

Newsletter
February 2002

Intellectual property

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Lovells' intellectual property services 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 property specialists 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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Copyright and designs

The Community Design - new pan-European protection for designs¹

On 12 December 2001 the Council of the European Union adopted a Regulation on Community Designs². The Regulation comes into force 60 days from its publication in the Official Journal, that is on 6 March 2002. It will introduce two new design rights into the laws of the Member States, namely the Unregistered Community Design and the Registered Community Design. Each of these rights is a single, unitary right with effect throughout the European Union. They provide a new, one stop route for businesses to protect their designs throughout the European Union in a convenient and cost-effective way.

The **Unregistered Community Design Right** applies automatically - and without the need for any formalities - to qualifying designs (that is those that are new and have individual character) made available to the public after 6th March 2002. It lasts for three years from the design first being made available to the public anywhere in the world, provided that it could reasonably have come to the attention of the relevant circles in the EU. It provides protection against counterfeiting and other infringing copying throughout the European Union without any formality or registration costs involved. This is a rather strong right although the defence of parallel creation exists. It should be noted that only such designs are protected that are made available to the public **after** the CD Regulation comes into force; existing designs will therefore not enjoy protection as Community Design rights.

The **Registered Community Design Right** will be available for qualifying designs by application to the Office for Harmonisation in the Internal Market (OHIM) in Alicante³. OHIM expects to be ready to receive the first applications in early 2003. This depends on the finalisation and adoption of the corresponding Implementing and Fee Regulations. The first draft of the Implementing Regulation is already being discussed within the Commission and its adoption is expected for June 2002. The registered right may last 25 years, subject to payment of five-yearly renewal fees. It is a monopoly right and may be infringed even if there has been no copying.

The type of designs which are protected and the conditions for protection are largely the same for the registered and unregistered right. A design which qualifies for the unregistered right should also be capable of registration, provided that the application for registration is made within 12 months from the first non-confidential disclosure anywhere in the world. Businesses may choose to test-market or launch a product relying on the unregistered design right, deferring the decision to register until they know how successful the product is likely to be.

The provisions relating to Community design rights mirror very closely the provisions for the UK registered design rights as recently amended following an EU harmonising Directive⁴. In most cases businesses will be able to choose whether to apply to register separate national rights or to register a Community right - they could even do both if so minded⁵.

¹ Further more in-depth information will be made available shortly in a special client leaflet on the Community Design.
² Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs.

³ This is the same office which registers Community Trade Marks.

⁴ Council Directive 98/71/EC of 13 October 1998 on the legal protection of designs implemented into UK law by the Registered Designs Regulations 2001.

⁵ British businesses should be aware that there are very significant differences between the UK unregistered design right and the Community unregistered design right. For example, the UK unregistered design protects only the shape and configuration of three-dimensional articles, not surface decoration.

Key points in relation to the new rights are:

- they give uniform protection throughout the European Union
- they are in addition to national rights protecting designs - for example, UK registered and unregistered design rights and copyright are not affected
- they protect the appearance of the whole or part of a product, including contour, shape, colour, pattern and ornamentation. "Product" is widely defined and not limited to three-dimensional articles - for example packaging and graphic symbols are regarded as products in themselves
- the rights are not limited to products which are industrially produced - for example, hand-made luxury goods and haute couture fashion can also benefit
- designs dictated solely by the product's technical function are excluded - it is as yet unclear how the courts will interpret this exclusion
- the rights may be infringed by unauthorised use of the design on any type of product - for example, a design originally intended for a teapot may be infringed by use on a mobile phone, or a car shape by use on a key ring
- spare parts such as car body parts may be protected and registered but are subject to limitations on enforcement aimed at protecting the spare parts industry
- pan-European injunctions and other pan-European remedies are available.

Lovells has a well-established office in Alicante which advises on and handles Community Trade Mark filing and prosecution and will do the same for Community Designs. Lovells client notes on both the Community Design and on the new UK Registered designs are available.

Verena von Bomhard, Lovells Alicante;
Astrid Arnold, Lovells London

Bill to rationalise trade mark and copyright penalties

The Copyright, Designs and Patents Act 1988 carries a maximum sentence of two years' imprisonment for criminal offences relating to copyright. However, by the time the "new" Trade Marks Act was being debated six years later, it had become apparent that copyright and trade mark piracy were often linked to organised, international, crime, particularly drug trafficking. As a result, the 1994 Act carries a potential ten years' imprisonment for equivalent trade marks offences.

To deal with the discrepancy, the Copyright, etc, and Trade Marks (Offences and Enforcement) Bill was introduced towards the end of last year. It is designed to reconcile the two laws in favour of one ten year maximum sentence for copyright and trade mark offences. The Bill also seeks to widen and harmonise police powers on search and seizure and to clarify the position where illegal material is seized during investigations. However, it does not make any changes to the scope of the criminal offences themselves. The type of behaviour which can give rise to an offence remains the same.

