

Newsletter
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Intellectual property

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

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Copyright

Implementation of the Copyright Directive delayed

In our September 2002 issue, we reported that the UK Government had published a consultation paper on the way it intended to implement the Copyright Directive¹ into UK law. The Copyright Directive is intended to harmonise the copyright laws of EU Member States to ensure that copyright owners are adequately protected in an age in which technological advances enable infringers to make perfect copies of copyright-protected works.

EU Members were required to implement the Directive into national legislation by 22 December 2002. In the UK's case, the Government made clear that this would be by amendments to the Copyright, Designs and Patents Act 1988. However, this deadline came and went and a new implementation date of end March 2003 was substituted. The Government has now announced that this date, too, was over-optimistic, given the technical complexity and range of the issues involved and the sometimes contentious nature of the amendments proposed which became clear in the consultation process.

No new deadline has yet been announced, although the Government professes to be "committed to achieving implementation as soon as possible" and hopes to produce a draft Statutory Instrument to be laid before Parliament by "late spring".

The UK is not alone in its tardiness - by March 2003, only Greece and Denmark had so far completed implementation.

Lindy Golding/Diane Hamer, London

1. (2001/29/EC).

Trade marks and passing off

ECJ holds that colours are registrable as trade marks

In our last issue we reported on the Opinion of Advocate General Leger in *Libertel v Benelux-Merkenbureau*², a case involving the registration of colours *per se* as trade marks. The Advocate General had given a restrictive interpretation of section 2 of the Trade Marks Harmonisation Directive³, arguing that colours *per se* (without shape or borders) should not qualify for registration, on the grounds that they are neither capable of distinguishing the goods or services of one undertaking from another, nor of being represented graphically.

In one of the few cases where the European Court of Justice has not followed the Advocate General's Opinion, the ECJ has just ruled⁴ that a colour *per se* is capable of having a distinctive character in relation to certain goods or services. The court also held that a colour can be represented graphically, by designating the colour, using an internationally recognised identification code. However mere reproduction of a colour on paper will not suffice.

The Advocate General had raised a public policy issue, namely that, if colours could be monopolised by trade mark rights, this would have a negative impact on free competition in the European Union. The Court addressed this by setting out factors to be considered when assessing both the distinctive character of the colour which an application is seeking to register and whether registration would unduly limit the availability of colours for the other operators.

These are:

1. whether the registration of a trade mark of a colour *per se* is sought for:
 - (a) a number of goods or services
 - (b) a specific product or service
 - (c) a specific group of colours or services; and
2. all the other circumstances of the particular case, including the use which has been made of the mark.

A colour *per se* may have a distinctive character within Article 3 of the Directive, if the relevant public could perceive the mark as being capable of identifying the products or services as originating from a particular undertaking and distinguishing it from those of other undertakings. In some circumstances a colour *per se* may also serve as a badge of origin of the goods or services of one undertaking within the meaning of Article 2.

This judgment takes into account the recent developments in European trade mark law which opened the way for the registration of new kinds of trade marks. Nowadays colours are becoming an increasingly important means of identifying a company and its products or services in the market place. The ECJ's approach is a modern and liberal one as it shows that, if a colour is to be refused trade mark protection, the registration authority will have to explain why in that particular case it lacks distinctive character in relation to the product in question or why its registration would unduly restrict competition.

Marina Lanfranconi, London

2. C-104/01.

3. 89/104/ EEC.

4. The Times, 12 May 2003.

Arsenal v Reed: end of extra time?

The Court of Appeal has overturned Laddie J's judgment that the football souvenir trader, Matthew Reed, had not infringed Arsenal Football Club's trade mark registrations⁵. In doing so, the Court analysed the earlier ruling by the European Court of Justice on the question of whether there was a defence of non-trade mark use under the Trade Marks Directive. These explanations will help the English courts apply that ruling. The Court of Appeal also emphasised the part that events following the sale of goods can play in the determination of whether infringement has occurred. Both aspects of the judgment will be welcomed by brand owners.

