



Lovells and Managing Intellectual Property host lively debate on Gowers UK Intellectual Property Review

Mr Gowers, former editor of the Financial Times, introduced his Review to an audience of over 150 IP lawyers, IP owners and campaigners. The event on 30 January was chaired by James Nurton of MIP and on the panel were Meir Pugatch of the Stockholm Network and Kim Connolly-Stone of the Gowers Implementation Team at the UK Intellectual Property Office. Industry was represented by Roger Burt, Head of Intellectual Property at IBM and Dominic McGonigal, Director of Government Relations at PPL. The legal profession was represented by Mr Justice Pumfrey of the English Patents Court and Robert Anderson of Lovells.

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Kim Connolly-Stone reported on the process of implementation of Mr Gowers' recommendations, many of which involved the IP Office. Roger Burt agreed with the decision not to introduce a utility model style patent in the UK and the recommendation that the scope of software and business method patents should not be broadened. Mr Burt was also in favour of Beth Noveck's community patent review which is designed to help examiners find relevant prior art in the fields of software and business methods. IBM supports this initiative in the US and Mr Burt thought that it might be useful to adopt the concept in Europe once tested in the US.

Robert Anderson and Mr Justice Pumfrey addressed issues concerning enforcement. Robert Anderson commented on the observations on the costs of litigation in the UK compared with other European countries. It was important to compare like with like; for example most infringement trials at first instance in the UK also dealt with validity whereas in Germany the local court only dealt with the issue of infringement. Mr Justice Pumfrey thought that the current heavy workload of the IP Courts

demonstrated that the UK system was not short of customers.

Copyright was also a contentious area. Dominic McGonigal vigorously expressed concerns that a misunderstanding of the nature of copyright had led to an unfortunate decision not to extend the copyright term for sound recordings. There seemed to be a view that the right prevented others exploiting the underlying musical work which was, of course, not true.

There was no shortage of comment in the question and answer session at the end; the allocated time of two hours for the seminar proved far too short.



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European Parliament and Member States robbed of chance to input by the Commission: results of the European Parliament Report¹ on the Commission Recommendation² in relation to licensing online music services

On 5 March this year the European Parliament reported on the Commission Recommendation in relation to the collective licensing of online music services (the "Recommendation"). The result was a scathing report in which the European Parliament criticised the Commission for adopting a "soft-law" approach without consulting Parliament. Parliament has invited the Commission to immediately present a suitable binding legal instrument to be adopted by Parliament and Council in co-decision and suggests that it should be based on a system of licences under which royalties are paid on a "tariff of destination" basis.

The Recommendation

The background to the Recommendation is the current difficulties with licensing copyright works for online exploitation. The licensing of online rights is often restricted by territory and commercial users (the most obvious example being Apple) have to negotiate with the collecting society in each member state in order to obtain the rights required for online exploitation of works. The Recommendation suggests that it is therefore appropriate for collecting societies to provide for multi-territorial licensing in order to enhance greater legal certainty for users and increase the revenue stream for rights-holders.

The way forward: one European collecting society?

The Recommendation puts forward suggested approaches for improving the EU-wide licensing of copyright for on-line services. It suggests that rights-holders should have the choice to authorise any existing collecting society, regardless of which member state that collecting society is based in. The Recommendation suggests that the competition that would result from rights-holders having the freedom to grant rights to any collecting society regardless of where it is based, will benefit rights-holders. Although the Recommendation does not specifically state that the intention of the Commission is to eventually have one central collecting society for Europe, commentators have suggested that the obvious way forward in achieving simplification and EU coverage for commercial users is one or two central EU licensors.

Parliament's response

In its report the European Parliament has noted the concerns of smaller collecting societies and rights-holders about the move towards one or two central European collecting societies. For example, in response to the Recommendation, some of the major rights-holders such as EMI have publicly withdrawn their repertoires from the national collecting societies. In January this year EMI formalised its collaboration with the UK MCPS-PRS Alliance and the German collecting society GEMA to licence the repertoire on a pan-European basis. Such moves have been seen by the smaller collecting societies and rights-holders as a concentration of rights in the bigger collecting societies, which favours the large and successful commercial rights-holders at the expense of the authors of local and/or minority repertoire. The report notes that the creation of a small number of large collecting societies would result in a loss of turnover for the national collecting societies, making it much harder for them to be economically effective and potentially leading to

their extinction. This, Parliament considers, would make it more difficult for local authors to obtain good services in another country (for example services may not be in their own language) and would undermine cultural diversity in Europe.

The report also highlights the danger with the Commission's recommendation that national collecting societies compete for business because it is felt that such a system will drive down the royalties paid to rights-holders and result in authors' revenues spiralling downwards. In the report Parliament supports a system whereby rights-holders can choose which collecting society to use and are not tied to the collecting society of the author's country because this guarantees that global repertoire remains available to all collecting societies for the granting of licences. However, Parliament suggests that the best guarantee of fair and controlled competition, which avoids downward pressure on authors' incomes and enables pan-European licensing, is a system in which authors' revenues are determined by the rates of the country in which the consumer buys (or downloads) a particular piece of music.

Follow-up

Parliament's report goes some way towards addressing the concerns of the smaller collecting societies and rights-holders and, in what is seen to be such a complicated area, it will also be of some comfort to rights-holders and users of content that the Commission has been asked for legislation to clarify and deal with the collective licensing of online rights.



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1 European Parliament Report of 5 March 2007 on the Commission Recommendation of 18 May 2005 on collective cross-border management of copyright and related rights for legitimate on-line music services (2006/2008 (INI)).

2 The Commission Recommendation of 18 May 2005 on collective cross-border management of copyright and related rights for legitimate on-line music services (2005/737/EC).