Whilst the Bill is not a Government Bill, its proposals have all party support and are backed by industry and consumers. It is currently being debated in committee and we will report on its progress.

Caroline Clarke-Jervoise

Kabushi Kaisha Sony
Computer Entertainment Inc
and others v Edmunds (t/a
Channel Technology),
Chancery Division, Jacob J,
23 January 2002

The claimants were the manufacturers of the Playstation 2 ("PS2") on which computer games could be played by inserting a CD or DVD. Embedded in each CD and DVD was a code which

was recognised by the games console when the game was loaded. The codes operated to prevent copies of games being played.

The third defendant and two others imported a computer chip from Russia called "the messiah" which could be inserted into a PS2 to bypass the embedded codes allowing copy games to be played.

The claimants applied for summary judgement for breach of section 296 of the Copyright, Designs and Patents Act 1988. Section 296(2) gives a person issuing copies of a copyright work to the public the same rights as the copyright owner to pursue an infringer knowingly making, importing or selling a device specifically designed or adapted to circumvent copy-protection. Section 296(4) defines copyright-protection as "any device or means intended to prevent or restrict copying of a work or to impair the quality of copies made". It was common ground that the claimants' codes fell within this definition.

The third defendant claimed that the messiah had several uses, only one of which was to assist copyright infringement. The third defendant claimed that section 296(2) confined the claimants' rights to devices which could **only** be used for copyright infringement and therefore that the messiah did not fall within the section.

The court disagreed with the third defendant and granted the claimants summary judgement. It did not matter that there were other uses for the messiah which did not involve copyright infringement so long as one of its uses was for copyright infringement. The messiah fell within section 296(2)(a) because it had been "specifically designed or adapted to circumvent the form of copy-protection employed". The court also said that once it was conceded that the codes were "devices or means intended to prevent or restrict copying of a work" within section 296(4), it followed that the messiah was designed to circumvent those codes. Once use was established it was clear that the messiah was likely to be used on a considerable scale for circumventing the codes.

Elizabeth Newman/Lindy Golding

Trade marks

McDonald's fails to stop McChina trade mark registration

McDonald's Corporation, the fast food giant, recently failed⁶ in its attempt to oppose registration of "McChina" as a trade mark for food and restaurant services.

The applicant, Frank Yuen, was a Chinese man living in the UK, who owned four Chinese takeaway restaurants. McDonald's, which had registered a number of McDonald's marks in the UK and elsewhere for the same goods and associated services, opposed the application, arguing that the two marks would be confused.

Neuberger J disagreed. He held, *inter alia*, that there was no real likelihood of confusion amongst a significant, let alone substantial, number of people in the light of the difference between the applicant's proposed mark and the opponent's registered marks. The judge was not sympathetic to what he saw as McDonald's attempt to "virtually seek to monopolise all names and words with the prefix "Mc" or "Mac".

This decision is quite a setback for McDonald's, which recently successfully opposed registration of "McIndian's". To avoid the possibility of chains of "McJapanese" and "McItalian's" springing up, the company is likely to appeal against the decision.

Caroline Clarke-Jervoise

Criminal Offences under the Trade Marks Act 1994

In a very recent case⁷, the Court of Appeal ruled on the interpretation of sections 92(1)(a) and (b) Trade Marks Act 1994 (the "Act"). These make it a criminal offence to apply a registered trade mark or a sign similar to it to goods or their packaging (or to sell or deal in such goods) without the trade mark owner's consent, with a view either to gain for oneself/others or loss to another. The section was intended to deal with the classic counterfeiting case.

The defendants had appealed against their convictions under sections 92(1)(a) and (b). The court had to consider whether: (i) it was a defence to a criminal charge under section 92 that the defendant's acts would not amount to an infringement of the trade mark in the civil court; (ii) section 92 was compatible with the EC Trade Marks Harmonisation Directive⁸.

The Court of Appeal held that a criminal offence under section 92 could only be committed where there was a civil infringement of a trade mark. To rule otherwise would mean that the defendant would face an unfair burden, as he would have to show that he had reasonable grounds for believing that what he had done was not a civil infringement, whilst the prosecution would only have to prove that the use of the trade mark was unauthorised and fell within section 92 of the Act. The civil defences available against an allegation of infringement of the trade mark would not apply in every case, but it would be for the defendant to raise a defence under sections 10, 11 and 12 of the Act and then for the Crown to disprove it.

⁶ Unreported, 27 November 2001.

⁷ *R v Johnstone*, unreported, 31 January 2002.

⁸ Council Directive 89/104/EEC.