Arsenal had sued Matthew Reed for registered trade mark infringement for selling a range of "unofficial" clothing bearing identical reproductions of the Club's ARSENAL, ARSENAL GUNNERS, Crest and Cannon logo trade marks. Mr Reed's defence was that the preliminary words of the relevant part of the Directive "using [a sign] in the course of trade" meant that, in order to infringe, he had to be using Arsenal's marks in such a way as to indicate the origin of the goods, that is, in a "trade mark sense". He denied that he was doing so but argued that he was using the marks as badges of allegiance to the club. At first instance Laddie J found that the marks were perceived as just that, not as indicators of the origin of the merchandise. However, he asked the ECJ for guidance as to whether use other than in a trade mark sense could infringe.

The ECJ held⁶ that, in cases where none of the express defences under the Directive was available, if a person used in the course of trade an identical sign on goods identical to those for which the mark concerned was registered, the owner was entitled "in circumstances such as those in the [Arsenal] case" to prevent that use. It made no difference that the sign was at the same time perceived as a badge of support for or loyalty or affiliation to the trade mark owner.

Subsequently Laddie J ruled that, by indicating in its ruling that Mr Reed should be found to have infringed, the ECJ had, in effect, disagreed with his finding of fact that customers would perceive Mr Reed's use of the marks as badges of allegiance. This meant the ECJ had exceeded its jurisdiction and as a result he was not bound by its final conclusion indicating Arsenal should win the case in England. The judge applied his understanding of the ECJ's guidance on the TM Directive to the findings of fact he had made and held Mr Reed had not infringed.

Arsenal appealed. The Court of Appeal held that Laddie J had been right that he was not bound by any "steer" that the ECJ gave as to the final outcome, although it was not improper for the ECJ to guide national courts. However, he had been wrong in thinking that the ECJ had agreed with his view that there could be no infringement unless the use complained of indicated trade origin.

Giving the lead judgment, Aldous LJ acknowledged that the ECJ had not directly answered the questions referred by Laddie J. This was because those questions were based upon a view that the issue of infringement would depend on whether the use complained of was trade mark use. The ECJ's reasoning showed that this was not the relevant consideration. The ECJ had, in effect, said that registration of a trade mark gave its owner a property right. The relevant consideration therefore was whether the use complained of was likely to damage that property right. Put another way, did the use affect or jeopardise the mark's guarantee of origin (the essential function of a trade mark)? Damage to the property right or to the guarantee of origin was not dependent on whether the use complained of was trade mark use.

There were two ways in which Mr Reed's use of Arsenal's marks was liable to damage the property right and affect the essential function of the marks.

1. Once goods were taken away from Mr Reed's stall (where there was a large sign pointing out that his goods, or at least some of them, did not originate from Arsenal) some consumers might interpret the use of the marks on Mr Reed's clothing as designating Arsenal Football Club as the

5. The Times, 22 May 2003.

6. Case C-206/01, [2003] RPC 9.

undertaking from which the goods originated.

Contrary to what the judge had said, the Court of Appeal found that this conclusion was not inconsistent with the judge's findings of fact.

This is significant. Indeed, the Court of Appeal spelled out that it was crucial to an understanding of the ECJ's reasoning. It is significant because it will serve to highlight to the courts that consideration must be given to the perception of marks by consumers away from the point of sale and that the impact of marks on consumers other than those purchasing the goods concerned can be important in determining whether infringement has occurred.

2. If Mr Reed's use of Arsenal's marks continued unchecked it was likely to damage their guarantee of origin because it would mean that not all the goods designated by the marks would have been manufactured or supplied under the control of a single undertaking responsible for their quality.

In summary, the Court of Appeal found that the ECJ had made it clear that the important consideration was whether the right given by registration was likely to be affected by a third party's use. The trade marks, when applied to Mr Reed's goods, were purchased and worn as badges of support, loyalty and affiliation to Arsenal, but that did not mean that such use was not liable to jeopardise their function. In fact, the wider and more extensive the use of the marks by persons such as Mr Reed, the less likely the trade marks would be able to perform their function.

While the Court of Appeal did not need to say anything about this issue, it held that the judge had wrongly decided that there was no use by Mr Reed of the marks in a trade mark sense. On reviewing the evidence, Aldous LJ thought that it all pointed to such use. One point seems to have been particularly persuasive. This was the use by Mr Reed himself of the warning sign on his stall. If the use of, for example, the word ARSENAL did not carry an indication of origin there would be no need for Mr Reed to have put up such a sign. Aldous LJ thought that this indicated Mr Reed was concerned that persons purchasing from him would, without this explanation, believe that the goods came from Arsenal. Why, the Court asked? It must be because

the goods bore the name ARSENAL and that name denoted origin. Another reason the marks suggested origin was the evidence that, when consumers purchased "unofficial" Arsenal merchandise with which they were dissatisfied, they frequently complained to the Club's own outlets.

