

The Court of Appeal allowed the appeal. When considering the reasonableness of the covenant, the court had to consider the interests not only of the parties but also of the public in allowing the first defendant to use his expert inventive skills in a field of medical science where there was a clear public benefit. Patent law sought to balance the benefits enjoyed by the public from allowing monopolies to exist as a way of encouraging invention against any detriment to the public caused by monopolistic practices. Only exceptionally would it be in the public interest to superimpose additional contractual restraints on invention, particularly in a pioneer field of medical science, where there was such an obvious public benefit in encouraging invention. This was not such a case and the covenant was not enforceable.

Caroline Clarke-Jervoise, London

"Stop being paranoid - he's not out to get you!"

In two judgments last month, the English Court of Appeal and High Court dealt with cases where a party believed that the trial judge had been biased against it and had not accorded the parties a fair and impartial hearing of the dispute.

In *Cairnstores Ltd v Aktiebolaget Hässle*³ the claimants had been trying to revoke the defendant's patents in the Patents Court. In his judgment, Laddie J concluded that, unlike the claimant's expert, the defendant's expert, Dr Rees, whilst technically highly qualified and experienced, had acted as though he were an advocate for the defendant's case rather than as an impartial expert. The judge found for the claimants and revoked the defendant's patents.

As usual in English courts, throughout the cross-examination of both experts, the judge had intervened to ask additional questions. Laddie J's questions to Dr Rees amounted to approximately 14% of his total cross-examination; about double the proportion he had asked the claimant's expert. Furthermore, the defendant alleged that the judge's

interventions in Dr Rees' cross-examination were more like hostile cross-examination or "judicial brow-beating" than questioning designed to amplify and clarify by an impartial arbitrator. The defendant appealed on the grounds that the judge's interventions during Dr Rees' cross-examination cumulatively amounted to what a fair-minded and informed observer would consider "apparent bias", thereby denying it a fair trial.

The Court of Appeal rejected this argument. The interventions had not been intemperate but had, for the most part, been designed to clarify the answers to difficult questions. As a whole, the judge's conduct could not give rise to a finding of "apparent bias". As an experienced expert, Dr Rees would have realised that he had to explain why he held the views set out in his report and should have been able to answer the judge's questions without feeling oppressed.

Unusually, the Court expressed its hope that it would never have to consider such a case again. In Patents Court cases, as the issues do not normally involve a personal relationship between the parties, the losing party generally accepts the court's decision without feeling that it has not had a fair hearing. The Court evidently felt that the appeal should not have been brought.

In *Hart v Relentless Records Ltd*, Jacob J had dismissed the claimant's passing off action against the defendants, on the ground that it did not have sufficient goodwill or reputation in the relevant mark. During the trial, the claimants asked the judge to recuse himself (ie withdraw from the case), citing the following alleged instances of bias by him:

- (a) his observation that the defendants were in a position to apply for security for costs against the claimant - the claimant claimed later that it had not had sufficient time to resist this application;
- (b) his suggestions at the beginning of the trial and towards the end that the parties should try to settle the action, given the claimant's case was very weak and its evidence either exaggerated or unhelpful;

3. unreported, 22 October 2002

4. unreported, 22 October 2002

- (c) his calling of counsel into the judge's corridor, after cross-examination of the claimant, with a view to his indicating where he thought the case stood (which, the claimant alleged, breached its right to a fair trial in Article 6 of the European Convention on Human Rights), and
- (d) his comments on the claimant's witness statements.

Jacob J considered each incident in turn and concluded that a fair and informed observer would not believe that, separately or as a whole, they constituted bias or apparent bias. It was the duty of the court to encourage the parties towards settlement. Calling a meeting with counsel outside the court did not breach Article 6, since informal meetings did not fall within that provision. The claimant had not asked for further time to consider the security for costs application and so it could not be unfair that the judge had not given it more time. It was duty of the judge to give a provisional view on the claimants' evidence, particularly if that would aid settlement discussions. Overall, Jacob J concluded that he had not stepped outside his role as arbitrator in any of these incidents and that, as such, the allegation of "apparent bias" was not made out.

Sahira Khwaja, London

Copyright and designs

Delay in implementation of the Copyright Directive

In our previous issue, we said that the UK Government had published a consultation paper on the way in which it planned to implement the Copyright Directive into UK law. This Directive is intended to harmonise the copyright laws of EU Member States in such a way as to ensure that copyright owners are adequately protected in an age in which technological advances enable infringers to make perfect copies of copyright-protected works.

EU countries have until 22 December 2002 in which to transpose the Directive into national law. However, the government has apparently received nearly 300 responses to its consultation document and will be unable to analyse these properly in time to comply with this timetable. It has therefore announced that it hopes instead to have implemented the Directive by 31 March 2003 at the latest.

