

Newsletter
April 2004

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. 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 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.

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 and design 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, 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.

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

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Copyright and designs

Dutch Supreme Court - moral rights do not cover destruction of copyright works

Under the Dutch Copyright Act, an author of a copyright-protected work can oppose, among other things, any distortion, mutilation or other impairment of his work which could be prejudicial to his name, reputation or his dignity. The Dutch Supreme Court has recently held¹ that these "moral rights" do not give the author the right to oppose the *destruction* of his work. Although this may seem rather obvious from the point of view of some jurisdictions, this issue had remained an open question under Dutch law. In the lower courts, caselaw was divided on the subject, and the highest court in Holland had not yet dealt with it.

In about 1967, the Dutch architect, Evert Jelles, designed an office building, named the "Wavin building" after the company which initially occupied it. This building was considered to be a typical example of post-second world war, nineteen sixties architecture, as well as of the *oeuvre* of Mr Jelles. Through its position on the waterfront in a public green area, the building occupied a striking position in the Dutch city of Zwolle.

The Wavin company left the Wavin building after many years, after which it became a school. In 1999, the borough of Zwolle bought the building, intending to improve the neighbourhood in which it was situated. The borough drafted a reorganisation plan of the area which involved demolishing the Wavin building and constructing apartments for elderly people in its place. The municipality of

Zwolle approved the plan, but only after investigating whether, for the purpose of housing elderly people, the Wavin building could be renovated instead of demolished. This however appeared not to be economically feasible, whereupon the decision to demolish the Wavin building was communicated to Mr Jelles.

Mr Jelles opposed the destruction of his work, arguing that it would constitute an impairment of his work which could damage his name or reputation as an architect or his dignity. He initiated proceedings in the District Court of Zwolle, seeking an order that the borough of Zwolle refrain from destroying the Wavin building. Alternatively, he asked the court to rule that he could oppose the destruction of his work on the basis of his moral rights. The District Court dismissed his claim, holding that the notion of 'impairment' did not include fully destroying a work. The Arnhem Appeal Court also dismissed the architect's claim, but on different grounds. This court admitted that the notion of 'impairment' could comprise the destruction of a work, but concluded after considering the interests of both parties that the borough had good grounds to proceed to demolition. There was therefore no prejudice to the name and reputation of Mr Jelles.

The Dutch Supreme Court also dismissed Mr Jelles' claims. First it ruled that the draughtsmen of article 6bis of the Berne Convention², on which the moral rights provisions in the Dutch Copyright Act are based, had deliberately declined to extend the scope of the notion 'atteinte'/'impairment' to the destruction of copyright works. Furthermore, Dutch Parliamentary history showed that the Dutch legislature had not intended to grant authors any further rights than provided under the Berne Convention. Finally, under

1. 6 February 2004 re *Evert Jelle Jelles v the borough of Zwolle*, LJN: AN7830.

2. Berne Convention on the Protection of Literary and Artistic Works (1886).

the laws of Germany, France, the United Kingdom, Switzerland and Belgium, the author of a copyright work cannot prevent its destruction by its owner purely on the ground of his moral rights. The court reasoned that such a right for the author, to the detriment of the owner of the copyright work, would be socially unacceptable.

The court therefore concluded that the total destruction of a copyright work could not be considered an 'impairment' which could be opposed by an author on the basis of his moral rights. This did not imply, however, that the owner of a copyright work could casually proceed to destruction whenever he feels like it. If unique copies of works are involved, this could constitute an abuse of right or be otherwise unlawful vis-à-vis the author. Destruction of unique copies of copyright protected works may require a well-founded reason. Furthermore, the author should be offered the possibility to extensively document his work.

Mr Jelles did not learn the outcome of this debate, since he died a few days before the case reached the Dutch Supreme Court. The Wavin building had in the meantime been demolished.

Karin Verzijden, Amsterdam

Italy: Decision on copyright in industrial designs

The EU Directive on the legal protection of designs³ expressly provides that a design protected by a design right registered in a Member State of the European Union is also eligible for protection under the law of copyright of that country.

In Italy, Law 95/2001 implemented the Directive into national law. However, even after the new Italian law came into effect, the Italian courts continued to hold that industrial design works were only eligible for copyright protection if the artistic value in the work could be separated from its

industrial application. As a result the Italian courts (including the Supreme Court of Cassation), have refused to acknowledge copyright protection for three-dimensional works of industrial design. This has been highly detrimental to industrial designers and companies which had obtained licences to produce and sell design works, while unlicensed producers of copies of the designs have benefited.