UK: The dichotomy between an idea and its individual expression

Two recent English Court of Appeal decisions³ highlight the difficulties involved in drawing a line between the legitimate use of ideas and the unlawful copying of their expression and the need for clearer guidance on what constitutes a “substantial part” of copyright works.

Nova Productions v Mazooma Games

In March 2007, the Court of Appeal reconsidered Nova Production’s allegations that its artistic and literary copyright in its pool-themed arcade video game “Pocket Money” was infringed by the defendants’ pool-themed video games “Jackpot Pool” and “Trick Shot”.

The claim to artistic copyright was based on the visual appearance of “Pocket Money”. Both parties accepted that the individual static frames stored in the memory of the computer were “graphic works” within the meaning of s.4(2) of the Copyright, Designs and Patents Act 1988. The court found that, save for the fact that the frames were of a pool table with pockets, balls and a cue, nothing on the defendant’s frames could be said to be a substantial reproduction of the corresponding frames in “Pocket Money”. Nova maintained that there was a further type of artistic copyright in the series of frames showing the movement of the cue and the meter. The court held that a series of drawings was a series of graphic works and that putting together a series of still images did not involve sufficient extra skill and labour beyond that involved in creating the individual frames to create an additional copyright work protecting the moving images.

The claim to literary copyright was based on the software code and preparatory design material for that software. Nova argued that the code had been infringed because of the alleged similarity between the visual appearance of each game. The court affirmed the principle established by *Pumfrey J in Navitaire v easyjet* that the literary code in a computer code can only be infringed by the copying of the code itself and not by the visual similarities created by each of the programs.

Considering the dichotomy between an idea and its individual expression, the Court found that the Software Directive and TRIPS made it clear that for computer programs as a whole, including their preparatory design work, “ideas” were not protected. An idea consisting of a combination of ideas was still just considered an idea and was not capable of copyright protection. Even though Nova’s ideas had inspired some aspects of the defendant’s programs which were reflected in the output of the defendants’ programs, they were too general to amount to a substantial part of Nova’s work. The defendants had not taken anything in terms of the program code or the architecture of the program, but merely ideas that had little to do with the skill and effort of the programmer which did not constitute the form of expression of the literary works relied upon.

Lord Justice Jacob emphasised the importance that copyright is not allowed to intervene to stifle the creation of works that are actually very different. Granting protection for general ideas would allow copyright to become an instrument of oppression rather than incentive for creation.

The Da Vinci Code case

The dichotomy between an idea and its individual expression was also revisited in The Da Vinci Code

case in March 2007, where the Court of Appeal upheld the first instance decision of Peter Smith J clearing Dan Brown of copyright infringement in the earlier book “The Holy Blood and the Holy Grail”. The claimants sued Random House, which published both books, arguing that Dan Brown had copied their book’s central theme.

The Court of Appeal agreed with Peter Smith J that whilst Dan Brown had access to the earlier book and based relevant parts of The Da Vinci Code on it, he only took generalised propositions which were too abstract to qualify for copyright protection because they were not the product of the application of skill and labour by the claimants in the creation of their literary work. Although the relevant “central theme elements” identified by the claimants were present in both books, the Court of Appeal found that whatever elements (if any) had been copied from the earlier book were insufficient to qualify as a substantial part. The “central theme elements” identified by the claimants were merely a selection of features of the earlier book collated by Dan Brown for research purposes rather than a theme emerging from the reading of the book as a whole.

Need for more guidance

Although *Nova Productions* seems to have provided some clarity on the idea/expression dichotomy in a software context, the two decisions highlight the difficulties involved in drawing a line between the legitimate use of ideas and the unlawful copying of their expression and the need for clearer guidance on what constitutes a “substantial part” of copyright works.



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³ Nova Productions Ltd v Mazooma Games Ltd; Nova Productions Ltd v Bell Fruit Games Ltd [2007] EWCA Civ 219. Michael Baigent and Richard Leigh v The Random House Group Limited [2007] EWCA Civ 247.

User generated libel – internet services and liability in Germany

User generated content is getting more and more popular on the internet. However, in Germany there has been legal uncertainty concerning the liability of the providers of services providing access to this content due to divergent decisions by lower courts. Now the German Federal Court of Justice has clarified the question of liability concerning libel statements in online discussion boards.⁴ This is certainly good news for service providers however the clarification has set a high level of service providers' liability.

Secondary liability for online content providers

The highest civil court in Germany, the Federal Court of Justice, had allowed a claim for an injunction against a provider of an online discussion board. Users of the service had published two postings on the website which were libelling the claimant. The identity of one of the authors was known to the claimant. The court held that even if the identity of the author, who is primarily liable for the posting, is known to the claimant, the secondary liability of the service provider is not omitted. A discussion board provider is generally liable if it has knowledge of the infringing posting.

Liability relating to traditional (offline) media

The Court of First Instance, the Higher Regional Court of Düsseldorf, has decided that there is in general no secondary liability for the service provider where the infringer is known to the claimant.⁵

The court argued that it is obvious that the postings on a discussion board do not express the opinion of the service provider and that it would be against the idea and nature of such services to hold the service provider liable for the postings. The court drew an analogy with the German newspaper's liability for letters to the editor and to TV-stations' liability for utterances of guests in live transmissions. The court pointed out that, unlike newspapers, the service providers do not choose which postings to publish. However, the court decided that this couldn't apply where the infringer is only known to the provider. Due the fact that the identity of the user is hidden behind a nickname the claimant needs the help of the provider. Therefore, the provider could be held liable for an injunction relief if it does not disclose the identity of the user. The court held that it is not appropriate for the provider to hold personal details of its users which it could pass on in the case of an infringement.