Caroline Clarke-Jervoise, London

Registered Community Design applications invited

We explained in our February 2002 issue that the European Council had adopted a Regulation introducing two new design rights into the laws of European Union Member States: the Registered Community Design and the Unregistered Community Design. The European Commission has now adopted an implementing Regulation, which puts in place the administrative procedures to enable OHIM (the Office for Harmonisation in the Internal Market (Trade Marks and Designs)) to register and

cancel Community Designs. As far as possible, this mirrors the Regulation implementing the Community Trade Mark.

Registration will give those registering the exclusive right to use the design and to prevent others from doing so throughout the EU, by means of a single application. Designs which meet the Regulation's requirements (ie that that they are new and have individual character) will be protected from deliberate copying, even without prior registration, by virtue of the Unregistered Community Design. Companies will also still have the option of registering their designs on a country by country basis under individual national EU laws.

The Commission is currently considering the fee structure for the new system. OHIM is expected to be in a position to receive the first applications at the beginning of 2003, with the first official registrations taking effect from April 2003. The UK's Patent Office has announced that, from 1 January 2003, it will accept applications for registration. All applications received up to and including 1 April 2003 will be given 1 April 2003 as a filing date.

Lovells' office in Alicante will deal with all applications for Community Designs. A fee schedule is available - should you require a copy, please contact Andreas Renck in our Alicante office.

Caroline Clarke-Jervoise, London

Commission approves onestop simulcast licence

For the past few years radio and TV broadcasters have been broadcasting programmes via the Internet alongside traditional terrestrial or cable transmission within Europe. This practice is known as 'simulcasting' and has required broadcasters to obtain licences from royalty collecting agencies in every country where the Internet transmissions are accessed. The European Commission has now approved an exemption for an agreement notified by the International Federation of the Phonographic Industry (IFPI, in the name of copyright administration societies of music record companies, which effectively permits broadcasters to obtain 'one-stop shop' licences from the collecting agencies to cover Internet broadcasts across the majority of the EEA (with France and Spain notable exceptions) as well as other areas worldwide such as Eastern Europe, South America and Australasia.

This is the first decision by the Commission concerning the collective management and licensing of copyright for the purposes of commercial exploitation of music on the Internet. It is intended to facilitate the creation of a new category of copyright licence with multi-territorial scope, taking into consideration the global reach of the Internet. Proposals for increased transparency in the fees charged for copyright licences are due to be presented by the parties to the Commission by the end of 2003.

Nieves la Casta, London

Trade marks

Arsenal scores in the ECJ

In our June 2001 and July 2002 Newsletters, we reported on previous instalments of the ongoing battle between Arsenal Football Club and Matthew Reed over Mr Reed's sales of unlicensed merchandise displaying signs identical to Arsenal's trade marks outside the Arsenal football ground.

Arsenal had sued Mr Reed for trade mark infringement and passing off. At trial, the passing off claim was dismissed for lack of evidence of public confusion between licensed goods bearing Arsenal trade marks and Mr Reed's unofficial goods. On the trade mark issue, following remarks by the Court of Appeal in *Philips v Remington*⁵ that use of a mark did not have to be made in a trade mark sense in order to constitute infringement, the judge had indicated that use of the Arsenal trade marks on the unofficial goods was not "trade mark use" (use to indicate the origin of the goods). Instead, the goods were seen as badges of affiliation and loyalty by the fans who bought them. The court decided, however, to refer two questions to the European Court of Justice ("ECJ") on interpretation of the EC Trade Mark Harmonisation Directive⁶.

The first question was whether a third party would have a defence to an action for trade mark infringement if the use complained of did not indicate trade origin, ie a connection in the course of trade between the goods and the trade mark proprietor? Mr Reed had a sign on his stall which made it very clear that the goods were unlicensed products and that the Arsenal marks were there "solely to adorn the product and ... [did] not imply or indicate any affiliation or relationship with the

manufacturers or distributors of any other product". The judge then asked whether the fact that the use in question would be perceived as a badge of support, loyalty or affiliation to the trade mark proprietor (Arsenal) would be sufficient to establish such a connection?

The ECJ confirmed that Article 5(1) of the Directive (dealing with the trade mark proprietor's exclusive rights in the mark) was a harmonising provision, which should be interpreted uniformly to avoid such rights being treated differently in different EU States. The Directive had been designed to remove disparities between the trade mark laws of Member States, to ensure that they did not impede the free movement of goods and distort competition. Trade mark rights were an essential element in the system of undistorted competition in that they enabled businesses to attract and retain customers by using distinctive signs to identify their goods and services. The essential function of a trade mark was therefore to guarantee the identity or trade origin of the goods or services. Accordingly, in order that the trade mark could fulfil its essential function, the exclusive rights granted to the trade mark proprietor under Article 5(1) should be protected.