In *Tecnolumen v Tekno*⁴, the Court of Florence finally held that, under Law 95/2001, works of industrial design can also be protected by copyright even where the element of "severability" described above is absent. This decision appears at last to make it clear that copyright protection has to be applied to industrial design works endowed with artistic and creative value. The court acknowledged that Tecnolumen, licensee of the right to reproduce the design work (a lamp) of a famous Bauhaus artist (Professor Wagenfeld), could prevent unauthorised production and sale of copies of the Wagenfeld lamp based on copyright.

In the light of this decision, it now remains to be seen how other courts will approach the subject.

Francesca Rolla, Milan

3. Article 17, Directive 1998/71 of the European parliament and the Council of October 1988 on the legal protection of designs, OJ 1998 L 289/28.

4. on 4 August 2003.

Technology licensing

New rules for licensing technology in the European Union

A new Technology Transfer Block Exemption is expected to come into force on 1 May 2004. As with the current Exemption⁵, licence agreements which are within its terms will be safe from legal challenge under Article 81(1) of the EU Treaty, which contains the rules prohibiting anti-competitive agreements. A draft of the new Exemption was published by the EU Commission on 25 September 2003 for consultation and met much negative industry comment. A revised, unofficial draft addressing some of these concerns is now in circulation.

Breach of Article 81(1) can result in draconian penalties including fines of up to 10% of turnover and can render all or part of an agreement unenforceable. Companies should therefore review existing licence agreements and amend them where possible to fit within the new Exemption.⁶

The new Block Exemption⁷ represents a significant departure from the old. First, market thresholds apply. If the parties' relevant market shares are above these thresholds, the agreement cannot benefit. This is likely to be the chief source of uncertainty in applying the Exemption, particularly where the technology is innovative and markets are changing. For licences between companies who are competitors on the relevant markets, the threshold is a combined market share of 20%. If the licence is not between competitors, the relevant market share of each party must not exceed 30%. If the parties' market shares

grow above the thresholds during the course of the agreement, the benefit of the Block Exemption will continue for two years after the thresholds are met but will then be lost. This provision in particular has met much adverse comment: the International Chambers of Commerce observed that it punishes companies who have successfully developed and introduced new technology.

A second fundamental change is that, whereas the old Exemption listed the restrictions which could be included in the agreement without losing the benefit of the Exemption, the new one - to some extent following the pattern of the Vertical Agreements Block Exemption⁸ - takes the opposite approach. It gives a short list of "hardcore" restrictions, inclusion of which will bring the agreement outside the Exemption. Any other terms may be included without the agreement losing the benefit of the Exemption, even if these terms would infringe Article 81(1). This gives far greater freedom to the parties in drafting their agreement than was the case under the old regime.

The "hardcore" restrictions differ depending on whether the parties are competitors or not. For non-competitors, the new regime as embodied in the latest draft is a good deal more liberal than the old. For example, on the crucial subject of territorial protection, licensors may prohibit licensees from actively selling (soliciting orders) outside the licensed territory even into territories where the licensor does not own the patents or other rights in the technology. Bans on passive sales (responding to unsolicited orders) by the licensee outside the licensed territory are still generally prohibited, though (as under the old Exemption) such bans are permitted in respect of the Licensor's exclusive territory and for a short period in relation to other licensees' territories.

5. Commission Regulation (EC) No 240/96.

6. Agreements which were within the terms of the existing Block Exemption but are not within the terms of the new one continue to benefit from Exemption until 31 March 2006.

7. Comments are based on the revised, unofficial draft.

8. Commission Regulation (EC) No 2790/1999.

For competitors, the hardcore restrictions are more severe. As under the old Exemption, reciprocal licences between competitors relating to competing products are not within the Block Exemption if they contain territorial restrictions.

However, under the latest draft of the new Exemption, if a licence between competitors is not reciprocal, exclusive licences may be granted and some territorial protection by means of bans on active - and in more limited circumstances passive - selling outside the licensee's territory are permitted. This is one of the changes made to the 25 September draft as a result of industry pressure - that draft did not allow territorial protection in licences between competitors, whether reciprocal or non-reciprocal.

On 1 May 2004, new rules relating to Article 81(1) generally will come into force. Under these new rules, agreements which do not benefit from a Block Exemption can no longer be notified to the EU Commission to obtain an individual Exemption or "comfort letter". Instead it will be up to the parties and their lawyers to decide whether the agreement would qualify for individual Exemption under Article 81(3) on the basis that the pro-competitive effects outweigh the anti-competitive ones. If the licence agreement is litigated in a national court it will then be open to either party to argue that it is unenforceable because it is in breach of Article 81(1). In that situation the national court could save the agreement by applying Article 81(3) retrospectively. Previously only the EU Commission could apply Article 81(3).