The clear guidance in the Court of Appeal judgment will be welcomed by football and other professional sports clubs as well as the broader entertainment industry, in which merchandising is often one of the most significant aspects of business. It will also be interesting to see whether there will be an increase in the amount of evidence presented in infringement actions as to the perception of consumers in relation to goods once they are in circulation, and not necessarily the perception of the persons who purchase the goods themselves. This might be expected, due to the Court of Appeal's clear emphasis of this aspect of the ECJ's reasoning.

Alastair Shaw, London

Relevance of fact that marks are in different scripts

In a recent decision⁷, Jacob J ruled that the fact that a sign, which was nearly identical to a registered trade mark, was used in a different script did not prevent it being confusingly similar to the registered mark.

The respondent had registered a number of trade marks incorporating the word "Smirnoff" in relation to vodka. The appellant applied (inter alia) to register a number of "Smirnov" marks, also for vodka. The hearing officer granted two applications where the mark was written in Cyrillic script. The respondent sought to have the marks expunged from the register but the hearing officer refused. The respondent appealed.

Jacob J allowed the appeal. The marks "Smirnov" and "Smirnoff", both used for vodka, were confusingly similar. The fact that the respondent's "Smirnov" marks were depicted in Cyrillic script

7. Zakritoe Aktsionerное Obshchestvo "Torgovy Dom Potomkov Postavechtchika Dvora Ego Imperatorskago Velitschestva PA Smirnova v Diageo North America Inc (unreported, 7 April 2003).

made no difference. It was self-evident that occasions would arise where the marks would be translated into English and in any event some people could read Cyrillic script.

Caroline Clarke-Jervoise, London

Where is the burden of proof in exhaustion cases?

In a further refinement on the law on exhaustion of rights, the ECJ has now given its ruling in *Van Doren + Q GmbH v Lifestyle Sports*⁸.

Van Doren had brought proceedings against Lifestyle on the basis that it was, without the consent of the trade mark owner, distributing in Germany and the EEA "Stussy" products which had originally been put on the market in the United States. Van Doren is the exclusive distributor of Stussy products in Germany, Stussy Inc having an exclusive distributor for each EEA country. Lifestyle claimed to have obtained the goods in the EEA, where they had been put by the trade mark owner with his consent, so that the rights in respect to the goods had been exhausted.

In *Levi v Tesco*⁹, the ECJ clarified the concept of "consent" for these purposes. Consent entailed not only a positive agreement by the trade mark owner to the initial importation into the EEA, but also his unequivocal intention to renounce his right to oppose the placing of the goods on the market within the EEA.

However, previous case law has not clarified which party should bear the burden of proving where the trade-marked goods were first put on the market. The *Van Doren* decision specifically addresses this issue. The ECJ held that the existence of a general rule of evidence which places the burden of proof on the defendant, in a trade mark infringement action where he has raised a defence that the trade mark proprietor's rights have been exhausted, is consistent with Community law and, in particular, with Articles 5 and 7 of the Trade Mark Directive. However, the burden may be reversed if the

defendant can show that the result of his bearing the burden will be that there is a real risk of the partitioning of national markets, particularly where the proprietor uses an exclusive distribution system for marketing his products.

If the trade mark owner can show that the products were initially placed on the market outside the EEA by him or with his consent, the burden then falls on the defendant to prove that the proprietor consented to subsequent marketing of the products in the EEA. In situations such as exclusive distribution systems, if the defendant were to adduce evidence of the place where the goods were first put onto the market, the proprietor might in the future be able to obstruct the marketing of the goods by preventing others from obtaining supplies from a member of the exclusive distribution network of the proprietor within the EEA.

Marina Lanfranconi, London

Assessing distinctiveness in 3D trade mark cases

The ECJ has confirmed that, when assessing the distinctiveness of a three-dimensional shape of goods trade mark for the purposes of Article 3(1)(b) of the Trade Marks Directive, the same test applies as that used for other types of trade mark.

The German Federal Court had upheld the refusal of applications for registration by three companies of 3D marks on the ground that they lacked distinctive character in relation to the goods or services for which they were to be registered, as required by Article 3(1)(b).