The ECJ thought that use of the "Arsenal" sign by Mr Reed was sufficient to create the impression of a connection in trade between the goods and the trade mark proprietor. Although he displayed a sign disclaiming any connection between the goods and Arsenal FC, that did not dispel the impression of such a connection. The use of an "Arsenal" sign that was identical to Arsenal's registered trade mark was sufficient to affect the guarantee of trade origin. In the light of that connection, the mere fact that the sign was also perceived as a badge of support, loyalty or affiliation to the trade mark proprietor was immaterial.

5. The Times, 20 June 2002

6. First Council Directive 89/104/EEC, of 21 December 1998

The case will now be sent back to the High Court where the judge will be asked to apply the law according to the ECJ's interpretation. It is understood, however, that Mr Reed may allege that the ECJ exceeded its jurisdiction and made findings of fact on which the judgment was based. Whatever is decided in the High Court, further appeals are likely to follow.

Interestingly, with the benefit of Advocate-General Ruiz-Jarabo Colomer's opinion, the Court rejected the opportunity to adopt a more wide-ranging definition of a trade mark's function, which could include indications as to origin, provenance, quality or reputation. The Opinion had raised a certain amount of excited speculation amongst brand-owners that the ECJ might be prepared to acknowledge the economic reality behind the establishment of major brands.

Sahira Khwaja, London

Advent of the .eu domain

In compliance with a recent EU Regulation⁷, the new top level domain, .eu, is to be introduced shortly, enabling European individuals and companies to create a truly European identity on the Internet. Initially there will be a "sunrise period", during which intellectual property owners will be able to pre-register .eu domain names based on trade mark rights. Following this period, registrations will become available on a first come, first served, basis to citizens of the European Union and organisations established within the EU. Note that it will not be possible to register "Alpha 2" country codes, for example, one could not register a .uk.eu domain.

A domain name disputes procedure will be set up to tackle illegitimate registrations, particularly those that infringe prior existing intellectual property rights.

At this stage, the registry responsible for handling applications has not been chosen, nor has the date upon which registrations under .eu will commence been announced. We anticipate, however, despite many false starts over the last two years, that the new regime will be launched next summer, once the various procedural steps involved in administering the new domain have been finalised. We are monitoring developments closely and will keep you informed on progress.

If you are interested in registering under the .eu domain, Lovells' domain name registration, protection and management service, *Anchovy*, will be able to assist you. *Anchovy* is an Internet-based service to register, protect and manage Internet domain names. We work closely with clients on their global domain name strategy and can register their key brands in all available ccTLD jurisdictions worldwide. We can also assist with the varying pre-registration requirements, for example trade mark registrations, company formation and local contacts.

Through *Anchovy*, we can provide a complete domain name protection service, including investigations and recovery of domain names, whether by negotiation, Uniform Dispute Resolution Policy or litigation. We also handle domain name transfers, taking care of all necessary paperwork and technical issues relating to the re-delegation of domain name servers.

Clients can review the progress of registrations at any time, day or night. Centrally managed access is also available to Lovells offices around the world, and clients' domain name portfolios can be instantaneously reviewed at any time by designated Lovells lawyers. If you require further information on *Anchovy* please contact either Milan Chromecek (milan.chromecek@lovells.com) or David Taylor (dtd@lovells.com), or liaise with your usual contact at Lovells.

7. Regulation (EC) No 733/2002 of the European Parliament and of the Council of 22 April 2002 on the implementation of the .eu Top Level Domain

International developments

German Supreme Court prohibits individual's use of *shell.de* domain

In *Deutsche Shell GmbH vs Andreas Shell*, the German Federal Supreme Court has strengthened the position of well-known companies to defend their company names against their use by third parties as Internet domain names.

The plaintiff, founded in 1917, was a subsidiary of the world famous petrol company, Shell. It had registered two *SHELL* trade marks in Germany for, *inter alia*, fuels, marketing, data processing and educational services. The defendant was an individual with the surname *Shell*, who had acquired the domain from a third party. Initially, he operated a business website under the domain *shell.de*, where he advertised his translations and PR services. The website's layout was dominated by the colours red and yellow.

When *Deutsche Shell GmbH* became aware of the defendant's website, it sued him for (1) trade mark infringement (2) unfair competition and (3) violation of its name rights, seeking damages, an injunction preventing him from using the domain *shell.de* and requesting the transfer of the domain. In the course of the action, the defendant gave a binding undertaking not to operate a business website under the domain *shell.de* in the future, and he replaced the contents of the website with non-commercial information.

The defendant refused, however, to cease his private use of the domain. Since, from then on, he used the domain and the respective website for non-commercial purposes only, it became much more difficult for the plaintiff to justify its claim for an

injunction against him. The plaintiff's claims under trade mark law and competition law required that the defendant acted "in the course of business" and could therefore no longer serve as a basis for an injunction. The issue was therefore: could *Deutsche Shell*, based on the *name rights* arising from its well-known company name, enjoin the defendant from using the domain *shell.de* for private purposes?

The Federal Supreme Court finally granted *Deutsche Shell's* claim for an injunction against the defendant. The court held that its company name enjoyed protection under s 12 of the German Civil Code and that the defendant was violating these name rights by using the domain *shell.de*.

