

Newsletter
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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.

For advice or information on our Intellectual Property practice, please contact:

Robert Anderson (London)
Burkhardt Goebel (Hamburg)
Winfried Tilmann (Dusseldorf)
Matthias Koch (Munich)
Milan Chromeczek (Paris)
Francesca Rolla (Milan)
Bert Oosting (Amsterdam)
Verena Von Bomhard (Alicante)
Olga Bezroukova (Moscow)
Henry Wheare (Hong Kong)
Douglas Clark (Beijing)
Lloyd Parker (Tokyo)

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Copyright and designs

EU: Dominant companies may be forced to license their IPR

A recent opinion by Advocate General Antonio Tizzano revisits the important question of whether a refusal to license intellectual property rights can amount to an abuse of dominant position under Article 82 of the EC Treaty.

The case concerns a long-running dispute between two US companies, Intercontinental Marketing Services Health Inc ("IMS") and NDC Health Corp. IMS, the world leader source of pharmaceutical market intelligence, has set up a database for its collection of pharmaceutical sales/prescription data. This divides Germany up into 1,860 geographical sales zones or "bricks", which reflect, among other things, post codes, transport connections, density of medical practices and pharmacies and the character of the various areas covered. Users of the information stored in IMS's database have developed integrated systems based around its brick structure.

Like IMS, NDC sells regional marketing information for pharmaceuticals in Germany. When it set up a system based on the brick structure, IMS sued for infringement of copyright in its database. The Frankfurt Higher Regional Court of Appeals ruled that the brick structure was entitled to copyright protection and that NDC had engaged in unfair competition by illegally copying it.

IMS refused NDC's request for a licence to use the 1860 brick structure, so NDC took the fight to the European Commission, arguing that it could not enter the German market without a licence because the brick structure had become the industry standard and customers would not buy information which was

not compatible with it. By preventing its competitors from using the structure, NDC argued, IMS was abusing its dominant position. The Commission held that, prima facie, IMS had abused its dominant position. The German court then referred a number of questions to the European Court of Justice. It is these questions which the Advocate General sets out to answer in his recent opinion.

The Advocate General said that there were circumstances where the refusal to grant a licence to use intellectual property could constitute an abuse of dominant position. A dominant company might be obliged to grant a licence, if

- (i) there was no objective justification for refusing to do so and
- (ii) the use of the protected rights was essential for a competitor to operate in the relevant market. However, the Advocate General stressed that there would be no obligation to license unless the potential licensee intended to produce goods or services with different characteristics from those produced by the copyright owner.

NDC claimed that it intended to sell different products - how different they would need to be in order to qualify as having "different characteristics" in the eyes of the Advocate General is not clear from the opinion. The ECJ is likely to deliver its judgment in a few months. As a general rule, the Court follows the opinion of the Advocate General in competition cases. Judgment is awaited with interest, not least by the software industry where the need for compatibility could raise questions about whether some software has become "industry standard", perhaps compelling dominant companies to license it.

Nicola Dagg and Daniel Brook, London

UK: Government implements Copyright Directive

The UK Government has published regulations giving effect to the Copyright Directive¹. The new rules, which are available on the HMSO website², came into force on 31 October 2003. They amend the Copyright, Designs and Patents Act 1988 to the extent necessary to make UK law comply with the Directive. When drafting them, the Government deliberately made as few changes as possible to the present law, most of which benefit copyright owners.

The principal changes introduced into UK law are:

New rights for copyright owners

- A wider, technology-neutral, "communication to the public" right for copyright owners replaces the rights to broadcast/include in a cable programme service.
- The definition of "broadcasting" has been amended to include any electronic transmission of visual images (except Internet transmissions with certain broadcast characteristics).
- Performers now have a right to "make their works available".

New defence to infringement

- It is not an infringement to make a temporary copy which is integral to and an essential part of a technological process.

Amendments to existing defences

- The defence of "fair dealing" with a copyright work for the purposes of research is now available only for "non-commercial research", accompanied by a sufficient acknowledgement of the work being researched (unless "impossible for reasons of impracticality or otherwise").

- The defence of fair dealing for the purposes of private study is not available where the study is being undertaken directly or indirectly for a commercial purpose.
- The defence of fair dealing for the purposes of criticism or review remains, provided that the work in question has been made available to the public.
- Failure to acknowledge a copyright work as required by the defence of fair dealing for the purpose of reporting current events is only excused where the report of current events was made by means of a sound recording, film or broadcast and acknowledgement would be "impossible for reasons of practicality or otherwise".
- It is lawful to observe, study or test the functioning of a computer program to determine the ideas and principles which underlie it, if done while lawfully performing acts of loading, displaying, transmitting etc the program.
- The exception which allows charitable bodies to play sound recordings in public has been narrowed.
- The "time shifting" provisions (which, for example, enable someone to make a video copy of a TV programme so as to watch it later) have been tightened so that subsequent commercial dealings with such recordings are infringements.
- The provisions which allow photographs of broadcasts to be made for private and domestic use have been tightened so that subsequent commercial dealings with such photographs are infringements.
- The exception which allows broadcasts to be played in public to a non-paying audience has been tightened. There is an obligation to pay the owners of the rights in music recordings but the Secretary of State is authorised to refer collective schemes under the new regime to the Copyright Tribunal.

Changes to remedies already available

- Civil and criminal remedies have been introduced to protect technological protection measures applied to copyright works.
- Civil remedies have been introduced to protect electronic rights management information.