Nicola Dagg, London

Patents

Infringement damages still payable on patent later ruled invalid

In our August 2003 issue we reported on the patent litigation between Coflexip SA and Stolt Comex Seaway MS Ltd. Coflexip sued Stolt for infringement of its patents and Stolt counterclaimed for revocation. Both the High Court⁹ and the Court of Appeal¹⁰ ruled that the patent was valid and infringed and a separate inquiry to calculate the damages payable by Stolt was ordered.

However, before the inquiry took place, Coflexip's patent was ruled invalid in the course of separate proceedings involving Coflexip and a different defendant, Rockwater Ltd¹¹. Rockwater's successful counterclaim was based on prior art which Stolt had omitted to cite in its revocation claim. Revocation of the patent has been stayed, pending Coflexip's appeal against that finding of invalidity. That appeal has now been heard and the decision is awaited.

When a patent is found to be invalid, it is invalid *ab initio* (that is, as though it had never been valid) and therefore Stolt questioned why it should pay damages (estimated to be £80 million) on a non-existent right. Stolt had sought a stay of the inquiry as to damages until after the Court of Appeal's decision and to be able to reply on the fact that the patent was invalid at the damages inquiry. Jacob J (now Jacob LJ) dismissed the application¹². The judgment obtained by a claimant made the matter of infringement and the validity of the patent *res judicata* (that is, an issue on which the court had already ruled and could not rule again) as between the parties.

9. [1999] 2 All ER 593.

10. [2001] 1 All ER 952.

11. Unreported, 15 April 2003.

12. [2004] FSR 7.

The Court of Appeal upheld his decision¹³, with Neuberger LJ dissenting. The court was mindful of the desire for finality in litigation and moreover, a public policy consideration to ensure that matters were not relitigated indirectly. The court quoted Jacob LJ with agreement:

"Moreover there is this consideration concerning policy. If a defendant, having finally lost a patent action, knew that an application for successful revocation by another might get him off the hook of damages, he would have every motive for digging up better prior art and encouraging another to attack the patent. So although he himself could not relitigate validity, one of the heads of public policy (relitigation) behind the rule could be subverted indirectly".

Neuberger LJ was more influenced by the need for justice to be done. He took the view that the estoppel was not sufficiently broad to prevent Stolt from relying on the subsequent invalidity at the damages inquiry. The matter will not proceed to the House of Lords as the parties have now settled.

Daniel Brook, London

Still no real progress on Community Patent

In our previous issue, we reported that Ireland was pulling out all the stops in an attempt to bring about the adoption of the Community Patent during its presidency of the European Union. Unfortunately, its good intentions came to nothing: on 11 March 2004, the EU Competitiveness Council failed to reach a consensus on one of the main stumbling

13. Unreported, 27 February 2004.

blocks to introduction of the Community Patent: the translation requirements.

EU internal market commissioner Bolkestein made his views known, commenting that "The failure to agree undermines the credibility of the whole enterprise to make Europe the most competitive economy. I can only hope that one day the vested, protectionist, interests that stand in the way of agreement on this vital issue will be sidelined."

Caroline Clarke-Jervoise, London

Japanese court orders record patent payouts for inventors

The Tokyo District Court has ordered a chemical company, Nichia, to pay ¥20 billion (€150 million) to a former employee in compensation for transferring his patent rights to the revolutionary blue light-emitting diode to the company. Shuji Nakamura developed the diode during his 20 years with Nichia, for which he received a ¥20,000 bonus. By 2001, more than 60% of the company's sales revenue was estimated to emanate from the diode and the inventor sought compensation under the Patents Law.

Dr Nakamura argued that he owned the rights in the patent and that the compensation he obtained for his invention was unreasonable. Under Article 35 of the Patent Law an employee is entitled to reasonable remuneration for his inventions. In September 2002 the District Court ruled on the first issue that the patent rights had been transferred to Nichia. In early February 2004 the District Court gave judgment on the second part of Dr Nakamura's claim, resulting in him being awarded Japan's highest ever compensation. Nichia have indicated that they will appeal.

To make matters worse for employers, on the previous day, the Tokyo High Court ordered Hitachi to pay ex-employee Seiji Yonezawa a record ¥163 million for his work on optical disc technology. The electronics company had originally paid him ¥2.3 million for his work on three patents, forerunners to DVDs. The District Court awarded him ¥35 million, a decision

which he appealed. The High Court's ruling also makes clear that patents filed overseas can be included in calculations to determine the award of compensation to the employee.