Different liability for injunctions than for damages

The liability for providers of user generated content has been highly contended in Germany in the last few years. Following sec. 10 of the new Telemedia-Service-Act the provider of an online discussion board is not liable for damages for the content of third parties as a general rule if the provider has no knowledge of the infringement and acts immediately after he has been notified of the issue. However, as the Federal Court of Justice decided in an earlier case this doesn't apply for mere injunctive relief.⁶ In relation to injunctive relief the general rules of civil liability apply as they have been developed by case law. In late 2005 a decision by the Regional Court of Hamburg⁷ has bothered the internet industry with a very high level of liability for user generated content by establishing a general

monitoring obligation after knowledge of only one earlier infringement. The costs of such an obligation are likely to make user generated content based services inoperable. Later, on appeal in front of the Higher Regional Court of Hamburg⁸, the judgement was generally affirmed, but the court alleviated the problem of liability to a certain degree (for example, an obligation to monitor the specific board in which the infringement occurred).

Double-edged sword: Clarification, but high level of liability

The actual decision by the German Federal Court of Justice is important for all providers of user generated content because it should enhance the predictability of legal decisions for these business models although – from the perspective of the media industry – the outcome of the decision sets up a considerable level of liability for user generated content providers in Germany.



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4 Bundesgerichtshof, decision on 27 March 2007, VI ZR 101/06.

5 Oberlandesgericht Düsseldorf, decision on 26 April 2006, I-15 U 180/05, MMR 2006, 553.

6 Bundesgerichtshof, decision on 11 March 2004, I ZR 304/01, BGHZ 158, 326.

7 Landgericht Hamburg, decision on 2 December 2005, 324 O 721/05.

8 Hanseatisches Oberlandesgericht, decision on 22 August 2006, 7 U 50/06.

Pushing domain names

Everyone wants domain names, don't they? These days, if you come across a business in almost any context, you probably run a search or two on Google to find out a little more about them. Any business without a web-presence is usually viewed with suspicion.

That may be true. But this desire to form a web-presence and heighten its importance means that you have to protect your little bit of cyber-space. Someone who registers a similar name for similar products may well siphon-off potential custom. The would-be customer may get distracted or confused as to who they are dealing with. Enter the domain name pusher.

It works like this. You are the legal director or a company officer of a relatively large company. You receive a phone call from someone saying that they work for X, a domain name registration company based in the UK. They say that they recently received an instruction from Mr Blogs requesting that 10-12 domain names are registered on his behalf. These domain names are all variations on a theme of **your** company name.

They go on to say that the person who requested the registration was an individual, who, when questioned as to whether he was part of your company or not, became slightly shifty and would not give a straight answer to the question. The reason for the phone call, they say, is to make you aware that someone is trying to cyber-squat what appear to be your legitimate domains, and, being public-spirited individuals, wanted to give you the opportunity to register them first.

You, aware of the importance of a defined web-presence, are concerned by this, and ask for more information. You are told that the cost would be the same as it would cost the would-be cyber-squatter, but that you only have a matter of hours to make a decision because they are stalling him as it is.

At this point, you are likely to do one of two things. You either reach for the corporate Amex, or you say that you need to clear it with someone else and ask whether you can have a little more time. If you go down the latter route, and after air is audibly sucked through teeth at the other end of the phone, the caller says they will see what they can do, but you really need to come back by a certain time on the next working day.

Let's pause for a moment. So, is this a scam? Well, in once sense, no. If you pay, you **will** secure the registration of the various domain names. The question you in fact need to be asking yourself is, did Mr Blogs ever exist? Almost certainly not.

The scam here is that you have just been sold 10 domain names for \$120 each which you would never have bought if left to your own devices, and which no one else would ever have bought either.

By way of example, suppose your company is "Lovells Laundry Corporation", and you trade from www.lovelsllaundry.com, the domains you will have been presented with may include:

www.lovelsllaundrycorp.biz

www.lovelsllaundrycorp.info

www.lovels-laundry-corporation.net

www.the-lovels-laundry-corporation.info

In other words, something that the average consumer would not accidentally type into their internet address bar, nor something which would feature prominently in search engine results.

This set-up is something which Lovells' London office has come across in at least four instances over the past few months, and Lovells' Paris office, where our domain name registration practice is centralised, has received several hundred such attempts over the last year from across the globe. If you bear in mind that we probably only hear about a tiny fraction of these sorts of calls (and usually only where something has raised the suspicions of the client enough to make the call to us) this is quite concerning, and the actual extent of the issue is probably fairly widespread.

So what can you do? Well, if it has already happened to you, let us know. We are already involved in informal discussions with Trading Standards in the UK to see if they can do something about the 'pushers' involved (there are two companies that we are aware of in the UK), and so having further instances of it occurring may prove helpful.

If it has not yet happened to you, it might do, and this really is a case of forewarned being forearmed. The phone calls tend to come in to someone relatively senior, and so briefing them of the issue will hopefully save some red faces later on, or at the very least, save you being the proud owner of ten little pieces of cyber-space which no one will ever visit.



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UK Trade Marks Registry update

The UK Trade Marks Registry is currently facing a number of significant changes. Some of these changes will be considered below.

The Patent Office changed its name to the UK Intellectual Property Office

One of the recommendations made by the Gowers Review (which was released on 6 December 2006), is that the name of the Patent Office should be changed so as to reflect the fact that the Office deals with intellectual property rights other than patents.

In line with such recommendation, as of 2 April 2007, the Patent Office is working under a new name: 'United Kingdom Intellectual Property Office' (UK-IPO). The law still needs to be changed in order to implement this name change. Nevertheless, the UK-IPO is now the operating name of the Patent Office.

The United Kingdom Intellectual Property Office new logo:



Expedited examination

An important change to the UK trade marks system, also resulting from the Gowers Review, is a fast-track registration procedure for trade marks. This change will be introduced by the Trade Marks Registry ("the Registry") for the

benefit of entities which would like to build up their brand quickly. It is estimated by the Registry that the expedited examination procedure will come into effect by spring 2008.