The first company, Linde AG, had sought registration of a vehicle as a 3D mark for "motorised trucks and other mobile works vehicles, particularly fork-lift trucks". The German Court held that the mark was not so different from standard shapes used in the trade as to cause the trade to see it not simply as a variation of a familiar shape, but as the distinctive sign of an undertaking.

8. C-244/00, The Times, 29 April 2003.

9. C-415-416/99.

The second company, Winward Industries Inc, had sought registration of a torch as a three-dimensional trade mark. Its application was refused on the basis that the mark was devoid of distinctive character, that is, the mark was a typical torch shape, commonplace in the market. The consumer in the sector would not see in the shape of the product any indication that it originated from a particular undertaking.

The third company, Rado Uhren AG, sought to register a 3D mark for a wristwatch. Its application was refused for lack of distinctive character and because of the need to preserve designers' freedom to design. The German Federal Court held that trade mark protection could only be conferred where the original design that was indicative of origin could overcome the need to preserve the availability of the elementary shape of the product. This was a strict test, otherwise there was a risk that competitors would be impeded in the design of their products.

The cases were joined and the following question was referred to the ECJ:

In determining whether a three-dimensional trade mark which depicts the shape of a product has a distinctive character within the meaning of Article 3(1)(b) of the Directive, is there a stricter test for distinctive character than in the case of other forms of trade marks?

The ECJ agreed with the applicants¹⁰ that Article 3(1)(b) made no distinction between the different categories of trade mark for the purposes of assessing distinctiveness. In the case of all types of trade marks, distinctive character meant that the trade mark must be capable of identifying the product as originating from a particular undertaking and thus distinguishing it from those of other undertakings. Three dimensional marks did not require a stricter test.

Doris Myles, London

Recap on assessing damages in intellectual property cases

The Court of Appeal has given a useful reminder of the principles on the assessment of damages in IP infringement cases¹¹. This was in the context of an appeal from the decision of Laddie J (see our April 2002 issue) that a commercial news radio station, operated by Talksport Ltd, had falsely represented that the Formula One racing driver, Eddie Irvine, had endorsed it. Talksport had distributed 1,000 promotional packs which included a brochure with a doctored photograph of Eddie Irvine on the front, apparently listening to a Talksport radio - the original picture showed him using a mobile phone. The judge had assessed Eddie Irvine's damages at £2,000¹².

The Court of Appeal firmly upheld the decision on liability - it was difficult to conceive of a clearer way of conveying a message that a celebrity endorsed a particular radio station than by depicting him listening intently to a radio bearing the station's logo. However, the Court disagreed with the damages award and increased them to £25,000. The judge had calculated his award on the basis of a finding that Talksport would have been prepared to spend £2 per promotional pack to obtain Eddie Irvine's endorsement.

The Court held that Laddie J had misapplied the principle arising from the third of three types of case identified by the House of Lords in the leading *General Tire* case¹³. Although this was a patent case, its principles are generally applicable and can be summarised as follows:-

1. **Case type** - the infringer makes a profit from exploiting the IP, thereby diverting sales from the IP owner. Measure of damages - normally the profit which the owner would have made if the infringer's sales had been made by the owner.
2. **Case type** - IP owner normally grants licences for royalties. Measure of damages - what the infringer would have paid by way of a royalty if, instead of acting illegally, he had acted legally.

10. In re Linde AG and Others, Joined Cases C-53/01 to C-55/01. The Times, 24 April 2005.

11. Independent, April 4, 2003.

12. [2002] FSR 60.

13. *General Tire and Rubber Co. v Firestone Tyre and Rubber Co. Ltd* (No 2) [1976] R.P.C. 197.

In these circumstances however, the successful IP owner cannot simply demand any sum he likes. The award will be based on the going rate.

3. **Case type** - neither 1 or 2 above. Measure of damages - judicial estimation based on general considerations like general practice in relevant or similar trades, expert opinions or other factors.

Although the third category of cases requires judicial estimation, if the judge has reached an assessment that is clearly wrong, the Court of Appeal has a duty to intervene to put it right. *Irvine v Talksport* was such a case.