A number of other employee compensation cases are pending in the Japanese courts. In another case, the Tokyo District Court decided on 24 February to make an award of ¥189 million to a former employee of Ajinomoto who invented artificial sweetener technology.

Andrew Cobden, Tokyo

Trade marks and passing off

Guilty but not guilty?

The Court of Appeal recently¹⁴ gave short shrift to an ingenious attempt by defendants in a criminal trade mark trial to have their cakes and eat them. Trading standards officers had seized a number of counterfeit mobile telephones from a market stall. The officers subsequently traced the origin of these items to business premises leased to the defendants, where a search revealed a further 5,000 counterfeit items, as well as correspondence suggesting that the defendants and their suppliers were aware of the illegality of the goods.

The defendants were charged with criminal offences, including using a trade mark without authority in breach of Section 92(1)(c) of the Trade Marks Act 1994. It is a defence to Section 92(1)(c) if the defendant believed that he was entitled to use a trade mark, based on reasonable objective grounds. The first defendant pleaded guilty to one offence of using a trade mark without authority and the second and third defendants each pleaded guilty to five similar offences.

The Crown then served a "restraint order" under the Proceeds of Crime Act 2002, indicating its intention to pursue confiscation proceedings against the defendants. The defendants, realising that this could result in huge financial penalties for them, applied to vacate their pleas, arguing essentially that they would not have pleaded guilty, had they realised that their assets could also be confiscated. The judge refused the application and the defendants were convicted.

The defendants appealed and the Court of Appeal dismissed the appeals, holding that the convictions

were safe. The defendants had been properly advised and had understood the nature of the charges. They had freely pleaded guilty on that basis. The fact that a defendant had not been informed of the possibility of confiscation proceedings prior to his guilty plea could have no bearing on his guilt.

Caroline Clarke-Jervoise, London

New German decision on liability of on-line marketplaces

Like many other manufacturers of high quality, designer goods, Rolex suffers on a worldwide basis from counterfeiting of its products. Many counterfeit or replica "Rolex" watches are now sold via the Internet, for example via on-line marketplaces like ebay. In an attempt to attack the core of the problem, rather than go through the expense and inconvenience of pursuing the individual sellers of the offending goods, Rolex recently sued a German on-line marketplace, ricardo.de, for trade mark infringement in relation to counterfeits sold by auction on its website.

The German Federal Supreme Court held that, while ricardo.de had no general obligation under German law to monitor the legality of products being sold via its website, if it became aware of a specific infringement, it was obliged not only to stop the specific auction, but also to take measures to prevent similar infringements in the future. This means that, once a trade mark owner has told ebay that a certain counterfeited product is being sold via its systems, it takes on the responsibility to take

14. *R v Sheikh and others* [2004] EWCA Crim 492; unreported, 8 March 2004.

measures (for example, by installing filters) to prevent the future sale of similar products.

Thomas Schafft, Munich

Can invisible use of trade mark on the Internet infringe mark?

Can the "invisible" use of a third party's trade mark on the Internet amount to trade mark infringement? This question was considered by the English Court of Appeal recently in a dispute involving on-line recruitment sites.

Reed Employment (the employment agent) had registered the trade mark "Reed" in relation to employment agency services. Reed Elsevier (the publisher) had a website advertising jobs under the name "totaljobs". As a result of an arrangement between Reed Elsevier and the search engine, Yahoo, users searching for "Reed" using Yahoo would trigger a pop-up banner advertising *totaljobs*. The *totaljobs* website also included the name "Reed Business Information" in its metatags. Metatags are used to increase the chances that a search engine will display a website high in its results. Consequently job seekers searching for "Reed" might be confronted with a pop-up advert or bring back *totaljobs* in their search results. Did this cause confusion sufficient to result in trade mark infringement?

The Court of Appeal (reversing the decision of Pumfrey J in the High Court - see our said that it did not¹⁵. The court thought it unlikely that users would be confused into believing there was a trade connection between *totaljobs* and Reed Employment. This finding was based among other things on the fact that a search on "Reed jobs" brought up Reed Employment's site above *totaljobs* and also on what the judge referred to as the "fuzzy" results of internet searches - "results with much rubbish thrown in" - so that a user searching for "Reed" would not necessarily connect the pop-up with the search. On a different set of facts - maybe

if *totaljobs* had been top in the search results - there might have been scope for finding sufficient confusion to amount to trade mark infringement.