1. (EC Directive 2001/29/EC).

2. www.hmsso.gov.uk.

- Injunctions are available against service providers who have actual knowledge of third parties using the service to infringe copyright.
- Non-exclusive licensees may sue for copyright infringement with the owner's consent - previously only exclusive licensees could do so.

Lindy Golding and Diane Hamer,
London

USA: Judge rules "pop-up ads" lawful

A US judge has ruled that website operators cannot rely on intellectual property rights to prevent advertisers from launching pop-up advertisements on their websites. A truck and trailer rental company, U-Haul International Inc, had attempted to obtain an injunction preventing an Internet advertising company, When U.com, from using its software to launch rival pop-up ads when customers accessed U-Haul's website. U-Haul argued that this infringed its trade marks and copyright and also violated unfair competition laws.

District Judge Gerald Bruce Lee ruled that the ads did not violate the law, because WhenU's software neither copied nor used U-Haul's trade mark or copyright material. Furthermore, while he acknowledged that pop-up ads could be irritating, computer users had "invited" ads by downloading the software, which often comes packaged with free software like screen savers.

This decision may be appealed but if not, it could kill off the dozen or so other lawsuits by online publishers and operators of commercial websites currently pending against online advertisers.

Caroline Clarke-Jervoise, London

UK: Unregistered Design Right Success

Mattel has recently succeeded in obtaining a Europe-wide injunction against dolls manufactured and sold by Simba Toys in Europe. The Simba dolls were called "My Style" and were substantial copies of Mattel's "My Scene" dolls.

The matter was dealt with by way of a speedy trial, the original complaint having been filed in late July and the matter coming on for trial on 20 October 2003. Various witnesses were heard, but on 23 October the defendants withdrew their defence and submitted to judgment.

Mattel obtained a declaration that unregistered Community Design Right subsisted in the designs of its "My Scene" doll heads and the "My Scene" dolls which they had been selling in the USA and in Europe. Furthermore UK copyright subsisted in the original head sketches and face paintings for the "My Scene" dolls. These rights were infringed by the sale of the Simba "My Style" dolls in the European Community.

Laddie J granted an injunction covering all countries of the European Community. He also ordered the defendants to write to everyone whom they knew or had reason to believe had any "My Style" dolls for commercial purposes within the European Community, asking them to return any such dolls to Simba. The defendants were ordered to pay £450,000 as an interim payment of costs and costs on an indemnity basis. Mattel's damages will be assessed in future proceedings.

This was a major success for Mattel and shows the value of unregistered Community Design Rights. The availability of a European-wide injunction for infringement of Community Design Right makes the property value of such rights significant. This forthright decision should encourage people to register their designs, and also where they have not done so to seek to enforce unregistered Community Design Right where that is available.

David Latham, London

UK: Legal Libraries (deposit) Bill receives Royal Assent

In our previous issue, we reported that the Legal Libraries (deposit) Bill had had a second reading in the House of Lords. This Bill is designed to expand the scheme which requires publishers to deposit a copy of every printed book published in the UK with the British Library (in the interests of creating a national archive) to certain electronic publications.

The Bill received Royal Assent on 30 October 2003. As we explained, it is an empowering measure, which enables the Secretary of State for Culture to pass regulations to extend the system of legal deposit to cover various non-print media as they develop. No regulations have yet been published but the new scheme is likely to cover off-line publications (for example, CD-ROMs and microfilms), online publications (for example, e-journals) and other non-print materials.

Caroline Clarke-Jervoise, London

UK consults on EU enforcement proposals

The UK Patent Office is consulting on the proposed EU "Enforcement Directive". The draft Directive, published in January 2003, is one of a series of measures being promoted by the European Commission to strengthen the means of dealing with counterfeiting and piracy in the European Union. The Commission is concerned that some EU Member States are more lenient than others towards the problem or are less well-equipped to deal with it, a fact of which those involved in counterfeiting and piracy are only too aware when choosing where to ply their trades.

Given the apparent link between counterfeiting, piracy and organised crime, the Commission stresses that national laws require urgent harmonisation to ensure that all EU countries combat the problem with equal vigour. Until now, the European Community has focused on harmonising intellectual property rights through the EU (for example, the Community Trade Mark), rather than on the means of enforcing these rights.

The draft Directive lays down the issues to be covered by national laws, for example, who can enforce the relevant rights, the evidence required to prove infringement and the type of damages available. No attempt is made to impose a single range of penalties throughout the EU other than to require individual States to introduce penalties which are "effective, proportionate and a deterrent".

The UK Government is looking for views on the Directive, for example on how to protect the legitimate concerns of defendants and third parties and on whether its remit should be limited to piracy and counterfeiting - it is presently drafted in such a way as to encompass other types of intellectual property rights.

The draft proposal, which is currently being considered by the European Parliament and the Council of Ministers, may be viewed on the European Commission's website³. The consultation paper is on the Patent Office website⁴ and responses are invited by 12 January 2004.

Richard Dickinson, London

UK: New decision on unregistered design right/copyright

In *Lambretta Clothing Co Ltd v Teddy Smith (UK) Ltd*⁵ the High Court was faced with a dispute over the interplay between copyright and unregistered design right.