The Court said that a reasonable endorsement fee had to represent the fee which, on a balance of probabilities, Talksport would have had to pay in order lawfully to obtain Mr Irvine's endorsement. That fee was not the fee that Talksport could have afforded to pay. The evidence showed that, at the time Talksport had used Mr Irvine's image his minimum fee for an endorsement was about £25,000. Just because the Talksport campaign was relatively small and of a limited nature, it did not mean he would have been willing to give his endorsement for less.

Alastair Shaw, London

Patents

Patentability of inventions involving human embryonic stem cells

In the light of recent debate over the potential of stem cell research in the development of treatments for diseases, the Patent Office has published a practice notice clarifying its position on the patenting of inventions involving human embryonic stem cells.

In 2000, the UK's Patents Act 1977 was amended to cover the patenting of biotechnological inventions in the light of the EU Biotech Directive¹⁴. Such inventions are in principle patentable, provided they meet the normal patentability requirements under the Act of being novel, non-obvious and industrially applicable. However, the Act does not explicitly address the patentability of inventions involving human embryonic stem cells, hence the new guidance, which sets out the Patent Office's approach to the patentability of such inventions.

Its starting point is that, on balance, the commercial exploitation of inventions concerning human embryonic *pluripotent* stem cells, which do not have the potential to develop into an entire human body, is not contrary to public policy or morality in the UK. Such inventions will in principle be patentable. However, the Patent Office makes clear that it will *not* grant patents for the following:

1. processes of obtaining stem cells from human embryos (uses of human embryos for commercial or industrial purposes are not patentable inventions under the Patents Act 1977); and

2. human totipotent cells (these can develop into an entire human body, which in its various stages of formation and development is similarly excluded from patentability by the Act);

The Practice Notice can be found on the Patent Office website (www.patent.gov.uk).

Caroline Clarke-Jervoise, London

Coflexip patent sunk at second attempt

Coflexip's patent was the subject of an invalidity attack in proceedings which culminated in a Court of Appeal decision in July 2000¹⁵. The patent was held to be valid both at first instance (by Laddie J) and on appeal. Having survived an attack in those earlier proceedings, Coflexip may have felt that its patent was pretty safe from a further invalidity attack. Any such belief was misplaced. By his decision of 15 April 2003¹⁶, Laddie J has just invalidated the patent which had been held valid in his Court less than three years ago.

Since the original decisions on validity, Rockwater, the party seeking revocation of the patent in this action, had found additional prior art. This prior art had not been relied upon in the first case between Coflexip and Stolt Comex. It did not matter that the patent had previously been held to be valid over different prior art. The exercise of assessing validity had to be gone through again with the new prior art. Laddie J found that the patent was anticipated, and if not anticipated, obvious over this new prior art.

14. EC Directive 98/44/EC on the legal protection of biotechnological inventions.

15. *Coflexip v Stolt Comex* [2001] RPC 9.

16. *Rockwater v Coflexip*, unreported.

Nor was it plain sailing for Coflexip on the question of infringement. The patent relates to the problems which occur when trying to lay pipes in water - the principal area where that occurs appears to be in laying pipes to and from oil rigs at sea. The cables are laid from a ship. Whilst the patent refers to "flexible" pipes, that term is relative and it is evident from the patent and the judgment that care must be taken when laying even so-called "flexible" pipes to ensure that they are not bent too sharply as this will cause kinks to form. The patent discloses a way of laying the pipes without causing such damage.

In the situations addressed by the patent, the water into which the pipe is being laid may be several hundred metres deep and the pipe hanging from the boat will therefore have a considerable weight. Tension needs to be applied from the equipment on the boat to counteract the forces exerted by the pipe hanging off the boat (this is done with "tensioning means", to use the language of the patent). The equipment on the boat also needs to guide the pipe in the correct orientation so that the pipe is not unduly bent during the laying process.

The feature of the patent which was crucial to the infringement question was a requirement that the tensioning means should be the "*last means for guiding*" the pipe. Rockwater said that the equipment on its ship, had "tensioning means" but that these were not the last means for guiding the pipe. This function, said Rockwater, was performed by a shaped, flared opening in the base of the ship through which the pipe passed whilst being laid. The evidence in the case was that this "pipe guide" would not be in contact with the pipe all of the time. Coflexip said that the pipe guide was not a "means for guiding" when it could only possibly perform that function some of the time as it only touched the pipe some of the time.