Under the European Trade Marks Directive¹⁶, confusion is not a requirement for infringement in all situations. However, there cannot be infringement without "use" of the mark. Disappointingly Robin Jacob LJ, giving the leading judgment in the Court of Appeal, expressly reserved his opinion on the fundamental question whether use of a mark which is invisible to the user could constitute "use" for this purpose. He did, however, raise some issues. Taking a rather a literal approach, he suggested there might be simply no use of the mark at all since the computer would merely "look for patterns of 0s and 1s". He also pointed out that use was relevant not only in relation to infringement but also to saving a mark from an attack for non-use: "It would at least be odd that a wholly invisible use could defeat a non-use attack."

Tantalisingly brand owners will therefore have to wait for a future decision to establish whether such "invisible" use of a competitor's mark to trigger a reference to oneself is illegal trade mark use or can be regarded as fair competition.

Astrid Arnold, London

ECJ to rule again on repackaging of parallel imports

Glaxo v Dowelhurst, the long-running litigation over the legality of the repackaging and relabelling of parallel-imported products, is again to tax the collective mind of the European Court of Justice.

The story began in 1999, when some of the world's largest pharmaceutical companies, Glaxo Group, Eli Lilly and Boehringer sued two parallel importers, Dowelhurst and Springboard, in the English High Court for trade mark infringement. The importers had been buying genuine, trade marked,

15. *Reed Executive plc v Reed Business Information Ltd*, The Times, 9 March 2004.

16. First Council Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks.

pharmaceuticals from countries within the European Union and importing them into the United Kingdom, where they sold them at a higher price.

In order to ensure compliance with UK legal requirements and local tastes, the importers reboxed, relabelled and repackaged some products. This sometimes entailed replacing entirely the foreign boxes with new ones designed for the UK market. On other occasions the importers only used the product's generic name, and not the manufacturer's trade mark, on the new boxes (de-branding). In other cases, the importers used both the trade mark and their own mark (co-branding). Relabelling involved placing a sticker over the original foreign box (stickering).

Since 1999, as we have reported in a number of previous issues, the English High Court and Court of Appeal, as well as the ECJ, have delivered a series of rulings on the extent to which these practices adversely affect the manufacturers' trade marks. On 5 March, the Court of Appeal decided to refer some new (as yet unformulated) questions to the ECJ, on the ground that the issue as to the form of reboxing and relabelling was still not free from doubt in the light of a number of recent, conflicting, rulings by senior courts throughout the European Union.

Jacob LJ commented that, "the plain fact is that clear rules for stickering and reboxing are needed for the purpose of this case and generally and guidance is accordingly necessary."

We will report on further developments as they arise.

Stephen Bennett, London

Be careful what you threaten

Threats actions are a modern part of trade mark law. If you believe that another party is infringing your trade mark, your first thought may be to send an aggressive letter to the infringer, but this could land you (and possibly your legal advisor) in hot water. The danger lies in Section 21 of the Trade Marks Act 1994, which provides a remedy for

"groundless" threats of infringement proceedings.

This provision came under scrutiny in a recent case in the English High Court, *Reckitt Benckiser (UK) Ltd ("RB") v Home Pairfum Ltd ("HP")*¹⁷.

RB had written to HP, alleging infringement of various trade marks and design rights in relation to air fresheners. HP counterclaimed, seeking relief for groundless threats under Section 21. It also applied to join in RB's solicitors as defendants to that counterclaim.

RB applied to have the counterclaim struck out on the grounds that it gave rise to an abuse of process and was in breach of the court's case management powers. RB argued that the threats provisions in the Trade Marks Act forced a proprietor of intellectual property rights to issue proceedings, since attempts to negotiate were likely to be construed as issuing threats. Those provisions ran counter to the objectives of the civil procedure rules which actively sought to promote preaction settlement. RB accepted that, in this case, threats had been issued but maintained that HP's counterclaim should be struck out as an abuse of process.

The court decided that it was not appropriate to strike out HP's counterclaim or to join in RB's solicitors as defendants to the counterclaim. Although the court could use its wide powers to strike out a claim, such a draconian course should not be adopted in all cases. In this case it was more convenient to consider matters in full at trial and there would be no substantial costs saving to strike out HP's counterclaim now. As RB would be able to pay damages in the event that the court found against it, there was also no need to join in its solicitors.

Doris Myles, London

Not so easy after all

David recently beat Goliath in the Trade Marks Registry. A company called Easy4Students applied to register a trade mark comprising a device with "easy4students.com" in stylised writing beneath. It sought registration in relation to a number of classes

17. Unreported, 13 February 2004.

covering advice to students on lifestyle, training, education, careers etc, as well as the provision of email services to students.