The expedited examination procedure will allow trade mark applications to be examined and accepted within 10 days of filing. Expedited examination will be a more costly procedure than the normal procedure. How much more has not yet been decided and this issue will be reviewed as part of the fees review of the UK-IPO.

The new procedure will exist alongside the normal system. In this connection, the Registry is also aiming at reducing the examination process under the normal system from two months to one month.

Relative grounds

One of the most significant upcoming changes to the UK trade marks system, if not the most significant, is the abolishment of the official examination for third party rights (relative grounds) as a bar to registration, contained in Section 5 of the Trade Marks Act 1994 ("the Act"). Accordingly, earlier identical or similar trade marks will no longer be cited by the Registry as obstacles to the acceptance of trade mark applications. This change is planned to come into effect as of October 2007.

Background

The possibility of abolishing relative grounds was included in the Act. Section 8 of the Act provides that the Secretary of State may by order

provide that in any case a trade mark shall not be refused registration on the basis of relative grounds unless an objection on such grounds is raised in opposition proceedings by the proprietor of the earlier trade mark or other earlier right.

One of the main reasons for the decision to abolish relative grounds, at least in part, is the Community Trade Mark (CTM) system. CTM registrations are treated in the same manner as national trade mark registrations in the UK. However, unlike UK trade mark registrations, CTM registrations are accepted and registered without any official examination for prior rights. Nevertheless, under the current UK system of relative grounds, when a trade mark application is filed in the UK, CTM registrations may be cited against it as a bar to registration. This seems to lead to an unfair result as UK applications may be refused on the basis of CTM registrations which have not themselves been subject to refusal on the basis of relative grounds. Therefore, some have expressed the view that adopting the change regarding relative grounds is necessary in order to overcome the increasing tensions between the UK and CTM regimes.

When will the new regime come into effect?

In February 2006, the Registry published a consultation paper on how it should deal with the relative grounds. The consultation period ended on 17 May 2006. The outcome of this consultation was to move to a notification system whereby, after conducting a search, the Registry will notify the trade

mark applicant and the owner of any earlier UK marks about any potential conflicts.

The Registry engaged in further consultation on the future of examination of trade marks on relative grounds, seeking the views of businesses on the order which will bring into effect the new relative grounds regime ("the Order"). This additional consultation period ended on 12 March 2007.

The Registry is currently in the process of considering the responses to the last consultation paper and is finalising the drafts of the Order. The plan is to seek Ministerial approval for the changes on relative grounds in the spring. The Order requires an affirmative resolution from both Houses of Parliament, which is estimated to take place early in the summer. The Order is planned to come into force on 1 October 2007 and is likely to take retroactive effect on trade mark applications which were accepted before it comes into force.

How will the new regime work?

Hearing Officer, Oliver Morris, gave some indications as to how the new regime would work at the London International Meeting of ITMA (the Institute of Trade Mark Attorneys) held on 23rd March. The following observations are based on such indications.

Trade mark applications will be filed and examined on absolute grounds in exactly the same way as they are today. In addition, the Registry will continue to conduct searches of earlier rights. However, this will be done only so as to identify potential conflicting marks for the purposes of notification and earlier marks will no longer serve as a bar to registration.

Although the Registry has not yet reached a final decision on the scope of the search for earlier rights, Hearing Officer Morris, gave some indications as to the current view of

the Registry on this. The search will be "focused, targeted and accurate". Notifications will be given of earlier trade marks that present a good arguable case and not of trade marks which would provide little prospect of success as a basis for oppositions. Nevertheless, notifications will be given regarding borderline trade marks which are not raised or are waived under the current relative grounds regime.

The notification list will be sent to the applicant by the Registry as part of the examination report. Unless other objections are raised by the Registry, the application will automatically proceed to publication two months thereafter. Applicants may use the two month period for (i) withdrawal of their application; (ii) restriction of the scope of goods and/or services; or (iii) filing any submissions. Before publication, the Registry will consider the applicant's submissions and update the notification list if it is of the view this is necessary. The two month period may be extended subject to providing reasons in certain cases such as where the applicant attempts to seek the consent of the earlier trade mark owner.

Notifications to earlier trade mark owners will only be given once the application in question proceeds to publication. Notifications will be given automatically to holders of UK trade marks and International Registrations designating the UK. Holders of CTMs and International Registrations designating CTM will have to opt-in if they wish to receive notifications. Such opt-in will be subject to a fee. The amount of the fee has not been decided yet, but there is currently a discussion within the Registry to impose a fee of £200 for ten years or perhaps £100 for 5 years. It is more likely than not that such fee will be charged per mark rather than per owner.

Opposition procedures will remain the same as they are under the current procedure. However, there

is a proposed change that only the proprietors of an earlier trade mark or right will be able to bring opposition and invalidity proceedings. Nevertheless, in light of responses on this issue to its consultation papers, the Registry is considering allowing licensees and related undertakings to bring such proceedings as well. In this connection, the Registry estimates an initial increase in opposition rate of 7-10% but predicts that such rate will decrease with time.

Future implications

The implications of the new regime to prospective applicants and their representatives are likely to include (i) less prosecution work at the examination stage; (ii) less ex parte hearings; and (iii) more opposition work. As well as that, prospective applicants and their representatives should consider what to do with the Registry's notifications and whether trade mark watch services are advisable.



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Hit and run – comparative advertising in the field of telecommunications

In a recent decision of the Arnhem Appeal Court⁹, the relationship between trade mark law and advertising law has been clarified. The Court held that if publicity complies with the standards of advertising law, such use cannot amount to trade mark infringement.



The dispute involved the Dutch company KPN which has provided telecom services for over a hundred years and UPC Nederland, a Dutch subsidiary company of Liberty Global Inc, also a telecom services provider.