In its findings, the court pointed out that commercial enterprises like *Deutsche Shell* usually enjoyed protection for their company names only as far as their *business interests* were concerned, ie they could usually only proceed against third parties which violated the rights in a company name in the course of their business. The right in a company name could usually not be invoked, if the name was used in a purely private context. However, the court held, the situation was different with Internet domains, since a domain could only be registered for one person at a time. The defendant's registration of *shell.de* therefore excluded *Deutsche Shell GmbH* from using this domain. The Court found that this, of course, concerned the plaintiff's business interests, since most commercial enterprises had a strong interest in using their company names as Internet domain for their website. *Therefore, the registration of a domain using a company name did concern the business interests of the respective company.*

The Court then turned to the decisive issue: was the defendant *unlawfully usurping* the domain name *shell.de*? At the first glance this appeared a surprising proposition, since he was using his own

surname for the domain. The Court pointed out that in such cases, where two (or more) parties had the same surnames and/or company names, usually the principle of priority applied, meaning that the domain name belonged to the person who registered it first. However, in the present case, the Court made an exception, since the *plaintiff's interests in the domain clearly outweighed the defendant's interests*.

The Court held that the plaintiff's company name enjoyed an outstanding reputation and that Internet users - and presumably even the defendant's friends - expected to find the plaintiff's website at the domain *shell.de*. In fact the defendant had even admitted that, from 1996 to 1998, around 270,000 Internet users selected his domain *shell.de*, but only 1,800 of them made further inquiries on the website. From these figures the Court came to the conclusion that a substantial volume of *Internet users were misled by the defendant's use of shell.de*. In order to avoid such confusion, the Court found that the defendant was obliged to use a different domain name with *additional elements distinguishing his domain from the plaintiff's well-known company name*.

As to the further claims of the plaintiff, the Court also granted the plaintiff's claim for damages for the period when the defendant had used the domain *shell.de* for its commercial activities. The Court held that this use of the - misleading - domain name *diluted the plaintiff's well-known trade marks* and therefore constituted a clear-cut trade mark infringement.

The Court, however, dismissed the claim for the transfer of the domain. German law entitled the plaintiff only to seek cancellation of the domain, but the *defendant was not obliged to transfer the domain*. The plaintiff therefore had to file a "Wait-entry" with the German domain name agency, Denic, in order to obtain the domain, after the defendant's registration was cancelled.

Christian Stoll, Hamburg

Russia - third reading of landmark IP Bill

On 14 November, 2002, the State Duma passed the third reading of a landmark bill on intellectual property rights. The array of changes, which include legal definitions of what constitutes a counterfeit to provisions that require pirates to compensate trade mark owners and destroy counterfeit goods at their own expense, will add to the existing Law "On Trade Marks, Service Marks and Appellations of Origin." The recent reforms also outline new protections to reduce unfair competition and trade mark registrations made in bad faith, as well as detailing punishments for infringing the law. The Law is being brought into compliance with the Constitution, Civil and Criminal Codes of the Russian Federation, as well as international treaties and agreements with Russia.

The amendments must still be approved by the Federation Council and signed by the president. This however is usually considered a formality. If passed, the amendments will be crucial to Russia's war on piracy and its bid to join the WTO.

Marti Whelan, Moscow

Challenge to constitutionality of US copyright term extension

Eric Eldred, a cyber-publisher of out-of-copyright works, is challenging the constitutionality of the 1998 Copyright Term Extension Act in the US Supreme Court. Mr Eldred contends that Congress exceeded its authority when it extended the term of federal copyright protection from the author's life plus 50 years to the author's life plus 70 years.

Oral arguments began on 9 October. Nearly 40 other organisations have submitted "amicus curiae" briefs siding for or against the plaintiff, not least bodies like the Recording Industry Association of America whose members would suffer financially if

the suit were to succeed. An adverse ruling could also put the USA on a collision course with the European Union (where the 70 year term already exists), which might not offer reciprocal protection for US works.

The Supreme Court ruling is expected in the spring. The District Court and Court of Appeals have both ruled against the plaintiff.

Lindy Golding, London

Special focus

Comparison of the laws on parody in the United Kingdom, the Czech Republic, France, Hungary and Italy

United Kingdom

What one man views as a parody may be seen by another as a gross insult, or to put things another way, one man's meat is another man's poison. This article looks at the way intellectual property laws⁸ treat parody in a number of different jurisdictions. The New Shorter Oxford English Dictionary defines "parody as follows:

"n[oun] 1 A prose, verse, or (occas.) other artistic composition in which the characteristic themes and the style of a particular work, author, etc, are exaggerated or applied to an inappropriate subject, esp. for the purposes of ridicule; in mus[ic]. also, a composition that employs reworked material from another piece or passage, with serious intent. Also, the composition of parodies, parodies as a genre. 2 fig A poor or feeble imitation, a travesty."