Furthermore, the Court thought that Parliament could never have intended that behaviour which would not found a civil claim would be sufficient to amount to a crime. Given that the Act did allow a defendant to rely upon a civil defence, it would not be incompatible with the EC Trade Marks Directive.

The Court also ruled that, as the validity of a registered trade mark may not be tried in criminal proceedings, then if the defendant, in raising his civil defence, wished to challenge validity of the mark in his defence statement, the court might have to adjourn the proceedings in order to allow the question of validity to be settled by the civil courts. However the court cautioned against a defendant using this as a means to delay the prosecution of the criminal action. The criminal court would retain the discretion to refuse an adjournment where the defendant's decision to raise the validity of the trade mark was late, slow or frivolous.

Sahira Khwaja

How has "Baby Dry" been applied by the UK courts?

Article 7(1)(c) of the Community Trade Mark Regulation⁹ (mirrored by section 3(1)(c) Trade Marks Act 1994) precludes registration of trade marks which "consist exclusively of signs or indications which may serve in trade to designate the kind, quality, quantity ... etc of the goods/services". In the *BABY-DRY*¹⁰ decision (see our previous issue) the European Court of Justice made clear that only a sign which consists **exclusively** of a descriptive element would be refused on this ground. This article examines the way in which the UK courts have applied this decision.

CYCLING IS...

The applicant applied to register *Cycling IS...* in relation to clothing, footwear, headgear and advertising relating to the cycling industry. Geoffrey Hobbs QC, sitting as the Appointed Person, thought that the sign was not syntactically unusual. It had descriptive power but the description was unfinished.

Mr Hobbs said that the two *Cycling IS...* signs were

"visually and linguistically meaningful in a way which is more likely than not to relate the goods and services to the activity of cycling without also serving to identify trade origin in the minds of the relevant class of persons".

The presence of inverted commas, capital letters and ellipsis accentuated rather than subordinated the linguistic content of the signs. When read by the average consumer of the specified goods and services, the perceptions triggered would be origin-neutral rather than origin-specific. He held that the sign as a whole was **not solely descriptive** of the goods to be registered. He nevertheless went on to find that the sign was devoid of distinctive character and therefore unregistrable under section 3(1)(b) of the Act.

"CIGAR"

An application to register the trade mark *CIGAR* in relation to "chocolate, biscuits, wafers, cookies and confectionery" had been refused under section 3(1)(c) of the Act. In the light of the decision in *BABY-DRY*, the applicants appealed, arguing that their mark was not entirely descriptive, but rather was distinctive "and indeed fanciful" when applied to the goods in question which had "nothing to do with tobacco or smoking".

The Appointed Person (Professor Ruth Annand) noted that the approach in *BABY-DRY* had not been followed by the hearing officer. The correct approach was whether *CIGAR* could serve in normal usage from a consumer's point of view to designate either directly or by reference to one of their essential characteristics goods in respect of which registration was sought.

Professor Annand concluded that, because the goods in question had nothing to do with smoking or tobacco, the *CIGAR* mark was fanciful and possessed of sufficient individuality to indicate the applicants' goods (regardless of whether it was applied to cigar-shaped chocolate). It was neither exclusively descriptive nor devoid of distinctive character, and therefore qualified for registration.

⁹ Council Regulation (EC) 40/94.

¹⁰ *Procter & Gamble v OHIM*, The Times, 3 October 2001.

It is useful to compare these cases with the following case:

"BAGS OF STYLE"

The applicants sought to register *BAGS OF STYLE* for soap, shampoo, shaving foam and other toiletries, scissors, combs, brushes and similar goods. During the proceedings, the goods were described as "grooming products". The hearing officer refused registration under sections 3(1)(b) and (c) and the applicants appealed.

Dismissing the appeal and applying *BABY-DRY*, the Appointed Person (Simon Thorley QC) stated that the question for him to decide was whether the combination of words "*BAGS OF STYLE*" would be "viewed as a normal way of referring to an essential characteristic" of grooming products. The expression "bags of style" was, Mr Thorley concluded, a phrase which had entered the vernacular and which could commend the quality of the goods and the person using them. Accordingly, the sign designated various characteristics of the goods as well as their intended purpose and should be refused registration.

Whilst one can understand how the sign *BAGS OF STYLE* might designate the intended purpose of grooming products, it is hard to comprehend how the sign describes the products themselves.

Nicola Dagg

CFI rejects torch shape mark applications

In *Mag Instrument Inc v OHIM*¹¹, the applicant made five applications for three-dimensional Community Trade Marks ("CTMs") to protect the shape of their "Maglite" torches. These were refused by the examiner and Board of Appeal on the ground that they were devoid of any distinctive character.

Mag appealed and put forward evidence, which it claimed had been disregarded by the Board of Appeal, to show that the marks had distinctive character. This included a design expert's report,

various references to the torches in design articles and evidence of the decisions of other national courts, including the UK, where the "Mini Maglite" torch had been held to be distinctive.