KPN has for long been the only company in Holland exploiting the fixed telephone network. However, it no longer has this monopoly and has therefore diversified its services, now including mobile telephone services, internet and television services as well as VOIP¹⁰ services. UPC used to be a cable company offering television services, but today also provides a whole range of services, ranging from television to internet services and from fixed to mobile phone services.

Hit and Run Campaign

Since 2004, UPC has offered the service of making phone calls or using the Internet via its television cable network. In various media, it conducted a “hit and run” advertising campaign for this

service by using slogans like “you no longer need KPN” and “your KPN subscription becomes superfluous” as well as “will you be the last one cancelling your KPN subscription?” By means of this publicity, UPC wanted to indicate that for making phone calls and for surfing on the web, it was no longer necessary to have a fixed line phone subscription. As KPN had had the monopoly on the fixed phone lines network for a long time, the Dutch public still associates this service with KPN, UPC had argued.

UPC infringed KPN's rights: not necessary to use KPN mark

KPN instituted court proceedings against UPC requesting it to immediately cease this publicity and to refrain from infringement of the brand KPN. The Court of First Instance¹¹ had granted KPN's claim. It decided that UPC had infringed KPN's trade mark rights, since it was not **necessary** to use this mark in order to indicate the intended purpose of UPC's services. The Court of First Instance based this decision on the *Gillette/Oy*¹² case and subsequently ruled that the way in which the brand KPN was used by UPC caused prejudice to the reputation of the mark KPN. Secondly, the Court of First Instance decided that UPC's advertising campaign did not comply with the standards of comparative advertising. It held that the comparison of services did not take a central position, but rather the message that KPN's services had become superfluous.

Compliance with advertising standards is key

On appeal, the first instance decision was upheld, but the Appeal Court considered it sufficient to deal with the laws on comparative advertising only. It clarified once and for all that if publicity complies with the standards of advertising law¹³, such use cannot amount

to trade mark infringement. The Appeal Court subsequently applied these standards to the publicity at hand and found that the slogans used by UPC constituted an exclamation rather than a comparison, which did not provide the consumer with any objective information. These slogans were also found to be misleading, since they implied that KPN did not offer the same services as UPC, which was incorrect. UPC was thereby taking unfair advantage of KPN. The Appeal Court also indicated that UPC could have very well made its point without using KPN at all, for instance by informing the public that by using UPC's services, it was no longer necessary to own a fixed phone subscription.

In summary, UPC was prohibited from using its publicity as described above. Contrary to the Court of First Instance, however, the Appeal Court did not grant a trade mark infringement order. On the basis of such order, UPC would be fully prohibited from using KPN's brand. The Appeal Court explained that this would not be correct, since UPC can use the brand KPN or any other brand in comparative advertising, provided that it complies with all applicable standards in that field.



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⁹ Arnhem Appeal Court 20 March 2007, docket number 2006/964 KG.

¹⁰ “Voice over Internet Protocol” which implies making phone calls via the Internet.

¹¹ President District Court Arnhem 16 August 2006, IER 2006, 81.

¹² ECJ 17 March 2005, C-228/03.

¹³ On a European level, these standards have been laid down in Directives EC 97/55 and 84/250/EEC, as published in L 290 and on a national level in article 6:194a of the Dutch Civil Code.

Europe: Comparing trade marks – The importance of global appreciation

On 15 June 2005, the CFI overturned a decision by OHIM's Board of Appeal finding that there was no likelihood of confusion between the Spanish word mark registration for LIMONCHELO and the CTM application for the figurative mark "LIMONCELLO DELLA COSTIERA AMALFITANA (pictured below).¹⁴ The CFI held that a complex trade mark that was composed of several elements could only be considered similar to another trade mark if the similar element constituted the dominant element within the overall impression created by the complex mark. Analysing the two marks, the CFI found that the dominant element of the figurative mark was the round dish decorated with lemons, which was distinctive due to its contrasting colours and large size, giving it a far more dominant visual impact than any other elements of the mark claimed, including any of the words contained in the mark. According to the CFI, the mark had nothing in common with the earlier trade mark, which was a pure word mark.

A clear error of law

OHIM challenged the judgment of the CFI. The principle issue was how the likelihood of confusion between a word mark and a complex word and figurative mark should be assessed.



On 8 March 2007, Advocate General Kokott delivered his opinion recommending that the ECJ should refer the opposition to registration back to the CFI as he considered that the CFI's judgment contained a clear error of law.¹⁵

The likelihood of confusion has to be appreciated globally

The Advocate General emphasised that in accordance with the seventh recital in the preamble to Regulation No 40/94, the appreciation of a likelihood of confusion "depends on numerous elements and, in particular, on the recognition of the trade mark on the market, the association which can be made with the used or registered sign, the degree of similarity between the trade mark and the sign and between the goods and services identified." The likelihood of confusion had to be appreciated globally, taking into account all factors relevant to the circumstances of the case.¹⁶

The Advocate General went on to consider the *Matratzen* case¹⁷, which established that a complex trade mark, one of whose components is identical or similar to another mark, cannot be regarded as being similar to the other mark, unless that component forms the dominant element within the overall impression created by the complex mark. He emphasised that this principle only applied to cases involving complex marks that were dominated by one particular component to the exclusion of all other components. It did not apply to trade marks that did not have a dominant component or trade marks with several components having a dominating effect. A dominant component had to be "likely to dominate, by itself, the image of that mark which the relevant public keeps in mind, with the result that all the other components of the mark are negligible within the overall impression created by it."