Lambretta designed and produced a blue "retro-vintage" track top with red sleeves and two white stripes running along the sleeves (the "Track Top"). The design for the Track Top was recorded in two "design documents", one featuring coloured representations of the Track Top and the other detailing the specifications, for example, the fabric, collar and colours to be used. Teddy Smith and Next (the "defendants") subsequently produced their own similar track tops and Lambretta brought proceedings for infringement of copyright and unregistered design right.

3. <http://europa.eu.int/eur-lex/en/index.html>.

4. www.patent.gov.uk.

5. Unreported, 23 May 2003.

Design right

Lambretta claimed that the juxtaposition of the colourways (that is, the colour combination) of the Track Top constituted an original aspect of the "configuration" of the garment and, as such, was protected by unregistered design right. Etherton J held that "configuration" in the meaning of "design" (as defined in Part III of the Copyright, Designs and Patents Act 1988 ("CDPA")) referred to the relative arrangement of three dimensional elements and not the mere juxtaposition of colours in two dimensions. Lambretta's secondary argument was that the colourways did in fact represent three dimensional elements of the Track Top, since the colours permeated all the cloth and are not merely colours applied to the surface of the cloth. This argument was rejected and the judge held that Lambretta had no design right in the design of the Track Top.

Copyright

Lambretta claimed that the defendants had infringed its artistic and literary copyright in the design documents by copying the Track Top. Under Section 51 of the CDPA it is not an infringement of copyright in a design document (for anything other than an artistic work or a typeface) to make an article to the design or to copy an article made to the design. The defendants argued that, since the design documents recorded a design for something other than an artistic work or typeface, that is, a track top, it followed that, under Section 51 of the CDPA, it would not be infringe copyright in the design documents to copy the Track Top. Lambretta countered this by arguing that the wording of Section 51 of the CDPA should be construed so that, as far as the design document recorded matters excluded from design right, such as (in this case) colourways, those continued to enjoy copyright protection.

Etherton J held that Section 51 of the CDPA should be given its ordinary and natural meaning so that, in the case of copying an article made to a design (other than an artistic work or typeface), protection cannot be found in copyright, but can only be found in design right, registered designs legislation and ordinary actions in common law or equity, such as for passing off, breach of confidence. The judge also held that the making of a garment to the

specifications (in which Lambretta was claiming literary copyright) could not in law constitute infringement of copyright by reproducing the literary work in a material form. To follow the instructions (which do not describe the end product, but only say how it is to be brought about) was not to reproduce the work, but merely to perform the instructions. It followed, therefore, that Lambretta had no basis for copyright infringement claim even if the defendants had copied the Track Top.

Jake Marshall, London

Trade marks and passing off

Accession of the European Community to the Madrid Protocol

The long struggle to establish a "link" between the Community trade mark system and the Madrid Protocol on the International Registration of Marks has come to an end. On 27 October 2003, following the decision of the Assembly of the Madrid Union to adopt Spanish as the third working language under the Protocol, the Council of the European Union took the formal decision to approve accession to the Protocol.

Further work remains to be done on implementing provisions before the instrument of accession can be deposited with WIPO⁶. Accession will become effective three months from that moment, probably in Autumn 2004 (a date mentioned by the Commission as the likely accession date is 1 October 2004). Although various administrative details are still to be sorted out, the basic features of the "link" are contained in a Regulation amending the Community Trade Mark Regulation⁷, adopted on 27 October 2003, which will enter into force once accession to the Madrid Protocol has become effective.

The impact of EC accession to the Madrid Protocol is twofold: first, owners of a Community trade mark will be able to base an international registration on the mark, provided they have a domicile or real and effective industrial/commercial establishment in the EU. Second, the European Community as such can be designated in an application for an international registration, so it will be possible to obtain a Community trade mark through an international registration.

In our view, the ability to obtain a Community trade mark through an international registration will become more relevant in practice than the ability to base an international registration on a Community trade mark. During the first five years of its existence, the international registration depends on the validity of the basic registration. This means that, if the basic registration fails or becomes invalidated, the entire international registration and all country designations lose their validity ("central attack").

Community trade marks are generally more vulnerable than national trade marks because a ground of refusal applicable in only one Member State will be a ground for rejection of the application or cancellation of the registration in its entirety. It will therefore be generally preferable to base an international registration on a national registration or an application (in those countries that are part of the Protocol but not of the Madrid Agreement).

The possibility of designating the Community as a whole in an international registration is the main attraction of the "link", particularly because there is the possibility of "opting back" in case the CTM designation fails before the Office for Harmonisation in the Internal Market (OHIM)⁸. In that case, the applicant can convert the CTM designation not only (as is the case in a regular CTM filing) into national applications, but also into international registration designations for the EU Member States⁹ maintaining the original filing date. In that way, the applicant will be able to secure protection in the EU Member States¹⁰, while keeping the administrative benefits of the international registration. If a direct CTM application is refused,

6. The World Intellectual Property Organisation, which administers the Protocol.

7. Council Regulation EC 40/94 (OJ L11, 20.12.94, page 1)

8. Which administers the CTM system.

9. Except Malta, which is the only one of the current and future EU Member States not part of the Madrid system. Cyprus became a Member of the Agreement and Protocol in November 2003.

10. Except Malta, see above note.

there is only the option of converting into national applications, with the resulting need to appoint local representatives and to undergo the whole regular application process in each country. There are also cost savings in taking the route of the international registration: first, there will be no need to involve a local representative unless the application meets objections, second, there will be a saving of €200 on OHIM fees¹¹. On the other hand, the dependency of an international registration on the basic registration as regards the specification of the goods and services and the validity ("central attack") remains a disadvantage of the international registration and by the same token is an argument that may still weigh in favour of applying for a Community trade mark directly with OHIM.