The Court of First Instance of the European Court of Justice confirmed that, under Article 7(1)(b), in order to overcome the absolute ground for refusal, it was sufficient to demonstrate that the mark possessed a minimum degree of distinctiveness. In assessing this distinctiveness, one must consider the effect of the shape on the average consumer, who should be reasonably well informed, observant and circumspect. Looking at the applications in question, the court found that the cylindrical shape was commonly used by other torch manufacturers and would not link the product to a specific commercial source but would give the consumer an indication as to the nature of the product.

The Court clarified that the CTM regime was an autonomous system with its own rules and objectives which applied independently of any national system. Consequently, neither OHIM nor the Community Courts were bound by decisions adopted in any Member State or other country, which had found the sign registrable as a trade mark.

Alicia Turner

"Mine's a Bud!"

Once again, Anheuser-Busch Inc ("AB"), the US brewer, and Budejovicky Budvar Narodni Podnik ("BB"), the Czech brewing company, have been in court.

Both brewers sell beers in the UK under the trade mark "Budweiser", which tends to be abbreviated by the public as "Bud". The two have been at loggerheads for years over use of the mark.

Simon Thorley QC, sitting as a deputy High Court judge, ruled¹² on two appeals by AB against decisions by the Trade Marks Registrar rejecting its application to revoke BB's trade marks under section 46(1)(b) Trade Marks Act 1994 on the grounds of non-use. Both appeals raised a question on the

¹¹ Case T-88/00, unreported, 7 February 2002.

¹² Unreported, 3 December 2001

correct approach when considering section 46(2) of the Act, which provides that a trade mark cannot be revoked for non-use if the variation in which it has been used differs in elements which do not alter its distinctive character.

At the first appeal, the hearing officer had, in deciding whether the mark should have been registered, considered the average consumer's reaction to it to divine its central message. The court held that this approach was incorrect and that, in seeking to apply section 46(2), it was necessary to determine what was the distinctive character of the mark in question and which were the elements that combined to contribute to that distinctive character. Having done so, the court should enquire whether any alterations to those elements were material enough to alter its overall distinctive character.

After identifying the various elements of the mark that contributed to that distinctive character, the court held that the actual use had omitted two of these elements, so the mark had in fact been used in a form whose elements differed from those used in the registration, which did alter its distinctive character. Accordingly, section 46(2) did not apply and the registration should be revoked.

In the second appeal, the Hearing Officer had decided that three questions should be considered to decide whether use of the term "Bud" on promotional beer mats amounted to "genuine use" of the mark by the registered proprietor within the meaning of section 46(1)(a). The format used on the beer mat was "Bud ... Budweis ... Budweiser". The three questions were:

- (1) Is the use of "Bud ... Budweis ... Budweiser" use of the three marks or one composite mark?
- (2) If it is use of "Bud", is it use in relation to beers?
- (3) If it is use in relation to beers, is the nature and scale of the use sufficient to constitute "genuine use" of the registered mark?

The court agreed with the formulation of the questions but thought that the wrong approach had been taken in answering them. Instead of considering use of "Bud" on beer mats in

conjunction with other uses of "Bud", the use of the mark as registered should have been considered on its own before being considered in the alternative. As such, the court considered that the word "Bud" had been used in its own right and in relation to beers. The fact that there was no product named "Bud" was irrelevant as many products are referred in the diminutive.

The court also disagreed with the Hearing Officer's assessment that use on beer mats did not amount to "genuine use" because it was not use on the actual product. The Act makes no distinction between different types of usage and such usage need not demonstrate a trade in beers under that mark. The real question was whether usage was genuine and in relation to the goods for which the mark was registered. The court concluded that it was, albeit on a comparatively small scale compared with the amount of beer sold. Accordingly, it refused the appeal and allowed the registration to stand. It was unnecessary to consider section 46(2) of the Act.

Sahira Khwaja

ESB beer mark partially revoked

In *West (t/a Eastenders) v Fuller Smith & Turner Plc*¹³, the claimant marketed a pilsner beer under the name "ESP" (Eastenders Strong Pils). The defendant produced its own bitter beer under the name "ESB" (Extra Special Bitter). The claimant applied to revoke the defendant's UK trade mark ESB, registered in respect of beers, on the basis that it was devoid of distinctive character and merely served to designate the kind or quality of the goods in question.

The court held that the average consumer who saw the mark ESB used in relation to beer would not take it as consisting exclusively of an indication of the kind or quality of the beer, even if they knew what the letters stood for. There was no evidence that the initials ESB were a sign or indication customary in the current language or established practices of the trade, or that the mark was otherwise devoid of distinctive character. The court clarified that the words "devoid of any" and

¹³ Unreported, 25 January 2002.