Laddie J disagreed. He said that the words "means for guiding" meant something which is "suitable for" guiding. This does not mean "actually guiding". If the pipe guide performed that function only some of the time, then it was still "means for guiding". Further, the pipe guide did not need to perform this function for a majority of the time to be considered "means for guiding". It was enough if the pipe guide did this for a "significant" part of the time during pipelaying; "significant" did not have to mean for a "majority of the time".

Following the judge's reasoning, one could infer that, if the part acted as a "guiding means" but for a proportion of the time which was less than "significant" then the feature would not be present. It remains to be seen whether Laddie J's reasoning supports an argument that if, in the allegedly infringing product, a required feature operates as stated by the claim for anything less than a *significant* proportion of its operation, this means that the feature is not present and there is no infringement. If that is correct then the case may have introduced *de minimis* arguments as a route to avoid infringement.

Stephen Bennett, London

Supplementary Protection Certificates - Protection Available for New Indications?

Jacob J has recently given some clarification on the issue of obtaining supplementary protection certificates for new indications of a patented drug. The decision¹⁷, on appeal from the Comptroller General of the Patent Office, related to a drug produced by Takeda Chemical Industries Ltd, containing the active ingredient lansoprazole (sold under the trade mark "Zoton"). Takeda had two patents for lansoprazole. The first patent related to the product itself, and described its use for the treatment of acid-related disorders of the upper gastro-intestinal tract. The second patent claimed use of lansoprazole for the manufacture of a medicament for preventing or treating diseases caused by a bacterium known as *H. pylori*.

Takeda had obtained from the Medicines Control Agency ("MCA") an authorisation to market a product containing lansoprazole as the active ingredient for the treatment of the upper gastro-intestinal tract. This first marketing authorisation was given nine years after the date of filing of the first of Takeda's patents. Accordingly, a supplementary protection certificate was sought and granted in relation to this product.

17. Unreported, 2 April 2003.

Takeda then carried out further research and determined that lansoprazole is effective in eliminating *H. pylori*, when used in combination with particular antibiotics (clarithromycin, amoxicillin and metronidazole). Takeda sought a further marketing authorisation for this new indication in treating *H. pylori*. The MCA granted an amendment to the existing authorisation to include, as an indication for use of lansoprazole, the treatment of *H. pylori* when in combination with certain antibiotics. It is worth noting that it appears that the marketing authorisation, while it referred to use of lansoprazole in such combination, did not refer to a product in which the active ingredients were a combination of lansoprazole and the antibiotics (referred to above).

Takeda then sought to obtain a supplementary protection certificate in relation to the combination drugs. The SPC Regulation¹⁸ provides that a supplementary protection certificate will be granted where "the product is protected by a basic patent in force" (Article 3(a)), and where "a valid authorisation to place the product on the market as a medicinal product has been granted" in accordance with [the Directive] (Article 3(b)).

Two questions arose. First, whether the combination product was protected by a basic patent in force. Secondly, whether an authorisation existed to place the product on the market as a medicinal product. Jacob J answered in the negative to both questions.

On the first issue, neither of Takeda's patents claimed Lansoprazole in combination with any of the antibiotics mentioned above. Whilst such combination products would infringe Takeda's patents on lansoprazole, they would only infringe because of the presence of lansoprazole. On this basis, Jacob J held that the product was not protected by a basic patent. Jacob J also took the view that a marketing authorisation which contained an indication allowing the use of lansoprazole in combination with the specified antibiotics was not a marketing authorisation for a combination product containing lansoprazole and the antibiotics as the active ingredient. Takeda's marketing authorisation did not therefore satisfy Article 3(b) as there was no authorisation for the product contained the combination of active ingredients.

Whilst it would not have changed Jacob J's decision because of his views on Article 3(a), it is worth noting that the Comptroller General accepted that a further (later) marketing authorisation obtained by Takeda for a combination of lansoprazole with two specified antibiotics would have been a sufficient marketing authorisation to satisfy Article 3(b).

Stephen Bennett, London

18. EEC/1768/92.

Overseas developments

Italy - trade marks, domain names and the Playboy case

Italy, like many other EU countries, has not yet adopted legislation dealing specifically with domain names and their relationship with trade marks and other distinctive signs. A Bill was proposed during the last legislative period (the "Passigli Bill") but the outgoing Parliament failed to approve it before the elections.