We will provide an in-depth report on the "link" and the procedures before the OHIM once the accession date comes closer and details about the changes to the implementation and fee regulations have been published.

Verena von Bomhard/Constanze Schulte, Alicante

UK: Trade mark counterfeiter pays heavy penalty

The Court of Appeal¹² has recently handed down a decision which may act as a deterrent to counterfeiters and those profiting from the misuse of others' trade marks.

It is a criminal offence¹³ to have, in the course of business, possession, custody or control of goods bearing a sign identical to or likely to be mistaken for a registered trade mark, without the proprietor's consent, with a view to gain and to sale/distribution for sale. Derrick Davies had been found guilty in

the Crown Court of nine (specimen) offences under the Act. A confiscation order to the tune of £1,000,000 had been imposed on him and he appealed to the Court of Appeal.

The court may impose a confiscation order¹⁴ where the offender has benefited from the offence, that is, has obtained property as a result of or in connection with its commission. The accused argued that the offences for which he had been found guilty did not qualify, since he had been charged with acting with a view to making a gain rather than with selling or otherwise gaining from sale or use of the goods.

The Court of Appeal gave his argument short shrift. The relevant question was whether the items that bore false trade marks were property, and whether they had been obtained in connection with the commission of the relevant offence. In this case they had been. The court therefore dismissed the appeal.

Caroline Clarke-Jervoise, London

Italian ruling on conflict between trade marks and domain names

In *Giorgio Armani SpA v Luca Armani*¹⁵, the Civil Court of Bergamo recently had to deal with the recurring conflict between trade marks and domain names. The case involves a simple scenario. Mr Luca Armani had registered the domain name "www.armani.it" for use in connection with the sale of stamps. Giorgio Armani SpA, the well known fashion company, claimed that the domain name infringed its famous trade mark "Armani".

A peculiarity of this case, however, is that the domain name consisted of the surname of Mr Armani. Under Article 1 *bis* Italian Trade Mark Act, the owner of a trade mark cannot prohibit the use by another of his or her own name. In spite of this, the court upheld the plaintiff's request and ordered that the domain name "www.armani.it" be cancelled.

11. For an application in up to three classes, the designation fee will be €1.875, while for direct applications, the application fee (€975) and registration fee (€1100) total €2075. Unlike in the direct application proceedings where costs are split up, the designation fee must be paid in full at the outset. In case of a refusal of protection, the designation fee will be partly refunded, by all likelihood, precisely the sum corresponding to the registration fee in case of a direct application (details yet to be determined).

12. *R v Hughes*, The Times, 21 November 2003.

13. Section 92 of the Trade Marks Act 1994.

14. Sections 71(1)(a) and 72AA Criminal Justice Act 1988.

15. Decision given on 3 March 2003 but only recently published.

The grounds for the decision can be summarised as follows:

- Although no specific provisions of Italian law deal with conflicts between identical (or confusingly similar) domain names and trade marks, the Italian Trade Mark Act applies directly to domain names.
- The Naming Rules set by the Italian Naming Authority (which govern the basis upon which domain names are granted, for example, the principle "first come first served") do not apply to the conflict between trade marks and domain names. In addition, the Naming Rules are contractual in nature and do not have the same value and effect of provisions of law.
- The trade mark "Armani" has a reputation in Italy (and abroad) and is eligible for a broader protection: therefore, the principle in Article 1 *bis* of the Act does not apply.

Francesca Rolla, Milan/Silvia Stabile,
London

Amsterdam Appeal Court upholds injunction against Harry Potter imitation

In a decision handed down on 6 November 2003, the Amsterdam Appeal Court upheld the injunction with respect to the Dutch translation of the Russian author Dimitri Yemet's novel '*Tanya Grotter and the Magic Bass*', which had been handed down by the Amsterdam District Court on 3 April 2003 (see our June issue).

The parties in these proceedings were the author of the Harry Potter books, Joanne Rowling; her Dutch publisher De Harmonie BV; and Time Warner Entertainment Company LP (which owns various HARRY POTTER trade marks). The Dutch publisher of the Tanya Grotter book, Byblos BV, had appealed against the decision of the Amsterdam District Court, where the court found that both the copyright in Rowling's novel '*Harry Potter and the Philosopher's Stone*' and Time Warner's trade mark rights had been infringed.

On appeal, Byblos raised several objections to the District Court's findings. Firstly, it argued that the Tanya Grotter novel was an entirely different, 'less black-and-white and much more realistic' novel than its Harry Potter counterpart. According to Byblos, it therefore should be considered a new, original work. The Appeal Court dismissed this argument in a detailed comparison of both novels. Essentially, it held, both novels more or less tell the same story. Not only do both Tanya and Harry play almost identical roles as a hero and as regards their characters, their background and their position in the plot; the court also mentions a great number of instances where similar adventures or incidents are dealt with in a strikingly similar way. Consequently, the many differences which had been introduced by Yemets could not prevent the overall finding that his book was essentially an adaptation and imitation of Rowling's novel.

Secondly, Byblos argued that Rowling's novel was itself based on two earlier fantasy novels by Anthony Horowitz, so she could only claim limited copyright in the storyline. The court, however, found the differences between Rowling's and Horowitz's books far greater than those between the *Potter* and *Grotter* novels; in fact, the respective comparisons contributed to the Appeal court's finding that the Grotter novel was infringing.