"exclusively" in sections 3(1)(b), (c) and (d) Trade Marks Act 1994 were to be given a literal interpretation and were not intended to exclude marks which are merely indirectly descriptive.

In any event, the court agreed with the claimant's submission that bitter and lager were commercially different products. As the defendant could only establish use in relation to bitter, the court proposed to revoke the mark except insofar as it extended to bitter.

Alicia Turner

Patents

Where now on the Community Patent?

Plans to introduce a Community Patent look uncertain, after recent negotiations failed to produce agreement between EU Member States on issues of jurisdiction, the role of national patent offices and the language regime.

WHAT IS THE COMMUNITY PATENT?

The Community Patent is aimed at providing:

1. Equal protection in all 15 member states of the EU: it can only be granted, declared invalid, lapse, etc, across the Community as a whole;
2. A centralised tribunal for infringement and validity disputes at first and second instance; and
3. Less need of translation.

The Community Patent system would co-exist with the current national and European (EPC) patent systems. Currently, when a European patent is granted, it becomes a bundle of national patents for the states designated in the application. Each European patent must be translated into each language of the contracting states in which protection is sought. It is estimated that, on average, translation costs amount to 11,500 euros per patent and contribute to 38% of the total cost of application.

Presently, any disputed European patent could in principle, be dealt with by the national courts in each contracting state. A Community Patent subject to a centralised dispute tribunal would reduce litigation costs and provide more legal certainty.

A HISTORY OF PROBLEMS

The European Commission released its plan for the new patent in August 2000. The original features were that:

1. The application would be in English only;
2. A separate set of laws would govern the Community Patent and a centralised court would preside over disputes; and
3. The application would have a single examination process.

Initial objections to the "English only" rule came from France and resulted in a compromise whereby applications could be in English, French or German. However, the Italian and Spanish governments objected to any expansion of languages which did not include their own.

In late November 2001 a conference of the Internal Market Council of Ministers failed to provide agreement on an appropriate language regime or on the issues of centralised jurisdiction and the role of national patent offices. A further conference of Ministers took place in Brussels on 20 December 2001 but the problems were not resolved. Belgium offered a compromise proposal whereby:

1. Any Community Patent application in an EU language other than English, French or German, would be translated into an EPO language (English, French or German);
2. When submitting the application, the applicant would decide which of the three EPO languages should be used to issue the patent;

3. An "enhanced" abstract would be published in all of the EU official languages;
4. The applicant could request the national patent offices to carry out searches; and
5. A centralised first instance court would operate with existing national courts being used where objective criteria justified it.

WHERE NOW?

The Community Patent is due to be discussed again in Barcelona in March 2002. Goran Persson, the Prime Minister of Sweden, recently emphasised the importance of coming to an agreement in Spain and suggested that member states opposing a three language based patent remain with their current procedures and allow the others to proceed.

It remains to be seen how the future of Community Patent will develop, particularly when Spain takes over the chair of EU meetings this month.

Nicola Dagg

Can Comptroller continue revocation action alone?

In *R (on the application of Ash & Lacy Building Products Ltd) v Comptroller General of Patents*¹⁴, Laddie J had to decide whether the Comptroller of Patents had jurisdiction to continue a patent revocation action in the public interest, when the claimant in the proceedings had decided to withdraw the action following settlement of the dispute.

The deputy director of the Patent Office, acting on behalf of the Comptroller, had decided not to continue the proceedings in the public interest. However, the construction he had placed on claim 1 of the patent was very different to that advanced by the applicant in the revocation proceedings. The applicant therefore sought a ruling that the Comptroller had no jurisdiction to continue to act *ex officio* once the revocation action had been withdrawn.

Laddie J held that the Comptroller did have the necessary jurisdiction. The applicant had been notified that the investigation of the patent would continue and had not objected at the time. The Comptroller had had to construe the patent claims in order to determine whether or not there was a *prima facie* case that established that the patent lacked novelty. The deputy director had duly construed the claims and thereby determined that the proceedings should be abandoned.

Graham Burnett-Hall

Confidentiality of documents used in evidence

In *Lilly Icos Ltd v Pfizer Ltd*¹⁵, the Court of Appeal gave guidance on the circumstances in which the Court will allow confidentiality in a document to be maintained, notwithstanding that it had been referred to in open court.

In the course of proceedings by Lilly Icos to revoke Pfizer's patent, Pfizer disclosed various documents, including a schedule setting out its monthly advertising expenditure on the product made to the patent. These documents were treated as confidential during the proceedings. However, under rule 31.22 of the Civil Procedure Rules, once a document has been read to or by the court or referred to at a hearing held in public, the other party is free to use it for purposes other than the proceedings themselves (for example, to pass it to a third party). Pfizer wanted to maintain confidentiality in (*inter alia*) the advertising schedule, once the proceedings were over and therefore applied to the Court for an order to disapply rule 31.22. Lilly Icos did not oppose Pfizer's application but the court took it upon itself to reject the application and Pfizer appealed.