The application was opposed by easyGroup Licensing Ltd, which owns over 80 UK and CTM registrations/applications consisting of or incorporating the word EASY, usually as a prefix. Amongst these are: "EASYJET/easyJet" (registered for paper goods, travel and transportation services); "easyRentacar" (for vehicle rental services) and "easyInternetcafe" (for catering and Internet services etc).

easyGroup claimed that the mark offended against Section 5(2)(b) of the Trade Marks Act 1994. This precludes registration of a mark which is "similar to an earlier trade mark and is to be registered for goods or services identical with or similar to those for which the earlier trade mark is protected", where there exists "a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark".

It also argued that¹⁸, through its extensive use of its "easy"-prefixed marks in relation to a variety of services, it had acquired a significant reputation and goodwill in these marks, so that, if the applicant used the trade mark "easy4students.com", this would constitute a misrepresentation as to the origin of the services which would damage this goodwill.

Finally easyGroup argued that its various marks had a "reputation" in the UK and European Union, so that the applicant's use of its mark, without due cause would "take unfair advantage of, or be detrimental to" their "distinctive character or repute"¹⁹.

The Hearing Officer, Mr Reynolds, accepted that easyGroup had a substantial reputation in, particularly, its airline and car rental business (both of which are largely Internet-based). However, he commented that it had "made little attempt to refine" its case and was apparently basing it on its ownership of marks for marks prefixed 'easy', when taken together with the overall content, construction and presentation of its marks. Rather than consider all easyGroup's marks and applications, he selected the

six which seemed closest to the application in dispute. On the facts he found that the points of difference between the marks far outweighed the similarities.

Taking, for example, easyGroup's pending CTM application to register "EASY", clearly "easy4students.com" incorporated the whole of this word. However, this was not the same as saying that it "captured its distinctiveness. The public would be highly unlikely to focus on the common elements in the marks to the exclusion of other aspects and "the single point of visual and aural similarity would be overridden by the quite different perceptions created in the minds of consumers by the totality of the applicants' mark". Bearing in mind also the "very low degree of distinctiveness" (at best) inherent in the opponents' mark, people would not be confused into believing that the mark applied for originated from easyGroup.

Mr Reynolds reached similar conclusions about the other marks and dismissed all the grounds of objection. In the light of this and easyGroup's "largely unfocused pleadings" and "lack of effort in identifying which marks it relied on", he ordered it to pay £2,000 in costs to the applicants.

This decision is a useful reminder that, even when one has massive goodwill in a mark, it is not enough to sit back and say "everyone knows us" and therefore you can't use "our" mark. As the Hearing Officer commented, the claimants were not entitled to appropriate the word "easy" and prevent any businessman from using any name which includes it.

David Latham, London

Runner finds new way of protecting personality right

The new communications regulator, Ofcom, has ruled that an advertising campaign by a UK telecoms operator, which used an image of a record-breaking runner without his consent, breached the British Code on Advertising.

The Number's TV campaign for its 118118 directory enquiries service portrayed two 1970s-

18. Section 5(4)(a).
19. Section 5(3).

style runners with drooping moustaches, running kit and long, shaggy haircuts, holding placards showing the numbers 118118. David Bedford, a world record-breaking UK runner, complained that The Number had used his image without permission.

Ofcom's predecessor, the Independent Television Commission, upheld the complaint. The Number appealed and Ofcom held that the 118118 Runners featured in its TV advertisements caricatured Bedford "by way of a comically exaggerated representation of him looking like he did in the 1970s." However, the regulator concluded, the runner had not suffered any financial harm, and it would be "disproportionately damaging" to The Number to ban the ad.

Mr Bedford now apparently intends to take action in court to recover damages, presumably on the basis of the Court of Appeal's decision in *Irvine v Talksport* (see our April 2003 issue), which made it considerably easier for celebrities to protect their personality or image rights. In that case, the defendant had used a picture of the claimant, a well known Formula One driver, which it had doctored, without his consent, to publicise its radio station. The court held that, where a party had acquired a valuable reputation or goodwill, the law of passing off would protect it from unlicensed use by third parties where that use would damage this goodwill or reputation or diminish the exclusive right to use that goodwill or reputation. Mr Irvine, who made a steady income from product endorsements, was awarded damages of £25,000.

If Bedford does sue, he may have more of an uphill struggle than Eddie Irvine. He may not be able to demonstrate the requisite level of goodwill or reputation in his style as his celebrity status has declined since his record-breaking exploits of the 1970s, and he has been out of the public eye for some time. Furthermore, unlike Irvine, Bedford does not regularly endorse products, and has not the same degree of commercial value in his image to protect.

To complicate matters yet further, twin athletes Graham and Grenville Tuck also claim that the ads

are based on them, while The Number itself maintains that the characters are in fact loosely based on the late US athlete Steve Prefontaine and a mix of other athletes, and not Bedford.