Thirdly, Byblos argued that the Tanya Grotter book should be seen as a permissible parody of Rowling's novel. The Court also dismissed this argument, since there was no evidence that either Yemets's Dutch or Russian publisher had ever, before the present litigation, considered his novel as a parody. Moreover, the Court could not perceive any elements of *Tanya Grotter* as parody.

As far as trade mark infringement was concerned, Byblos argued firstly that HARRY POTTER was not a valid trade mark for books, films and video's, since it must be considered merely descriptive for their contents, that is, stories about Harry Potter. Secondly, Byblos stated that there was no trade mark infringement, since the full title of Yemets's novel, including the words '*and the Magic Bass*' should be taken into account when comparing it with the HARRY POTTER mark.

The court first held that HARRY POTTER was a valid trade mark for films and books, as it was perfectly suited to satisfy the primary function of a trade mark, that is, to distinguish the products as to origin and to guarantee their quality. The court furthermore held that the name 'Tanya Grotter' was by far the most dominant part of the Grotter title as a whole and that this part was at least aurally similar to the HARRY POTTER mark. Besides, it also must be considered conceptually similar since Tanya Grotter had been publicised as the 'Russian sister' of Harry Potter.

The court did not consider it necessary to decide whether *Tanya Grotter* had as such been used as a trade mark. Its use in a book title must be considered infringing anyway and could not be legally justified, while it was detrimental to the distinctive character or the repute of the HARRY POTTER mark and involved the taking of unfair advantage of this well known trade mark.

Karin Verzijden, Amsterdam

EU: Registrability of marks designating geographical origin

On 15 October¹⁶, the Court of First Instance of the European Union had a rare foray into the realm of trade marks designating geographical origin.

Nordmilch, a German company, had applied to register the mark "OLDENBURGER" as a Community Trade Mark for various foodstuffs including milk, cheese, yogurt and other dairy products. There is a town in Germany called Oldenburg which is well known as the capital of a region essentially centred on agriculture, in particular, the dairy industry.

Article 7 of the Community Trade Mark Regulation contains the "absolute grounds" upon which a trade mark will be refused registration. By paragraph 7(1) (c), one such category is "trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the ... geographical origin of

goods or services..." However, this provision does not in principle preclude the registration of geographical names which are not known to the public or where the public is unlikely to believe that the goods or services originated from that geographical place.

In this case, Nordmilch accepted that the term "Oldenburg" designated a German town and that the goods covered by the trade mark application were the type of goods manufactured in that area. However, it denied that the mark "OLDENBURGER" was composed exclusively of an indication which alone designated the geographical *origin* of the goods concerned. Instead, Nordmilch argued that the term "OLDENBURGER" was a reference to a geographical *indication* and, in its capitalised form, designated a male inhabitant of the town Oldenburg.

The court¹⁷ stated that in these circumstances, when considering registration, the descriptiveness of a mark had to be assessed with reference to the goods concerned and by reference to the understanding of the relevant public concerned. The relevant public was the average German consumer who was reasonably well informed, observant and circumspect.

As Oldenburg is a geographical region known for producing the goods in question, the relevant public would perceive the geographical name as an indication of the geographical origin of those goods. The adjectival form "OLDENBURGER" was not sufficiently different to persuade them that the sign "OLDENBURGER" referred to something other than the geographical name, Oldenburg, and that the sign affixed to the goods indicated a characteristic other than origin. The word in question is commonly used in the sector for the goods concerned and the adjectival form is also customary in German to construct designations of origin or geographical indications.

The court concluded that the relevant section of the public would believe that the goods marked "OLDENBURGER" originated from Oldenburg and so the mark should be refused registration.

A final twist to this case was Nordmilch's offer to disclaim the right to use the phonetically identical adjective, "Oldenburger" (apart from the capitalised

16. Unreported.

17. *Nordmilch eG v Office for Harmonisation in the Internal Market* (Case T-295/01).

version "OLDENBURGER" which was the form of the mark applied for). Article 38(2) of the Regulation provides that a disclaimer statement may be required for registrations where the trade mark contains an element that is devoid of distinctive character. In this case the trade mark application was comprised of one single element. As this one element "OLDENBURGER" was not itself eligible for registration, there was no element to which the disclaimer could relate, that is, no other elements which Nordmilch could have disclaimed. Therefore this argument was rejected by the court.

Doris Myles, London

Germany: Manufacturer may restrict online sales of its products

The German Federal Supreme Court has recently held that a luxury perfume manufacturer is entitled to exclude online retailers from its selective distribution network. Lancaster, manufacturer of upmarket perfume and beauty products, imposes a number of conditions on distributors wishing to sell its products online. Only those companies which can offer an efficient sales environment, a wide range of products and good customer advice will be allowed to do so and, even then, they are limited to selling a maximum of 50% of Lancaster's range of products via the Internet.

BeautyNet, a "pure" online retailer, applied to sell Lancaster products exclusively online. Lancaster refused and BeautyNet took the matter to court. Under European competition rules selective distribution arrangements are only permitted where the manufacturer applies objective criteria in deciding which retailers may participate. The Federal Supreme Court ruled that Lancaster's terms of distribution were permissible in the context of the sale of luxury products whose upmarket brand image might not be well served by online sales.