Britain has a long-standing tradition of satire and parody and its law tends towards permitting it as an artform, provided the activities involved can genuinely be described as a parody. This may be one reason why there is a common misconception among the general public, and indeed the creative community, that if something is a parody, this is an

absolute defence to a claim for infringement of an intellectual property right. In fact, neither the common law nor statute provides a defence of parody per se. However, when a new work or thing is clearly presented as a parody of a work or name or as a fair comment on a person's affairs or business, English law generally operates so as to exclude the parody from the scope of infringement of the intellectual property or other right concerned at the outset - a defence (an exemption for something which would otherwise infringe) is not required because the thing itself does not amount to an infringement.

COPYRIGHT

Under the Copyright Designs and Patents Act 1988 (the "CDPA"), two acts of infringement are of particular relevance for the purpose of this article: copying or adapting a work or a substantial part of it without the permission of the copyright owner⁹.

By its nature a parodist can only have copied or adapted a part of the work, otherwise his product will simply amount to a complete reproduction. To ascertain whether there has been infringement, the court will have to ask whether the parodist has incorporated a substantial part of the independent skill and labour contributed by the original author in creating the copyright work. If so, he will have reproduced a substantial part of the work and thus infringed the copyright in it.

It might therefore seem that all parodies must infringe copyright. However, English case law shows that it is possible for a work to be a parody without infringing copyright even if it does (as it must) resemble the original. If a parody is to succeed, it will have to call the original work to the mind of the reader, audience, listener or viewer.

8. We do not consider the law relating to defamation here

9. See sections 16(1)(a) and (e) and section 16(3)(a) CDPA

Given that there are many cases in which parodies have been held not to infringe, it seems that this calling to mind is not itself enough to amount to a taking of a substantial part of the original work.

PASSING OFF AND MORAL RIGHTS

Assuming the parodist has created something which in its own right is an original literary, dramatic, musical or artistic work or a film or sound recording, it will be protected as such. You might expect that he can then show, use or publish the parody as he wishes. Again, this is wrong. Any copyright which has arisen merely permits the parodist to prevent others from infringing his rights. He does not have carte blanche to do as he wishes; other restraints may operate when a third party or his work is the inspiration for another work. In particular the way in which the parody is presented to its audience is crucial.

The *Alan Clark* case and the *Eddie Irvine* case discussed below are neat illustrations of this¹⁰. The former was a case involving a true parody of a literary work and the latter involved what the defendant clearly believed was likely to be regarded as humorous.

The Alan Clark case

Alan Clark was a well known, larger than life Member of Parliament in the 1980's and 1990's. He was a government minister under Margaret Thatcher, but is equally well known as a historian and diarist. His diaries were first published in 1993 and, as the judge in the case said:

"The character of the diaries is perhaps most pithily expressed in the quotation from a review printed on the back cover of the paperback edition of the diaries: 'His diaries are...malicious, lecherous and self-pitying, and they are enormous fun.'...His trade marks as revealed in the diaries would appear to be larger than life character unconstrained by normal standards and conventions of behaviour and a total lack of discretion"

The *Evening Standard* newspaper in London ran a series of articles parodying these diaries, entitled "Alan Clark's Secret Election Diary" and "Alan Clark's Secret Political Diary". The articles had a photograph of Mr Clark at the top, and a byline in much smaller print, containing the name of their real author (Peter Bradshaw), which indicated that the events described were imagined.

Mr Clark sued the newspaper for the common law tort of passing off and infringement of his moral right to prevent false attribution of authorship under s84 CDPA. Both claims succeeded.

As a preliminary point, the judge rejected the argument that the principle of freedom of expression in art 10 of the European Convention on Human Rights and Fundamental Freedoms 1950 conferred any sort of defence to the action. The issue was not whether the defendants had the right to publish parodies, but rather whether, in doing so, they had the right to attribute authorship of those parodies to Mr Clark.

Passing off is concerned with the protection of goodwill, which will plainly be damaged if words damaging to the plaintiff or his business are falsely attributed to him. In this case the judge held that the juxtaposition of heading and photograph would lead a substantial number of *Evening Standard* readers to believe that Mr Clark was the author of the articles and would not realise they were parodies. This was reinforced by the layout of the body of the articles themselves which imitated Mr Clark's format by including before each entry a statement of the place where the entry was made, in each case a location associated with Mr Clark. This was not countered by the byline or inclusion of Mr Bradshaw's name. Bearing in mind the fantastic and "wildly exaggerated" nature of the articles, this misrepresentation could harm Mr Clark and thus passing off was made out.

The judge emphasised that parody is not unlawful, provided that it is confined to a "momentary and inconsequential" deception. By contrast, an enduring deception may amount to passing off. In this case, he said "the vice... lay in the format of the articles".