David Latham, London

New guidance on registering colours as marks in the UK

In *Libertel Groep BV v Benelux-Merkenbureau* (see our February 2003 issue), the European Court of Justice ruled that a colour (in that case orange) may have sufficient distinctive character to be registrable as a trade mark, provided it is represented graphically. For a mark to be represented "graphically", the ECJ went on, it must be presented in a way that is "clear, precise, self-contained, easily accessible, intelligible, durable and objective".

UK Trade Marks Registry has now brought its practice on registration of colours as marks into line with ECJ jurisprudence. In a notice (available on www.patent.gov.uk), the Registry states that, when seeking to register a colour in the abstract, a written description of the colour, plus the relevant code from an internationally recognised colour identification system²⁰ will suffice. A sample of the colour on paper would not be acceptable since the sample may deteriorate over time. The Registry adds that it will in practice be more difficult to register a colour in the abstract than a colour as applied to goods or packaging, as the applicant will have to show that the colour is distinctive of it irrespective of the medium on which it appears.

In terms of colour as applied to goods or packaging, the same guidelines apply as for colours in the abstract, and the applicant must also submit a description (for example, a diagram) showing which parts of the item the colour is applied to.

As for colours incorporated into word or device marks, colour identification codes are helpful but not obligatory. However, if a colour is named, the

20. For example, Pantone®, RAL or Focoltone®.

applicant must define it adequately and clarify which parts of the mark it is applied to.

Caroline Clarke-Jervoise, London

Partnerships now entitled to register marks

In a separate "Practice Amendment Notice", the Registry has announced that, following the Saxon Trade Mark decision (see our April 2003 issue), partnerships can now apply to register trade marks in their own name. In *Saxon*²¹, Laddie J held that a group of musicians constituted a 'partnership at will' and that the name and goodwill in it were assets of the partnership rather than the personal property of the individual members of the group. To reflect this ruling, the Registry will now allow partnerships (including partnerships at will) to be recorded as applicants for, or proprietors of, trade marks, provided that the applicant makes clear that it is a partnership when applying²².

The Registry's guidance (available on its website as above) goes on to explain the practicalities of applying in the name of a partnership, for example, whether the individual partners should be listed in the application or not.

Caroline Clarke-Jervoise, London

Advocate General recommends reversing CFI decision

The European Court of Justice will soon have to decide the circumstances in which a trade mark is unregistrable by virtue of Articles 7(b) or (c) of the Community Trade Mark Regulation²³.

Article 7(1)(b) precludes registration of trade marks "devoid of any distinctive character", while Article 7(1)(c) excludes registration of "trade marks

consisting "exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose ... or other characteristics of the goods or service".

Zapf Creation AG applied to OHIM²⁴ to register 'New Born Baby' as a Community trade mark in relation to "dolls to play with and accessories for such dolls in the form of playthings". The Examiner refused the application, holding that 'New Born Baby' was descriptive of the goods in question and was devoid of any distinctive character. This decision was upheld on appeal, the Board of Appeal finding that 'New Born Baby' had a clear meaning in English and the relevant sector of the public would instantly understand that the dolls had the characteristic of looking like new-born babies; such words must remain available for competitors to inform the public of the characteristics of their products. The term as a whole was clearly descriptive of characteristics of the goods in question and lacked any fanciful element which might render it distinctive.

Zapf appealed to the Court of First Instance, which allowed its appeal. The CFI ruled that the phrase *did not* designate the quality, intended purpose or any other characteristic of dolls or accessories for dolls. In any event, it went on, a sign descriptive of what a toy represented could not be considered descriptive of the toy itself unless, in their purchasing decision, those targeted conflated the toy and what it represented. This was not being alleged here. In relation to the dolls' accessories, they neither represented nor were intended for new-born babies, nor was there any direct and specific link between the mark and the accessories as such.

The CFI also held that the fact that a sign was unimaginative did not of itself render it devoid of distinctive character.

OHIM appealed to the ECJ. Advocate-General Jacobs has now published his opinion for the ECJ, in which he disagrees with the CFI's decision and concludes that "New Born Baby" falls foul of Articles 7(1)(b) and (c). It is, he states, an essential characteristic of many toys that they represent something else. Where an "essential characteristic of

21. [2003] FSR 39.

22. For example, Smith & Jones (a partnership).

23. Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ 1994 L 11, page 1.

24. The EU's Office for Harmonisation in the Internal Market.

a product is to represent something else", he continues, "a term consisting exclusively of elements which designate that something else may not be registered as a trade mark".