Thomas Schafft, Munich

Court construes "likelihood of confusion" under Italian law

A recent decision by the Court of Naples gives guidance on the test for "likelihood of confusion" under Italian law. The dispute concerned Acqua di Parma, an Italian perfume manufacturer and registered owner of the "ACQUA DI PARMA" trade mark. It sued two companies in Naples, which made and sold perfumes bearing an ACQUA DI PARMA mark, for trade mark infringement.

The Court of Naples upheld the plaintiff's claims that there was a likelihood of confusion between the defendants' products and those produced by Acqua di Parma. In its reasoning, the court took the opportunity to lay down some guidelines on ascertaining whether there was any likelihood of confusion between the marks under Italian law. In particular, the court said that:

- courts must consider the context in which the mark was being used, not just the terms set out in the registration, when assessing whether it requires protection. The context to be considered can include advertising and the reputation of the mark;
- courts should consider the relevant trade mark as a whole, rather than the separate elements of which it consists;
- courts should consider the point of view of the target consumers;
- marks are now deemed to have a value irrespective of the products or services to which they relate. This value stems, in part, from the fact that marks have the power to attract the interest of consumers;
- under Italian law this power of attraction is now protected by the concept of "risk of association", which should be included within the test for risk of confusion; and
- confusion which occurs before sale is relevant when assessing the risk of confusion.

Francesca Rolla, Milan

Dispute over use of DU PONT Trade mark

A recent dispute between *EI Du Pont De Nemours & Co ("EIDP")* and *ST Dupont ("STD")*¹⁸ looks at, amongst other things, the extent to which a commonly used surname can achieve distinctiveness as a trade mark.

EIDP is famed as a manufacturer of yarns and fabrics which it markets under the mark "DU PONT". Shortly before the enactment of the UK's 1994 Trade Marks Act, while the 1938 Act was still in force, it applied to register the mark for clothing. STD opposed and later applied to register its own mark "ST DUPONT", also for clothing, under the 1994 Act. STD failed in its opposition but won on appeal to the High Court. EIDP then appealed to the Court of Appeal, where it succeeded.

The Court of Appeal's judgment on the registrability of EIDP's DU PONT mark turns on the requirements of the 1938 Act but raises some interesting arguments in relation to the mark's use. STD alleged that EIDP's DU PONT trade mark should not be registered as it was not inherently capable of distinguishing EIDP's goods, since it consisted of a common French surname which was found over 800 times in the 2000 Paris telephone directory. (Such marks were only registrable under the 1938 Act on proof of acquired distinctiveness). Furthermore, it was used in relation to yarns and fibres and not in relation to clothing. EIDP presented substantial evidence that the DU PONT mark was used on swing tickets attached to clothing.

EIDP asserted that DU PONT was distinctive for clothing and that the true question was whether the mark was inherently capable of distinguishing its goods in the UK. The fact that it was a French surname was therefore irrelevant. In addition, use of the mark on swing tickets attached to clothing was, it argued, use in relation to clothing or in relation to the fabric. The court rejected the latter contention. Although the mark was used in the course of trade, it was not being used in the course of "trade in the goods" (for example, clothing), as it was principally used to alert the consumer to the

fact that EIDP's fabrics were incorporated into the clothing. However, the court accepted that, notwithstanding that the mark was a common surname in Paris, it was distinctive for yarns and fibres and clothing.

The court confirmed that there were no other reasons under the 1938 Act to refuse registration of EIDP's mark and that STD's use of its mark "ST DUPONT" would amount to passing off. STD's application would therefore be refused.

Sahira Khwaja, London

Italy: Tax Authority clarifies regime applicable to magazine titles

The Italian Tax Authority has given an opinion clarifying the tax regime applicable to royalties payable for the use of titles of foreign magazines. The Tax Authority had been asked by an Italian company, which publishes in Italy a magazine edited by its French parent company, whether the royalties paid to the French publisher could be treated as copyright royalties. Under the Italian-French Convention on Prohibition of Double Taxation, these are not subject to deduction of tax at source.

In its opinion, the Tax Authority distinguishes between three different types of payments made by the Italian publisher, namely:

- for the use, on an exclusive basis, of the title of the corresponding French magazine;
- for the sale of advertising space on the magazine; and
- for the right to publish photographs and Italian translations of articles published in the French magazine.

According to the Tax Authority, the first two categories fall within the concept of "trade mark licence". Royalties payable are therefore subject to the regime set out by Article 12 of the Convention which permits royalties to be taxed in the State of residence of the licensor but also permits royalties to be taxed in the State of residence of the licensee,

¹⁸. Unreported, 10 October 2003.

provided that the tax so charged may not exceed five per cent of the gross amount of the royalties or licence fee.

Conversely, publication of photographs and of Italian translations of articles published in the original French magazine are to be considered copyright royalties, for which Section 3 of Article 12 of the Convention establishes that taxation is applied only in the State of residence of the copyright holder.

The Tax Authority's opinion appears to diverge from the clear indication in Article 100 of the Italian Copyright Act, as well as to the prevailing case law on the matter, that titles of newspapers and magazines are protected by copyright. The courts have, however, on occasion conceded that such titles can be treated as trade marks, in the light of their distinctive function.

Francesca Rolla, Milan

France: Is Google's AdWords search system legal?