10. *Clark v Associated Newspapers Ltd* [1998] 1 All ER 959
Irvine and another v Talksport Limited [2002] EWHC 367 (Ch)

In addressing the false attribution claim the judge noted that, unlike passing off, this moral rights provision does not require the claimant to be a professional author and thus to be capable of suffering a loss of goodwill, and is actionable per se. Moreover, the test of false attribution is not the same as for passing off: it must be shown that the attribution had only one meaning to reasonable readers and not merely that some readers might have been confused as to authorship. Any ambiguity as to authorship thus favours the defendant under this provision, but is sufficient to establish the claimant's case in passing off. Applying the legal principles to the facts was a matter of relative ease, the judge concluding that there had been an unequivocal false statement as to authorship, and this had not been negated by a clear and compelling statement to the contrary

The *Evening Standard* was permitted to continue publication of the parodies, provided that it made clear that Mr Bradshaw, rather than Mr Clark, was the author.

The Eddie Irvine case

Eddie Irvine is a well known driver on the Formula 1 racing circuit. The defendant, Talksport, was a radio station which had obtained the right to broadcast live coverage of the Formula 1 Grand Prix World Championship. In 1999, when Mr Irvine was at the height of his career, Talksport bought a photograph of him from a photographic agency as part of a promotional campaign designed to generate interest among potential advertisers. Talksport employed a marketing and communications agency to produce boxed packs to send to approximately 1,000 people thought to be responsible for placing advertisements. The photograph, which showed Mr Irvine holding a mobile phone, was to feature on the front cover of a brochure to be included in the pack. The agency manipulated the photo so as to replace the mobile phone with a portable radio which included the words "Talk Radio". Mr Irvine sued for passing off, seeking damages rather than an injunction because Talksport had already, at an earlier stage, agreed to stop distributing the brochures bearing the manipulated image.

Talksport said at trial that the manipulated image was "designed to amuse the target audience, who would have instantly realised from the photograph and its context that it had been manipulated."

The judge (Laddie J) held that in fact, rather than merely being amused, a significant number of recipients of the brochure would have assumed the Mr Irvine had endorsed Talk Radio. The law of passing off applied to such cases of false endorsement. Where a party (as here) had acquired a valuable reputation or goodwill, the law of passing off would protect him from unlicensed use by third parties where that use would damage the goodwill or reputation or diminish the exclusive right to use that goodwill or reputation. It was not necessary to show that Mr Irvine and Talksport shared a common field of activity or that sales of products or services would be diminished, either substantially or directly. On the facts, the judge ruled that the claimant had made out a case in passing off.

This case confirms that businesses should be careful not to assume that they will escape sanctions simply because their advertising or marketing campaigns are designed to be amusing.

REGISTERED TRADE MARKS

It is somewhat artificial to categorise any trade mark infringement case as a parody case. However the *Baywatch/Babewatch* case¹¹, decided soon after the Trade Marks Act 1994 ("TMA") implemented the Trade Marks Directive ("TMD") in the UK, might be regarded as similar to a parody.

In *Baywatch/Babewatch*, the High Court considered the ambit of the extensive protection provisions of the TMA and the TMD (s 10(3) TMA and Article 5(2) respectively) for trade marks with sufficient reputation in a member state of the EU, in this case the UK. At the time this was only the second decision on this provision.

The case concerned Baywatch, the well-known television series about the activities of lifeguards on a Californian beach, which was hugely successful in the

11. *Baywatch Production Co Ltd v The Home Video Channel* [1997] FSR 22.

US, whence it originated, and in the UK where it had been shown from 1992. It was supported by a thriving merchandising operation exploiting *Baywatch* trade marks in a number of classes. Apart from clothing and publications, there was a registration in class 9 for videos featuring music, action - adventure, comedy, animation, sports or exercise. However, there was no registration specifically covering broadcasting or the television series.

The defendants broadcast a late-night satellite/cable TV channel of "adult entertainment of an erotic nature". They acquired the right to broadcast a series of six programmes originally produced in the USA, under the title "Babewatch". The opening sequence of Babewatch was not dissimilar to that of Baywatch - actresses in red swimsuits running along a beach carrying red floats. However, the similarity ended there, as the Babewatch programme contained sexually explicit material, whilst Baywatch prides itself on being a "family programme with a strong moral theme". The claimants sought an injunction to prevent the programmes from being broadcast under the title Babewatch.

The judge held that there was no infringement under s 10(2) or Article 5(1)(b). In his view there was insufficient similarity between the registered *Baywatch* mark for videos and the name Babewatch as applied to a series of erotic TV programmes to give rise to a likelihood of confusion.

He also held that there was no infringement under s 10(3) TMA or Article 5(2)(b) TMD. This provision deals with the position when identical or similar marks are used in relation to goods or services which are not similar. The trade mark owner must show that "the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark."

At the time, this part of the judgment was regarded as having led to the right outcome but via erroneous reasoning. Subsequent observations on the issue by the ECJ¹² and by Advocate General Jacobs¹³ prove this to be the case. The judge held that a finding on likelihood of confusion as to origin was inherent in this provision and accordingly if there was no

likelihood of confusion in relation to similar goods then it would be illogical to give a wider protection when the goods were not similar.