The Court of Appeal stressed the age-old principle that justice should be done in public, and to enable the public to understand a case, it was necessary for the public to have access to documents referred to in the case. The Court acknowledged that,

¹⁴ Unreported, 1 February 2002.

¹⁵ Unreported, 23 January 2002.

increasingly, evidence and arguments were presented in writing rather than orally in open court and judges often pre-read documents rather than being taken through them at trial. The principle of open justice would be substantially frustrated if the rule regarding the use of documents was literally restricted to what had physically happened in open court.

The Court of Appeal took the view that very good reasons are required to depart from the normal rule of publicity. The court requires specific reasons why a party would be damaged by the publication of a document. Patent litigation is subject to these general rules but also raises particular considerations because of the high public importance of patent litigation. This means that the public must be properly informed but also that parties should not feel constrained to hold back from exploring potentially relevant issues through legitimate fears of the effect of publicity.

In relation to the advertising schedule, the Court of Appeal noted that it had been referred to in open court (having been mentioned in a witness statement), but only in passing. It had not formed part of either parties' submissions and no-one sitting in court would have needed to see it to understand the issues in the case. For this reason the Court of Appeal decided it was not inappropriate to maintain confidentiality in the advertising schedule.

This decision makes very clear that the court is prepared of its own motion to remove the confidentiality in documents, irrespective of the parties' wishes, in the interests of open justice.

Diane Hamer

Miscellaneous

More consultation on R & D tax credit for large companies

On 4 December 2001, the Inland Revenue published a further Consultative Note: "Designs for Innovation". This is a further step in the consultative process expected to lead to provision in the 2002 Finance Bill for a new tax credit for expenditure on R&D by large companies. A credit regime for smaller companies was introduced in 2000.

While generally welcomed by the business community, the scale of the proposed tax credit (which for smaller companies confers a credit for 150% of qualifying expenditure) remains unclear. Following lobbying, the Revenue has announced that the credit will apply to all qualifying expenditure, not merely incremental expenditure, but has invited further consultation on three variants of a volume-based credit:

- a simple, volume-based credit rewarding equally all qualifying R&D expenditure
- a two-tier scheme, providing a higher rate of credit for R&D expenditure below a fixed threshold, and a lower rate for spending above it, targeted at the majority of companies which spend lower than the threshold on R&D; and
- a "baseline" volume scheme, conferring a tax credit for R&D expenditure above a baseline fixed for specific companies by reference to their historic R&D costs.

The note also summaries the R&D tax credit regimes in other members of G7 - Canada, France, Germany, Italy, Japan and the USA.

Chris Major

Guidance on *Norwich Pharmacal* costs

Norwich Pharmacal disclosure orders are fairly common in intellectual property disputes. They enable someone who believes his rights are being infringed to obtain an order against a third party, often completely unrelated to the infringer, requiring him to disclose the infringer's identity.

In *Totalise plc v Motley Fool Limited*, the claimant had obtained an order requiring the second defendant, which ran Internet websites, to disclose the identity of an individual who had been placing defamatory statements on those websites. The court ordered the second defendant to pay the costs of the disclosure application, and the second defendant appealed.

The Court of Appeal¹⁶ allowed the appeal and laid down guidelines on when a party, who had applied for *Norwich Pharmacal* disclosure, would be liable for costs.

The general rule in "inter partes" disputes is that the loser pays the winner's costs. However, the Court of Appeal held that *Norwich Pharmacal* applications do not really fall into this category and are more akin to pre-action disclosure applications. Different costs rules apply here, designed to reflect a "just outcome" and, accordingly, the costs of the disclosure application should be recovered from the wrong-doer, not the disclosing party (unless in some way implicated in the wrong).

¹⁶ Unreported, 19 December 2001.

The Court went on to lay down four factors that could justify the applicant being liable for a defendant's costs on disclosure:

- (a) where the defendant had refused to disclose due to a genuine doubt that the person requesting disclosure was entitled to it (for example, that disclosure was precluded by the Data Protection Act 1998);
- (b) where the defendant was legally bound not to reveal the relevant information or had a reasonable doubt as to its obligations;
- (c) where the defendant could be subject to a civil claim or might suffer damage if disclosure was made voluntarily; or
- (d) where disclosure would or might infringe the legitimate interest of a third party.

Ben Ferris

Overseas developments

Problems with mobile phone ringtones under Italian law

After the war against the use and abuse of file swapping systems to distribute music on the Internet, a new battle is being fought over ringtones for mobile phones.