The Bill has not been re-presented and no other bills have yet been proposed. The rules adopted by the Italian Naming Authority governing the grant of domain names do not specifically address the conflict between trade marks and domain names. They merely provide an administrative procedure whereby a domain name identical or similar to a previously registered trade mark can be "re-assigned" to the trade mark owner.

Given this scenario, the courts have played a major role when confronted with a growing number of disputes between trade mark owners and holders of conflicting domain names. However, the number of decisions since 1996 is still negligible (just over a hundred). In addition, most decisions were given in the context of preliminary proceedings and, as such, often do not contain a thorough reasoning as to the legal framework for the domain names/trade marks conflict.

In a recently published decision, the Court of Naples¹⁹ had to consider a conflict between the domain name *www.playboy.it* (registered by a Mr Giannatasio) and the registered playboy mark and

its domain name (*www.playboy.com*) owned by Playboy Enterprises Inc. The Court took the opportunity to analyse the earlier case law in detail and to consider the legal nature of domain names and the applicability of the Italian legislation on trade marks²⁰.

The most relevant principles set out by the Court can be summarised as follows:

1. Domain names are a means of commercial communication and can be categorised, from a legal perspective, as distinctive signs subject to the direct application of the relevant provisions of law (that is, the Trade Mark Act and the Italian law on unfair competition)²¹.
2. The peculiarities of the Internet (that is, the fact that it has no territorial boundaries) and of domain names (that is, the fact that identical domain names cannot be registered, even if the relevant websites belong to different classes of products or services) mean that, although the Trade Mark Act can be applied directly (rather than by analogy) to domain names, the principle of territoriality of the trade mark protection and the so called "speciality rule" (whereby a trade mark is protected for the goods and services for which it has been registered, thus allowing two identical trade marks for different goods or services to coexist) do not apply to the domain name/trade mark conflict.
3. The peculiarities of domain names also mean that the test to assess the likelihood of confusion between a trade mark and a conflicting domain name is slightly different from the test applicable to the conflict between trade marks in that:

19. *Playboy v Giannattasio*, 26 February 2003.

20. Royal Decree no 929 of 29 June 1929, as amended.

21. Article 2598 of the Italian Civil Code.

- (a) domain names can only consist of a combination of letters and, therefore, the comparison has to be made between the domain name and the words of which the trade mark consists (figurative elements cannot be taken into account)
- (b) differences in top-level domain names are not sufficient to exclude the likelihood of confusion, and
- (c) the fact that a web surfer who reaches a website with a domain name identical or similar to a famous trade mark will only be temporarily be confused (because he will abandon the "wrong" site in favour of the "real" site is not sufficient to reduce or exclude the risk of confusion. The initial confusion is sufficient to cause an undue advantage to the infringer and to prejudice the trade mark owner.

On these principles, the Court of Naples upheld the US company's claims and held that Mr Giannattasio's use of the *www.playboy.it* domain name amounted both to trade mark infringement and an act of unfair competition. However, the Court refused to award damages assessed on an equitable basis. Such an assessment was only permissible where the quantum of damages was extremely difficult (or even impossible) to establish. This was not the case here, since the plaintiff could, for example, have provided evidence of the number and value of the transactions effected on the *www.playboy.it* website.

Francesca Rolla, Milan

Amsterdam District Court rules against Harry Potter imitation

On 3 April 2003, the Amsterdam District Court issued an injunction preventing the distribution in Holland of a book entitled '*Tanya Grotter and the Magic Bass*'. This book is the Dutch translation of a Russian book by Dmitri Yemets, the release of which in The Netherlands had been planned for April 2003.

Proceedings had been brought by three claimants: the author of the Harry Potter books, J K Rowling; her Dutch publisher, De Harmonie BV and Time Warner Entertainment Co LP, which had put the first two Harry Potter books on the screen and owns various HARRY POTTER trade marks. The defendant was Byblos BV, the Dutch publisher of the Tanya Grotter book.

The claimants alleged that the Tanya Grotter book would infringe the copyright in the book '*Harry Potter and the Philosopher's Stone*'. It had, they argued, many similarities in characters and plot and was not a new original work but a reproduction of the Harry Potter book. They also pointed to an important aural and visual similarity between HARRY POTTER and Tanya Grotter, which would lead to (indirect) confusion. This, and the fact that Tanya Grotter would take unfair advantage of Harry Potter, amounted to trade mark infringement, they contended.