The CFI failed to identify a dominant component

The Advocate General said that in comparing the two marks, the CFI had not identified a dominant component of the trade mark applied for which was such that all other components were negligible. The CFI described the plate decorated with lemons as the dominant element of the mark in relation to the other elements and pointed out that the plate covered most of the lower two thirds of the mark claimed whilst the word "limoncello" covered only a large part of the upper third. The CFI then went on to deny that any of the other elements of the mark were dominant, but failed to analyse whether any of the other features of the mark were negligible. In the Advocate General's view, the trade mark applied for did not contain a component that would justify restricting the comparison of the marks to one particular element only and the CFI should have made a global assessment of the likelihood of confusion with regard to both marks by taking into account all the elements of each mark.

The Advocate General's opinion confirms the importance of the global appreciation test expounded in *Sabel v Puma*: unless one element clearly dominates a trade mark, the whole mark should be taken into account when assessing the likelihood of confusion.



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¹⁴ *Shaker v OHIM*, Case T-7/04, [2005] ECR II-2305.

¹⁵ *OHIM v Shaker*, Case C-334/05 P, available at www.curia.europa.eu/jurisp/cgi-bin/gettext.pl?lang=en&num=79929691C19050334&doc=T&ouvert=T&seance=CONCL

¹⁶ *Sabel v Puma*, Case C-251/95, [1997] ECR I-6191.

¹⁷ *Matratzen Concord v OHIM – Hukla Germany*, Case T-6/01, [2002] ECR II-4335 at paragraph 33. *Matratzen Concord v OHIM – Hukla Germany*, Case T-6/01, [2002] ECR II-4335 at paragraph 38.

UK: Ownership of employee inventions

On 15 March 2007 the Court of Appeal handed down its judgement in the case of *LIFFE v Pinkava*¹⁸ (originally reported in our April 2006 issue). The judgement explores the provisions of the Patents Act which determine in what circumstances an invention made by an employee will belong to an employer.

Background

Mr Pinkava devised a groundbreaking system for trading swaps and applied for corresponding US patents. Was he entitled to keep these patents or did they belong to his employer, LIFFE? Applying the rules on ownership of employee inventions in the UK Patents Act, the High Court decided in favour of LIFFE, on the grounds that the invention had been made in the course of duties specifically assigned to Mr Pinkava and an invention was reasonably expected to result.

The court of first instance found that Mr Pinkava had been specifically assigned a problem to solve (how to develop an exchange tradable credit derivative) and considered whether the inventions fell within the scope of that project. In fact, the court found that Mr Pinkava's inventions were so far reaching that he had "eclipsed" or removed "the commercial need" for a solution to the problem he was originally asked to solve. The court did not think this meant that Mr Pinkava had stepped outside his specifically assigned duties. On the contrary his inventions were so fundamental that he had provided the best solution possible.

The Court of Appeal upheld the lower court's decision but disagreed with the reasoning. The Court of Appeal found that Mr Pinkava's inventions were made in the course of his normal duties, rather than duties specifically assigned.

Normal duties

In considering the scope of an employee's "normal duties", the Court of Appeal found that the source of an employee's duty was primarily contractual, though some of the terms were implied by law. However, as a contract could evolve in the course of time it would be unsafe to have regard only to the terms contained in an initial written contract of employment. The actions of employee and employer in performance of the contract may give rise to an expansion or contraction of the duties initially undertaken by a continuous process of subtle variation. The Court of Appeal held that extra or different duties, initially "specifically assigned", may in the course of time become normal.

Applying this to the present case, the Court of Appeal found that although considering how to devise an exchange tradable credit derivative or its equivalent was originally a specifically assigned duty (in December 2003), as at the date the invention was actually devised (July 2004), it had become one of Dr Pinkava's normal duties.

Was an invention reasonably expected to result?

The Court of Appeal also considered whether it was the invention in question that had to have been reasonably expected. The Court of Appeal held that such an interpretation of the relevant provision of the Patents Act would involve rewriting the subsection to alter the word "an" into the word "the" in a context in which to do so would deprive it of any meaningful content: if the specific invention were to be reasonably expected to result from the carrying out by an employee of his duties it would be unlikely that it would be either new or involve an inventive step.

Conclusion

These clarifications are helpful to employers, however, where an employee's normal or specifically assigned duties are unusual or incidental the safest course of action for employers is still to ensure that this is recorded in writing.

All other inventions are owned by the employee.



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Who owns the invention?

The employer owns the invention if it is made in the course of the employee's

- normal duties; or
- duties specifically assigned to the employee,

AND, in both cases, an invention might reasonably have been expected to result.

The employer also owns the invention if it is made in the course of the employee's duties and the employee has a special obligation to further the interests of the employer (this often applies, for example, to company directors).

¹⁸ *Liffe Administration and Management v Pinkava and another* [2007] EWCA Civ 217.

UK: Cappellini and Bloombergs' patent applications¹⁹: patentability of business methods and computer programs

This case provides further guidance as to the scope of the business method and computer program exclusions to patentability. It also suggests that it may now be possible to rescue such a non-patentable invention by "tethering" it to a real world effect.

Cappellini's patent application concerned a new method for determining the delivery route for a package which allowed carriers to deviate, meet and transfer one or more packages. The application had been rejected on the grounds that it comprised a method of performing "mental acts, doing business or programs for computers" and was accordingly excluded from patentability.

Bloomberg's patent application concerned a method of distributing data in order to match the requirements of a particular end-user. It was also rejected on the basis that it fell within the "computer program" exclusion.

Cappellini and Bloomberg appealed separately in the English Patents Court against the refusal of their patent applications. The judge delivered a single judgment dealing with both cases since they raised similar legal issues.

The 4-step test to determine patentability

Pumfrey J. used a 4-step test that was established in the *Macrossan* case as the starting point for determining whether the inventions

were patentable. The 4-step test involves examining the claims and deciding what the monopoly is (step 1), then identifying the contribution to human knowledge that the invention makes (step 2), thirdly considering whether the contribution is solely excluded matter (step 3) and finally checking whether the contribution is technical (step 4).