The Court of Nanterre has found Google France liable for infringing the French intellectual property code through its use of its AdWords programme. Google's AdWords programme lists various keywords available for "sponsorship". Advertisers pay to sponsor a particular keyword, so that, when a webuser performs a search on Google for that keyword, the advertiser who has sponsored it is guaranteed a prominent position in the list of results thrown up.

Google France had made the terms "bourse des vols" (flight exchange), "bourse des voyages" (travel exchange), "vols" "voyages" and "bourse" available for sponsorship. However, two travel agencies, Luteciel and Viaticum, objected. They had registered the terms "bourse des vols" and "bourse des voyages" as registered trade marks in France and, on the entry by Internet users of search requests for "bourse des vols" and "bourse des voyages", sites of their competitors were being triggered even though the owner of these sponsored link had chosen the words "voyages" or "vols" alone as a keyword and not the entire expressions "bourse des voyages" or "bourse des vols".

They sued Google France for trade mark infringement when it refused to remove the terms from its AdWords scheme. Google argued that the terms were generic; that the marks in question were not valid and that the issue was a technological one which could not be resolved.

The court ruled against Google France on all grounds and ordered it to remove the disputed terms from AdWords within 30 days; to pay €70,000 in damages and €5,000 in court expenses; and to post extracts of the judgment on its site for one month. Google, which faces a fine of €1,500 per infringement if it fails to comply, has indicated that it will appeal.

It will be interesting to see the result of the appeal. The decision itself is questionable as it seems to shift to Google, rather than to the advertiser, the heavy burden of checking whether a particular keyword has been registered as a trade mark. Even if it could check a database of trade marks in a particular jurisdiction to see if a word is registered, not all jurisdictions have online databases covering national trade marks and in certain jurisdictions (for example, the US and the UK) there is also the problem of unregistered marks. Moreover, the decision appears to go too far as the court is preventing the sponsorship of keywords or AdWords which are inherently descriptive, for example, "vols" and "voyages", merely because they form part of a registered trade mark.

Marie-Aimee de Dampierre and David Taylor, Paris

ECJ sets out Limits on Trade Mark Dilution

In our October issue, Alistair Shaw reported on the opinion given by Advocate General Jacobs in *Adidas v Fitness World*¹⁹. This case concerns the operation of the dilution provisions in Article 5(2) of the EC Trade Marks Directive²⁰, which is enacted in UK law as Section 10(3) of the Trade Marks Act 1994. The ECJ has now issued its judgment in this case.

19. C-408/1, unreported, 10 July 2003.

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

Section 10(3) provides that a sign used in the course of trade infringes a registered trade mark if it is identical or similar to the registered trade mark and is used in relation to goods or services which are *not similar* to those for which the trade mark is registered, where the registered trade mark has a reputation in the UK and the use of the sign, without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

In *Davidoff v Gofkid*²¹ the European Court of Justice had decided that Section 10(3) applied whether or not the goods or services of the claimant were identical or similar to the defendant's goods or services. The express wording of the Directive had been limited to goods and services which were *not similar* to those for which the trade mark was registered. Nevertheless the court, confirming the opinion of the Advocate General, said that, in implementing the provision, Member States had been required to grant at least as extensive protection to marks with a reputation used for identical or similar goods or services.

The court stated that the task of judging the degree of similarity between the trade mark and the sign required a visual, aural and conceptual analysis, so that the public made a connection between the sign and the mark, even though there was no likelihood of confusion. This should be assessed globally, taking into account all the factors in the case. It should therefore be possible for a proprietor of a mark with a reputation to prevent use of a sign under Section 10(3) even if he would be unable to show a likelihood of confusion as required by Section 10(2) (which deals with identical/similar marks and likelihood of confusion).

Finally, the court was asked to consider whether, judging the similarity between the mark with the reputation and the sign, any importance should be attached to a finding of fact by the national court that the mark with a reputation was viewed as an embellishment or decoration by the relevant public. The court held that the fact that a sign might be used as an embellishment was not in itself an obstacle to a mark with a reputation receiving protection under this section. However, if the fact

that it was viewed as a decoration meant that no link was established between the alleged infringing sign and the trade mark, then this would mean that there was an insufficient degree of similarity between the two and accordingly the trade mark would not be infringed.

The court has now, in the space of a little under a year, significantly extended the dilution provision in the EC Trade Marks Directive, so that it is now considerably easier for a trade mark proprietor to prove infringement where his mark has a reputation.

Sahira Khwaja, London

UK: No go for "Toys Aren't Us" application

The UK's Trade Marks Registry has rejected an application by the National Canine Defence League to register "Toys Aren't Us"²² in various classes relating to fundraising and education about the care and welfare of dogs. The application was opposed by Geoffrey Inc, owners of the well-known international toys chain, which has a number of UK and CTM registrations for "Toys R Us" and variations of the phrase. Toys R Us stores sell, among other things, a range of goods featuring dogs.

The Registrar held that the mark applied for "unambiguously captured the distinctive character of the opponents' mark". The negative message in the applicants' mark made little difference, he went on. If it had, anyone would be able to avoid infringement of a mark with a reputation simply by placing 'NOT' in front of the mark.

The Registrar found that the applicants had known of the opponents' mark and had chosen to base their own mark on it. "I do not think anyone encountering the applicants' mark would fail to see the pronounced similarities with the opponents' mark", he commented.