Alastair Shaw, London

The Czech Republic

The concept of parody is not expressly dealt with in Czech law, although a number of provisions in the relevant Czech legal regulations could arguably apply. Essentially, parodies are regulated by judge-made law, rather than legal regulations.

COPYRIGHT

Under the Czech Copyright Act No 121/2000, restrictions on copyright are allowed only in special cases stipulated in the Act. These limitations may not be interpreted in a way which would affect the usual exercise of copyright or which would be unjustifiably detrimental to the author's legitimate interests. Commentators on the Copyright Act argue that the Czech Republic will, when it joins the European Union, have to introduce new laws to bring its copyright law in this area in line with the Copyright Directive (referred to above).

As far as we know, no Czech court has ruled on parody in relation to the Copyright Act.

TRADE MARKS

According to the Czech Trade Mark Act No 135/1995 (as amended) the owner of a trade mark must allow a third party to use in the course of trade his forename, surname, pseudonym, title or trade name, residential address, or particulars concerning the kind, quality, quantity, purpose, value, geographical origin, time of production of goods or rendering of services or other characteristics of the goods or services, even if those data are identical with or confusingly similar to the

12. Case C-251/95 *SABEL v Puma* [1997] E.C.R. I-6191, at paragraphs 20 and 21

13. Case C-375/97 *General Motors Corporation v Yplon SA* [1999] E.C.R. I-5421, para 26 of opinion.

trade mark or form a part of it, provided that those data are used in accordance with established practices in trade and the rules of fair competition.

In view of the general overview of the applicable Czech law we could conclude that parody is indirectly allowed in the Czech Republic provided, of course, that it lies within the permitted legal framework and does not cause any unjustified interference in personal rights and/or personal dignity or reputation of individuals in society and/or does not interfere unjustifiably and harmfully with the good reputation of a legal entity.

Oldrich Trojan, Prague

France

Nowadays, the concept of parody is frequently raised in infringement actions in France by the defendant as an exception to the rights of the copyright or trade mark owner.

COPYRIGHT

As far as copyright is concerned, an exception in relation to parody, which is based on the principle of freedom of speech, has been accepted by French courts for a very long time. It is also expressly provided by Article L.122-5 of the French Intellectual Property Code ("IPC"), which provides that "once a work has been disclosed, the author may not prohibit ... parody, pastiche and caricature in accordance with the rules of the genre".

Consequently, it is possible in France for anyone to parody the work of an author, provided it does not exceed the ambit of the work. Particularly, the parody would not be lawful (unless it was humorous), if it denigrated the original work or created a risk of confusion with it. On 5 July 2002, the Paris Court of First Instance ruled that the exception of parody could not be invoked by the owner of an Internet website parodying a well known French tabloid ("Gala") since it was possible for the public to be misled into thinking that this website was the official site of the magazine.

TRADE MARKS

As far as trade mark rights are concerned, the exception of parody is still a matter of debate. Indeed, the IPC contains no provisions similar to Article L.122-5. Traditionally French courts have held that the exception does not apply to trade mark law, as borne out when the Paris Court of First Instance ruled on 21 March 2000, in a case where the defendant had reproduced on its own website a parody of the RATP's (Paris City Public Transportation Authority) website and trade marks, *"that no provision of the Intellectual Property Code governing trade mark provides for this exception; that the transposition of Article L. 122-5 of the same code in trade mark law clashes with the differing natures of copyright law and trade mark law, the latter essentially being to accompany a product or a service intended to be sold and thus possessing an intrinsic commercial value likely to be undermined by any unlawful use"*.

However, according to a more recent decision, the exception of parody appears to be allowed in relation to trade marks, provided, that the parody was not made for commercial purposes and does not overstep the limits of parody by undermining the image of the trade mark parodied. Likewise, the Paris Court of Appeal ruled on 7 May 1997 that the presentation to the public of posters reproducing a packet of Marlboro-brand cigarettes with a large tar stain pouring out from it, with the aim of discrediting the product and slowing down its sales, constituted an attack on the protection of the trade mark.

Nevertheless, debate in this area continues, as shown by the French courts' reluctance to sanction the exception of parody this summer in two summary proceedings involving Greenpeace France.

In the first case, on 8 July 2002, Greenpeace France was found liable for trade mark infringement by the President of the Paris Court of First Instance for having launched on its Internet site a scathing attack against the Esso company's activities, in particular for having reproduced its logo as "E\$\$O".

In the second case, CEA (formerly Cogema, Framatome...) accused Greenpeace France of reproducing its trade mark "A" (used for Areva) in a

stylised version with a skull on its Internet site. By an order dated 2 August 2002, the President of the Paris Court of First Instance (a different judge from that in the Esso case) ruled that CEA's claim had no reasonable chance of success and refused to allow the claim to go forward. The Paris Court of First Instance now has to decide the case on its merits.