Pumfrey J. added his own spin to step 4 by referring to his *Shopalotto* judgment stating that not all "technical effects" were relevant. In particular, for computer programs, the technical effect must be over and above that to be expected from the mere loading of a program into a computer.

He also adhered to a view he had expressed in *Halliburton v Smith*, where a design method for a drill bit was held to be a mental act (and therefore excluded from patentability) which could have been made patentable by adding the step of making the drill bit. He went on to suggest that if an excluded claim was "tethered" to a physical article or result it could be patentable.

The Judgment

Pumfrey J. dismissed both Cappellini's and Bloomberg's appeal.

Applying the 4-step test to the Cappellini application the relevant contribution under step 2 was a method that worked out meeting places in a network where exchange of packages between carriers could take place. Pumfrey J. considered this to be a business method and therefore excluded from patentability (step 3). Such a contribution could not be rescued since there was no evidence of a physical or real world effect that was not in essence a business method; this was pure manipulation of data. Although Pumfrey J. could have stopped at step 3, he went on to consider step 4 and found that

there was no technical contribution since the "invention" was merely a routing method for moving vehicles and packages.

The contribution in the Bloomberg application under step 2 was identified as being the concept of matching data to an end-user requirement prior to transmission to that end-user. Given that the filtration and mapping of data was performed by a computer program and the results achieved were entirely specified by that computer program, the "invention" was purely to format data to render it interoperable with other software; there was no evidence that the invention improved the interoperability between items of hardware. The application therefore failed to be patentable under step 3 in that it was a computer program and was purely excluded matter. Again, the judge went on to consider step 4 and found that there was no relevant "technical" effect.



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¹⁹ Cappellini's Patent Application and Bloomberg LP's Patent Application [2007] EWHC 476 (Pat).

UK: National courts judgement not unravelled by EPO decision

In a decision handed down on the 25th of April, the Court of Appeal decided that a European Patent Office (EPO) finding of invalidity would not extinguish a decision of the UK Courts that a patent was valid, infringed and entitled the patentee to compensation.

The verdict in *Unilin Beheer NV v Berry Floor NV & Ors* resulted from infringement proceedings brought by Unilin relating to a European Patent for floor boarding. Fysh J found the patent valid and infringed at first instance and his decision was affirmed on appeal. The House of Lords refused permission for further appeal.

Berry subsequently sought to stay the proceedings for damages or account of profits, since an opposition to the patent at the EPO was ongoing. Berry contended that an EPO revocation would mean the case could no longer be litigated. The judge concurred but used his discretion to refuse a stay, resulting in Berry's appeal.

Interpretation of Article 68

Berry acknowledged that there was authority stating that a revocation of a patent granted by the UK Patent Office would not overturn the result of previous litigation. However, Berry argued that the proper reading of sections 69, 77 and 78 of the Patents Act 1977 (the "Act") and Article 68 of the European Patent Convention together would lead to the unravelling of a UK Court Decision if the EPO revoked the relevant patent.

The Court of Appeal found that the Act did not provide that the rules of

estoppel were displaced by revocation. The Act did not intend that the final decision of the courts later be found merely provisional and Article 68 had no equivalent in the Act and was simply part of an international convention. Moreover, whether Article 68 extinguished the cause of action leading to the judgement was irrelevant, since at that stage the matter in hand was the judgement itself. Furthermore, the bundle of national rights provided by an EPO granted patent and the preparatory intention of the convention demonstrate a willingness for national law to apply to EPO patent litigation in national courts.

Finality in the Public Interest

This decision demonstrates a pragmatic approach from the Court, clearly emphasising the importance of the finality of a decision of the UK courts from a public interest perspective. In *Poulton v Adjustable Cover* and *Coflexip v Stolt Offshore (No.2)*, cases referred to in the judgement, the losing parties were estopped from challenging a prior finding of validity and infringement after a later verdict of invalidity in separate UK proceedings. The principles of these cases would now appear to extend into equivalent situations where the later proceedings are before the EPO.



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German Federal Supreme Court rules on infringement by offering a product after expiration of the patent

The Simvastatin²⁰ decision by the German Supreme Court raises the question of whether a patent may be infringed by the offering of a product containing the protected substance even if the advertising refers to the supply of the products after the expiry of the patent in question.

The claimant was the proprietor of a European patent with effect in Germany for a cholesterol level reducing substance, known as Simvastatin, which was due to expire on 6 May 2003. The defendant, a leading generic company, distributed a cholesterol level reducing pharmaceutical after expiry of the patent with the active ingredient Simvastatin under the denomination Sim. However, before the patent had expired the defendant started advertising in medical journals that its product would soon be available. The claimant obtained a preliminary injunction prohibiting the defendant from offering products containing Simvastatin.

The defendant appealed the decision in the principal proceedings, which awarded damages to the claimant, without success and brought an appeal against this decision before the German Supreme Court. The Court dismissed the appeal, holding that a patent is infringed by the offering of a product containing the protected substance even if the advertising refers to the supply of the products after expiry of the patent.

²⁰ Bundesgerichtshof, decision on 5 December 2006, X ZR 76/05, reported in [2007] 3 GRUR 221.

Comparison with the UK

The German Supreme Court argued that the exclusive right of the patentee to commercially exploit the protected invention would be harmed if one was to permit competitors to advertise their generic versions of patented products before the expiry of the patent because it is very likely that this will result in losses of turnover for the patentee. The Court referred to Jacob J. in the UK case *Gerber Garment Technology Inc v. Lectra Systems Ltd*. However, the UK decision is more favourable to generic companies as Jacob J held that a patent may only be infringed if it is in force. According to the German Supreme Court the difference in the two approaches could be explained due to the wording of section 60 of the UK Patents Act, which requires the patent to be in force for there to be an infringement.