While agreeing with the CFI that an "unimaginative" mark might still be distinctive, the Advocate-General states that the presence or absence of any fanciful element is none the less a factor to be taken into account when assessing distinctiveness. "If the sign also has some limited descriptive power", he continues, "the criterion of imaginativeness could tip the balance of the assessment".

We will report further when the ECJ gives its ruling on the matter.

Caroline Clarke-Jervoise, London

Increase in number of WIPO registrations

The World Intellectual Property Organisation has reported a marked increase in the number of applications for international trade mark registrations. This is due partly to the USA's accession to the "Madrid Trade Mark System" in November 2003 and the decision of the European Union to join this year. Another factor contributing to the increase is the decision of WIPO (which administers the system) to make Spanish a third working language (after French and English) for trade mark applications, making the system more attractive to Latin American countries.

Under the Madrid system, a trade mark owner can protect a mark in some or all of 74 countries by filing one application, in one language, with one set of fees. Thereafter, the international registration can be maintained and renewed through a single procedure. An international registration under the Madrid system has the same effect as an application for registration of the mark made in each of the countries designated by the applicant.

According to WIPO, there has been an overall increase in applications of three per cent increase over 2002. By the end of 2003, some 412,000

international trademark registrations were in force in the International Register. Germany was the largest user of the system for the 11th year in succession, followed by France and Switzerland.

Astrid Arnold, London

Update on EU IPR enforcement directive

On 9 March 2004 the European Parliament voted in favour of the Directive on the Enforcement of Intellectual Property Rights. On 11 March 2004 the EU Council announced that it will formally adopt the Directive "within a few weeks".

Based on the "best practice" of Member States, the Directive provides for a number of stringent remedies available to rights holders against intellectual property rights infringement and aims to achieve a harmonised approach to such enforcement across the EU. It is not designed to affect substantive law on intellectual property.

Despite inclusion by the EU Commission in the first draft of the Directive, the version approved by the European Parliament does not include any form of criminal sanctions. However, an EU Commissioner has said that the EU Commission may consider this "in due course" and that the Member States, when implementing the Directive once it has been adopted, are not prevented from introducing their own criminal sanctions should they wish to do so.

Although the Directive's substance was taken from various pieces of national legislation, no Member State already has all of its measures incorporated into its national law. Therefore, all Member States, including the 10 new members joining on 1 May 2004, will have two years from the date of the final approval by the EU Council to implement the Directive.

Richard Dickinson, London

Nellie the Elephant trade mark/copyright dispute

Unusually, the Trade Marks Registry was recently²⁵ faced with a trade mark dispute which involved consideration of the UK's copyright law.

Dash Music Co Ltd, which owns the copyright in the song 'Nellie the Elephant', licensed Animated Music Ltd to launch a cartoon series about a female pink elephant called 'Nellie the Elephant'. Animated subsequently registered *NELLIE THE ELEPHANT* as a trade mark in Class 41, which covers education; training; entertainment; sporting and cultural activities.

Dash sought a declaration that the registration was invalid on the grounds that:

- (i) Dash had an earlier right to the mark under the Trade Marks Act 1994²⁶ either through its copyright in the phrase "Nellie the Elephant" or in the lyrics of the song and
- (ii) Animated had registered the mark in bad faith²⁷, since it knew of Dash's rights.

The Hearing Officer refused the application on both grounds. In terms of Dash's first argument, he held that, while a song title could theoretically attract copyright protection, the title "Nellie the Elephant" did not fulfil the legal criteria for protection since it neither "informed or instructed" or "gave pleasure in the form of literary enjoyment". Furthermore, the phrase was not a "substantial part" of the musical composition, so use of the title did not infringe copyright in the song.

In terms of the "bad faith" argument, the Hearing Officer disagreed that the mark had been registered in bad faith. Having granted Animated only a non-exclusive licence to use "Nellie the Elephant", Dash could have granted other licences for similar uses to other undertakings, but had made no attempt to do so or to exploit the intellectual property rights in the composition or name between acquiring the copyright and Animated's application to register the mark. In any event, Animated was not obliged to

consult Dash about its plans so could not be said to have acted covertly.

There is an ironic twist to this tale - the same day, the same Hearing Officer (Mr Reynolds) granted a separate application by Dash to have Animated's registration revoked on the ground of non-use.

Caroline Clarke-Jervoise, London

25. Decision No O-391-03, unreported, 15 December 2003.

26. By Sections 47(2)(b) and 5(4)(b).

27. In breach of Section 47(1)/3(6).

28. Decision No O-391-03, unreported, 15 December 2003.