There is no doubt that the future two decisions of the Paris Court of First Instance in these matters will be very instructive to determine whether parody should nowadays really be considered as an exception to trade mark law in France.

To be continued!

Olivier Banchereau, Paris

Hungary

Hungarian law does not have specific rules about parodies. However, in Act LXXVI of 1999 on copyright (the "Copyright Act") and in Act XI of 1997 on the protection of trade marks and geographical indications (the "Trade Mark Act"), there are provisions which would apply to parodies.

COPYRIGHT AND MORAL RIGHTS

According to the Copyright Act, copyright will belong to the person who has created the work (the author) subject to certain exceptions. The work will enjoy copyright protection based on its individual, original nature, originating from the intellectual activity of the author. All the author's rights - moral and other - will belong to him from the moment the work is created.

Under the author's moral rights, the author decides whether his work may be made public. He has the right to have an indication on his work or in the communication of his work - subject to the scope and nature of the communication - referring to him as author. The main reason therefore why (unauthorised) parody of a copyright work is prohibited in Hungary is because the distortion, mutilation or other alteration of the author's work

which prejudices his honour or reputation will be taken to infringe his moral rights.

Under copyright protection, the author has the exclusive right to use his work in any tangible or intangible form and to grant licences for any use of his work. Unless otherwise provided by the Copyright Act, authorisation may be obtained for the use of the work by a licensing agreement. A use shall be deemed unlawful if no authorisation has been given, either by law or by the author contractually, or if the user makes use of the work beyond the limitations of his authorisation. Unless otherwise provided by the Copyright Act, the user is obliged to inform the author or his successor in title or the organisation performing the collective administration of rights on the manner and scope of the use. Uses of the work will include in particular the alteration of work. The author has the exclusive right to alter his work or to authorise another person to do so. The alteration of the work as a result of which another work is derived from the original one is considered an alteration.

TRADE MARKS

The Trade Mark Act does not explicitly prohibit parody, except done in the course of trade. Trade mark protection gives the proprietor of the trade mark the exclusive right to use the trade mark. On the basis of this exclusive right, he is entitled to prevent any person not having his consent, from using in the course of trade (a) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services, there exists a likelihood of confusion on the part of the public; or (b) any sign which is identical with, or similar to, the trade mark in relation to goods and services which are not identical with, or not similar to those for which the trade mark is registered, provided that the trade mark has a reputation in the country and the use of the sign would take unfair advantage of, or would be detrimental to, the distinctive character or the repute of the trade mark.

In the case of trade mark or copyright infringement the proprietor may, according to the circumstances of the case, have recourse to the following civil remedies:

- (a) request a declaration of infringement from the court;
- (b) request an injunction that the infringer cease his infringement;
- (c) demand satisfaction from the infringer by way of a declaration or other appropriate means; if necessary, the declaration shall be made public by the infringer or at his expense;
- (d) in the case of trade mark infringement, require reimbursement of the enrichment obtained by infringement of the trade mark;
- (e) the proprietor may also claim damages under the rules of civil liability, and
- (f) in the case of copyright infringement, termination of the injurious situation and the restoration on the part and at the cost of the infringer of the status quo as it existed prior to the infringement, as well as the destruction of the infringing material or means of creating it.

Dr. László Partos, Budapest

Italy

The first "victim" of parody in Italy was the famous writer Gabriele d'Annunzio. When, in 1904, his tragedy "La figlia di Iorio" was parodied by comedy author Eduardo Scarpetta, Gabriele d'Annunzio filed suit and...lost the case.

Even now, Italian courts do not treat parody as a copyright infringement but, rather as a completely new work. If the amount of effort and skill which the parodist put into his work is so great that the parody can be regarded as an original work, the parody is eligible for copyright protection of its own.

In rejecting claims against parodists, Italian courts have constantly ruled that the fact that the original work and its parody are aimed at different audiences and fulfil different aesthetic functions excludes the possibility of parody being stigmatised as a copyright infringement.

According to case law, parody does not even infringe the moral rights of the original work's author. In this

respect, it has been held that parody, having a different intellectual and ideological gist, cannot be treated as an adaptation of the original work (to which, under Article 20 of the Italian Copyright Act, an author can object if it infringes his moral rights). Quite surprisingly in a country where "morality" has often influenced courts' decisions, this principle has also been applied to cases where the parody consisted of the "pornographic" imitation of the original work.

The only reported decision ruling that parody is unlawful (but not under the Copyright Act) was given by the Italian Committee of Advertising Practice (*Giuri di Autodisciplina Pubblicitaria*) in a case where a TV advert was presented as a parody of TV news. In this specific case, the Committee ruled that the parody amounted to misleading advertising in that it deceptively conveyed a message of "neutrality" (characteristic of TV news but not of advertising).

Francesca Rolla & Erika Mazzitelli,
Milan

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