Mobile-phone operators are offering subscribers free ringtones reproducing famous melodies. The refrain of the Beatles' "Yesterday" or the tune from "Mission Impossible" can now be downloaded from the Internet for use as mobile phones ringtones. In more than 65% of cases, no authorisation has been obtained from the owners of the copyright in the original music.

The issue in Italy is still highly controversial and it is still unclear whether the use of original musical works as ringtones **always** requires the right holder's authorisation and the payment of royalties. The general principles in the Italian Copyright Act do not provide a clear answer, as the Italian courts have construed them to mean that any **identifiable** reproduction of a musical work requires the right holder's authorisation and the payment of royalties. If the melodic phrase is only partially reproduced (for example, only a few beats) and the resulting music is not clearly identifiable as the original music, this does not apply. In practice, however, few ringtones fall into this category.

It remains to be considered whether the "free" distribution of ringtones could fall within the scope of application of the fair use exception (Article 70 Italian Copyright Act). This exception only applies where a copyright work has been reproduced for specific purposes, such as criticism, comment, news reporting, teaching, scholarship and research.

In determining whether the use made of a work in any particular case is a fair use the factors to be considered include:

- the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes
- the nature of the copyrighted work
- the amount and substantiality of the portion used in relation to the copyrighted work as a whole, and
- the effect of the use upon the potential market for or upon the value of the copyright work.

Although in principle the fair use exception could apply when the partial reproduction is made for purposes which also entail an economic benefit, the exception is in practice applied only where the use mainly serves non-profit or educational purposes. In the case of ringtones reproducing original musical works, the use is clearly aimed at commercial purposes only. Even where the ringtones are made available to users at no charge, mobile phone operators and Internet providers obtain an economic benefit, so Article 70 of the Copyright Act could not apply.

The Italian Authors' Licensing and Collecting Society (Società Italiana Autori ed Editori - "SIAE") is trying to bring the situation to order: a new standard licence agreement covering use of musical works as mobile phones ringtones (which apparently sets a fee of ITL 194 plus VAT for each download) is being adopted. SIAE's standard licence agreement for on-line use of musical works has been amended accordingly to expressly exclude from its scope "the diffusion of ringtones for mobile phones" which are covered by the standard licence agreement mentioned above.

It remains to be seen, however, what will be the position of publishers and authors in Italy. In other jurisdictions (for example, in Germany) the copyright holders have objected to the right of Collecting and Licensing Societies to grant licences for this kind of distribution of musical works.

Francesca Rolla, Lovells Milan

Special report

The 8th Edition of the Nice Classification

On 1 January 2002, the 8th edition of the "Nice Agreement on the International Classification of Goods and Services" came into force. This includes a number of important modifications made by the Committee of Experts in its 18th session in October 2000, in particular the revision of Class 42 and the creation of three new Classes (Classes 43-45). The changes are due to the fact that the Western world is increasingly moving towards a service- and information-orientated society and consequently, services have become more and more important during the last years.

In this report, we briefly outline the most important changes and their consequences for pending and future trade mark applications and registrations and highlight some of the flaws in the new edition.

THE MOST IMPORTANT CHANGES

Class 42

The new Class 42 does not include any subsidiary provision for all those "services that cannot be classified in other classes", leaving a loophole for those services which could not be classified under Classes 35 to 41 in the past. Instead, the scope of Class 42 is now limited to scientific and technological services and research services; design and development of hardware and software and legal services.

Thus, the new Class 42 includes services such as research services for medical purposes; services of engineers in the scientific field or scientific; chemical analysis; architecture; oil-well testing; cosmetic research or packaging design.

Class 42 will not include, for example, business research and evaluations (Class 35), financial and fiscal evaluations (Class 36), computer installations and repair services (Class 37) or medical treatment services (new Class 44).

Class 43

The new Class 43 includes services for providing food and drink and temporary accommodation. Those services include, for example, catering, hotels, cafes, snack-bars, restaurants, tourist homes, rental of meeting rooms etc. Class 43 does not include, in particular, arranging travel by tourist agencies (Class 39), preservation services for food and drink (Class 40) or rental services for real estate such as houses, flats etc, for permanent use (Class 36).

Class 44

Class 44 encompasses medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

From 1 January 2002 onwards, the following services must be classified under the new Class 44: medical analysis services relating to the treatment of persons; pharmacy advice; animal breeding; landscape gardening; beauty salons; massage; sanatoriums; dentistry; plastic surgery, hair implantation or services of a psychologist.

Class 44 does not include, for example, installation and repair services for irrigation systems (Class 37); ambulance transport (Class 39); animal training services (Class 41) or scientific research services for medical purposes (Class 42).

Class 45

The new Class 45 has been created to classify personal and social services rendered by others to meet the needs of individuals, as well as security services for the protection of property and individuals. It includes, for example, detective agencies; personal body guarding; night guards; missing person investigations; funerals and clothing rental services.