He concluded that the applicant had, without considering the effect on the opponent's business, intended to bring to mind its business and to associate

21. C-292/00, the Times, 22 January 2003; [2003] All ER (EC) 1029.

22. Unreported.

it with cruelty to animals. This association would be detrimental to the distinctive character or repute of the opponents' mark in such a way as to "fall short of the standards of acceptable commercial behaviour".

The Registrar rejected, however, the opponent's contention that the applicant's use of the mark applied for would be contrary to the law of passing off.

David Latham, London

Patents

Community Patents - What News?

According to press reports, the head of the Industrial Property unit in the European Commission's internal market directorate, Erik Noteboom, has encouraged EU Member States to speed up progress towards a Community patent. At the annual Patinova conference in mid November he said that, even though the compromise decision (*see our April 2003 issue*) on translation provisions will make translation costs for a patent more expensive than initially anticipated, it was still a step in the right direction.

Under the new compromise, an applicant can file the patent in English, French or German. If it is granted the applicant must then translate it into the other two languages. The time allowed for translation has not yet been decided, but Mr Noteboom advocates a relatively short period. There are differing proposals for the translation period ranging from three to 24 months.

The Community must join the European Patent Convention in order to allow the European Patent Office to examine and grant Community patents.

The European Competitiveness Council (set up to be consulted on competition matters by policy and decision making bodies within the EU) has been reviewing the Community Patent proposals. It is meeting shortly and, according to some sources, is expected to reach political agreement on the proposed Regulation on the Community Patent and on a proposal to amend the European Patent Convention.

At the meeting of the Competitiveness Council the following areas will be considered in connection with the Community Patent:

1. mergers;
2. government use of Community Patents;
3. compulsory licences in cases of crisis or emergency;
4. time limits for translation into official languages; and
5. problems arising from the meaning of a patent being lost in translation.

Finally, the Commission has announced that, before the end of the year, it will present proposals for the creation of a judicial panel of first instance for a variety of actions relating to Community Patents.

Nicola Dagg, London

Special Focus

EU Enlargement: How will it affect patent owners?

Introduction

On 1 May 2004, the European Union ("EU") will be enlarged by the accession of 10 new Member States. The Candidate Countries are the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. A requirement for each Candidate Country is that they adopt the "acquis communautaire"; that is the entire body of legislation of the EU. Chapter 5 covers the protection of intellectual and industrial property rights. This note looks at some of the issues which affect patent owners/applicants.

European Patents

Whilst the European Patent Convention is not an EU matter, with the exception of Latvia, Lithuania, Poland and Malta all of the Candidate Countries have recently signed up to the EPC, and the others are expected to join in due course. Until they formally sign up to the EPC, Patentees should continue to file national applications in order to obtain patent protection in Latvia, Lithuania, Malta and Poland. The new patent regimes in the Candidate Countries will not have any retroactive effect. This is important because for the Candidate Countries (except for Cyprus and Malta) patent protection for pharmaceuticals only became available between 1991 and 1994. Therefore, for some products which are patented in the existing 15 Member States of the EU ("EU15"), there is likely to be no patent protection in the majority of the Candidate Countries.

Community Patent

If and when the Community Patent becomes available it will extend to all of the Candidate Countries.

Supplementary Protection Certificates (SPCS)

SPCs will be available in the Candidate Countries to extend the term of a patent in appropriate circumstances.²³ The patentee may obtain an SPC in a Candidate Country in relation to products for which the first market authorisation was obtained both pre and post accession. However there are various different time limits within which the patentee must apply for the SPC, generally these are within six months of the accession date or within six months of the first marketing authorisation.

Free Movement of Goods

The EU free movement and competition provisions will apply automatically on Accession. This means that as of 1 May 2004, goods from the Candidate Countries will be able to circulate freely throughout the enlarged European Union.

Exhaustion of rights and parallel imports

After the enlargement, the principle of "exhaustion of rights" will apply to the whole of the enlarged EU. This means that, in general, once a company has placed, or consented to the placing of, a product on the market somewhere in the EU, the patentee will not be able to use its intellectual property rights to prevent the free circulation of that product, including its resale.

22. Article 20, Annex II Treaty of Accession. Transitional Provisions will be inserted as Article 19 of the Council Regulation 1768/92.

The Accession Treaty contains an exception for pharmaceutical products:

"With regard to [Candidate Countries except Malta and Cyprus] the holder ... of a patent ... for a pharmaceutical product filed in a Member State at a time when such protection could not be obtained in [Candidate Country above] for that product, may rely on the rights granted by that patent ... in order to prevent the import and marketing of that product in the Member States or State where the product ... enjoys patent protection ... even if the product was put on the market in the new Member State for the first time by him or with his consent."

This means that where a product is placed on the market in one of the Candidate Countries (where no patent protection was available at the time of filing of the patent which is now relied upon), the patentee may exercise his rights to prevent the importation in an EU Member State where he enjoys patent protection. For example, the owners of a UK patent could prevent the import into the UK of a product X marketed with his consent in Poland. However, if X was exported from Poland to Malta (assuming there was no patent protection in Malta) and then imported into the UK the position is likely to be that the patentee could still prevent this, otherwise the exception would be easily circumvented by simply routing the product through Malta or Cyprus. This does not seem to have been what the legislator intended.

IP Related Agreements

Any IP licence, co-operation or franchise agreement which relates to a Candidate Country will have to be amended to conform retroactively with EU laws and regulations, for example, Article 81 of the EC Treaty.

Nicola Dagg and Daniel Brook,
London