The defendant denied copyright infringement. Its first line of defence was to question whether the Harry Potter book was protected by copyright, since its author had used many elements from the public domain (for example, the subject matter - an orphan with terrible step parents, and children with magic power who fly on a broomstick). The defendant also argued that the elements of similarity had been deliberate in the Tanya Grotter book, since the book was meant to parody the Harry Potter book. As for trade mark infringement, the defendant argued that a book title could not constitute a trade mark, so the HARRY POTTER marks could only extend to merchandising. This merchandising would not be affected by the use of the name 'Tanya Grotter', since it would not be confused with the name 'Harry Potter'.

The Amsterdam District Court held that a developed plot could enjoy copyright protection, provided that the storyline, characters and other elements were original and bore the personal stamp of their creator. Even if J K Rowling had used elements from the public domain, the Harry Potter book was still original because of its chronology, plot and outcome. The court compared the two books in detail and found many similarities in terms of these three elements. It concluded that the

Tanya Grotter book constituted an unauthorised adaptation of the Harry Potter book. Since this adaptation lacked the elements of a parody, such as humour and sufficient distance with respect to the parodied work, it constituted a copyright infringement.

With respect to the alleged trade mark infringement, the Court found that the HARRY POTTER marks were well-known marks which enjoyed a high level of protection. Since these trade marks were registered for many goods, such as films and merchandising, the defence that the title of a book could not constitute a trade mark failed. Although the Court held that there was an important aural and visual similarity between HARRY POTTER and Tanya Grotter, it made no finding on whether there was any actual danger of confusion. Instead, it simply limited its decision to the potential danger of *dilution*.

An injunction based on copyright and trade mark right infringement was granted, which prevented Byblos BV from distributing the Dutch translation of the 'Tanya Grotter' book in The Netherlands. Byblos is appealing against the decision. Many consider the case to be a test case for the claimants, since Yemets intends to publish Tanya Grotter translations in several other countries.

Karin Verzijden, Amsterdam

The Internet and trade mark infringement: a change in approach by the French courts?

French courts usually consider that they have jurisdiction to decide on the infringement of French trade marks which are reproduced on websites, even if the websites in question are based outside France and are not directly aimed at the French public. Indeed, under Article 5.3 of the "Brussels Regulation"²² on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, the general rule is that a person domiciled in

an EU Member State can be sued for "tort, delict or quasi-delict" in the court (within the EU) for the place where the harmful event occurred or may occur.

French courts have previously ruled that the reproduction of a French trade mark on a website, without the consent of the trade mark owner, constitutes an act of infringement. The sole condition to be met for the French court to acknowledge jurisdiction is that the trade mark owner can show (by producing a court bailiff report) that the offending website is accessible in any area located within the court's jurisdiction. There is no requirement to show that the website is aimed at the French public or that it is possible to order any goods displayed on it from France.

However, in two recent decisions, the Paris Court of First Instance seems to diverge from this principle and to take a more restrictive approach on jurisdiction. In both cases, French trade mark owners brought trade mark infringement proceedings against German defendants for reproducing their trade marks on their websites (on the pages of the website in the first case and both as a domain name and on the pages of the website in the second case). Both websites had been created and managed in Germany and neither defendant operated directly in France.

In its decision of 11 February 2003²³, the Paris Court of First Instance acknowledged its jurisdiction by expressly pointing out that the offending website contained French pages, and was therefore aimed at a French public. The court ruled that the defendant's unauthorised reproduction of the plaintiff's trade mark on its website amounted to trade mark infringement.

In its decision of 11 March 2003²⁴, the Paris Court of First Instance dismissed the claims of the claimant on the basis that the offending website only included pages in German and did not state that it was possible to order any goods displayed on the website in France.

22. Council Regulation No 44/2001 of 22 December 2000.

23. *SARL Intermind v NFO Infratest GmbH & Co.*

24. *SARL BD Multimédia v Mr. H.*

The new approach adopted by the Paris Court of First Instance obviously reduces the protection of the rights of trade mark owners. However, it should be welcomed since it accords with the international nature of the Internet. It should remove the danger that a claimant could commence infringement proceedings in France based on French trade mark rights with a view to obtaining an order prohibiting a defendant located abroad from reproducing the trade mark on its website even though the defendant has no activity at all in France.

Olivier Banchereau, Paris