The following services do **not** belong to Class 45: services relating to financial or monetary affairs or insurance services (Class 36); security transports (Class 39); education services (Class 41); performances of singers and dancers (Class 41); legal services (Class 42); medical, hygienic or beauty care services (Class 44).

CONSEQUENCES OF THE CHANGES

It is important to note that the Nice Classification serves exclusively administrative purposes. The new Classification does not affect the question whether or not particular goods and services are to be considered similar when assessing, for example, the likelihood of confusion between two conflicting marks. Consequently, goods and services may not be regarded as being similar to each other on the ground that they appear in the same Class under the Nice Classification, and goods and services may not be considered dissimilar from each other on the ground that they appear in different Classes under the Nice Classification (See Rule 2 (4) of the Implementing Regulation).

The new Classification will have consequences for new trade mark applications filed from the beginning of this year. Applications already filed by 31 December 2001 at national Trade Mark Offices or organisations applying the Nice Classification will be classified, as far as we know, under the 7th edition.

The question whether the 7th or the 8th edition will apply could be crucial to the issue of fees. To give an example, the services "legal services; rental of conference rooms; body guarding services" can be summarised under one class only, namely Class 42, until 1 January 2002. From now on, the same services have to be split up into three classes

(Classes 42, 43 and 45), which could lead to additional fees for further classes.

The World Intellectual Property Organisation (WIPO) will apply the 8th edition of the Nice Classification for all registrations filed at the Trade Mark Office of the country of origin after 31 December 2001. It is important to note that the 8th edition will also be applied if the International Registration is requested in March 2002 at the Office of the country of origin, although the national mark was already filed in October 2001. WIPO will not reclassify existing International Registrations, which are renewed after 31 December 2001 or which are extended to further countries after that day.

The Office for Harmonisation in the Internal Market (OHIM) will not reclassify existing CTM registrations **of its own motion**. It has not yet been decided by the OHIM whether the proprietor of a CTM might **request** a reclassification of his mark; we have to bear in mind, however, that the proprietor might have to pay additional fees for further classes if OHIM grants such a request.

Finally, the UK Patent and Trade Mark Office may require that existing registrations be reclassified (See section 65 Trade Marks Act and rule 46 of the Trade Marks Rules 2000). The Registrar has decided, however, that the reclassification is not to be mandatory but will be carried out upon request of the proprietor. The UK Office has emphasised that it will encourage reclassification and offer assistance to proprietors of registered marks wishing to take up that offer.

COMMENTS

The new edition does not mention "retail services". The situation remains unclear since point 1 of the Explanatory Note to Class 35 seems to include retail services ("This Class includes, in particular ... the bringing together, for the benefit of others, of a variety of goods (excluding the transport thereof), enabling customers to conveniently view and purchase those goods"), whereas point 4 of the Explanatory Note rather seems to exclude those services ("This Class does not include, in particular ... the activity of an enterprise the primary function

of which is the sale of goods, that is, of a so-called commercial enterprise").

It is true that the scope of protection granted to so called retail-service-marks has to be limited somehow. Otherwise, the proprietor could defend the whole range of goods offered in a department store under such a mark. On the other hand, one can hardly deny an increasing necessity to protect retail services, given that those services have become more and more crucial to encourage consumers to purchase more goods. Nowadays, customers can make use of a wide range of services, be it free present-packaging, or detailed consultation on particular products or even crèche facilities for customers' children during the purchase.

Given this background, it would have been good to explicitly include retail services in Class 35 of the 8th edition, bearing in mind that the OHIM as well as WIPO already accept retail services in Class 35.

It is also regrettable that the new edition of the Nice Classification largely ignores e-commerce and the Internet, two commercial fields which have become increasingly important during the last couple of years. The classification of such services remains unclear. Although computer software is now mentioned in the Explanatory Note to Class 9, it would have been better to include those goods specifically in the Class Headings of Class 9, given their huge importance nowadays.

Finally, it is yet to be seen if the decision of the Committee of Experts not to include any subsidiary provision for all those "services that cannot be classified in other classes" was not a bit too hasty, bearing in mind the large number of new services which have been created, for example, in the e-commerce business in the last couple of years.

FURTHER USEFUL INFORMATION

The authentic versions of the new Nice Classification (English or French) in the order of the classes or in alphabetical order may be ordered for 100 Swiss Francs per copy at the following address: World Intellectual Property Organisation, Marketing and Distribution Section, PO Box 18, CH-1211 Geneva 20, Switzerland (Fax-No.: 0041-22 740

1812 or on the Internet: <http://www.wipo.org>). Bilingual versions (English/French or French/English) are also available. The new Classification is also available on diskette and CD-ROM.

If you have any further questions concerning the new edition of the Nice Classification, please do not hesitate to contact us.

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