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UK – Privacy

Final ruling in *Douglas v Hello!*

The House of Lords has given its final ruling in the protracted dispute between Michael Douglas, Catherine Zeta-Jones and OK! magazine against Hello! magazine over its use of unauthorised photographs of their wedding.

We have covered the earlier stages of this litigation since its inception six years ago, but essentially it concerns a “spoiler” episode. The two actors sold (for £1 million) the exclusive rights to publish authorised photographs at their wedding to OK! magazine and imposed conditions of confidentiality and a ban on taking photographs on all attending the wedding. Hello! obtained unauthorised photos, taken surreptitiously by a freelance journalist, and published them. OK! sued Hello! for breach of confidence and for the tort of causing loss by unlawful means. The Douglases also sued for breach of privacy but dropped out of the action, having been awarded just over £14,500 in compensation for their distress and inconvenience.

On 2 May 2007 (*The Times*, 3 May 2007) the House of Lords ruled, by 3 – 2, in favour of OK! magazine and upheld its claim for compensation of over £1M for loss of profit from Hello!. The Lords held that the photographic images of the wedding of two celebrities had a commercial value over which the celebrities had had sufficient control to enable them to impose an obligation of confidence. A magazine publisher who had bought the exclusive right to publish the photographs and had the benefit of the duty of confidentiality imposed by the celebrities, had the right to enforce that duty against a rival magazine which published unauthorised photographs of the wedding. The act of being a celebrity or running a celebrity magazine was a lawful trade and traders in such commodities were entitled to protect the commercial value of their business by the law of confidence.

No injunction for Lord Browne against *The Mail on Sunday*

As has been widely reported, Lord Browne, BP’s Chief Executive, recently failed in his attempt to injunct *The Mail on Sunday* from publishing information received from his former lover, Jeff Chevalier. On 9 February (unreported) Eady J refused an injunction to prevent the newspaper from publishing information concerning: the alleged misuse of corporate resources by Lord Browne; disclosure of confidential BP information and the bare fact of their relationship. Lord Brown appealed and on 3 April (unreported), the Court of Appeal dismissed the appeal.

Faced with such an application, said the Court, a court must first consider whether the applicant’s privacy rights and the respondent’s right to freedom of expression under Arts 8 and 10 European Convention on the Protection of Human Rights were engaged. Then the court must consider, in relation to each category of information which the applicant sought to keep confidential, whether the applicant had shown that his prospects of success at trial were sufficiently favourable to justify such an order being made. As a general rule, the courts should be exceedingly slow to make interim restraint orders where the applicant had not satisfied the court that he would probably succeed at the trial.



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Shadow companies – light at the end of the tunnel?

Anheuser-Busch Inc. succeeds in changing the name of nine shadow companies in Hong Kong

Shadow Companies, that is, companies which adopt a well-known brand name as part of their name upon incorporation have been a serious problem for brand owners in Hong Kong in recent years. Typically, the directors and shareholders of such companies are PRC nationals who give false addresses for themselves and for the company, and use the shadow company vehicle to imply an association with a well-known brand and give legitimacy to infringing activities across the border. The problem has escalated in recent years with some brand owners facing scores of such shadow companies in Hong Kong.

The Problem

Under Hong Kong law, there is no requirement for company names to be screened for potential trade mark infringement prior to the incorporation of a company. The Companies Registrar has the power under section 22 of the Companies Ordinance to direct a company to change its name within 12 months of registration if in his opinion the proposed company name is too like a name that is already registered. It is up to an aggrieved brand owner to raise this within the 12 month period. In practice, not many complaints lodged under section 22 are successful as the mere addition of one or two words around the hijacked brand is enough to persuade the Registrar that the two names are not that similar. Objections raised on the basis that the name infringes a well-known trade mark are not entertained.

Since most of these shadow companies have no operations in

Hong Kong – could the companies be de-registered on the basis that they are defunct? In theory, this is possible. In practice, this is difficult to achieve. Brand owners can apply under section 291 of the Companies Ordinance to strike off the shadow company from the register on the basis that it is defunct. Such applications take at least a year and the mere filing of an annual return can be sufficient evidence to defeat an application under section 291. Evidence of business being carried on outside Hong Kong (say in the PRC), may also be sufficient to persuade the Registrar that the shadow company is not defunct.

In such circumstances, brand owners are left with no option but to take trade mark infringement and/or passing off actions against shadow companies. Many brand owners have done just that. Such actions are invariably uncontested and default judgments are obtained quite easily and at relatively little cost. Up until now, these victories have remained Pyrrhic victories, as orders to change a company name obtained against the shadow companies only are in practice useless. A change of the name of a company requires a special resolution by the shareholders of the company. Without such a resolution the Companies Registry cannot effect the change of name ordered by the courts of Hong Kong.

Light at the End of the Tunnel?

There is consensus in the IP community in Hong Kong that changes to the Companies Ordinance should be made to deal with this problem. One possible solution could be that adopted in the English Companies Act 2006, which allows brand owners to object to a registered name on the ground that it is the same as a name in which the applicant has goodwill²¹. The complaints are heard by a company name adjudicator appointed by the Secretary of State. In the event that the company name adjudicator

decides that the shadow company should change its name and it does not comply, the company name adjudicator can determine a new name for the shadow company and effect the change of name on its behalf. An amendment to the Companies Ordinance in Hong Kong is likely but unfortunately such amendment is not to be expected in the next three years.

In the meantime, orders granted in 9 actions brought in the High Court of Hong Kong earlier this year, to Anheuser-Busch Inc., may offer an interim solution. Anheuser-Busch Inc., joined the directors and shareholders of 9 shadow companies as co-defendants to the actions (as being the individuals who incorporated the companies and designed the shadow company names) and obtained orders requiring the Defendants to change the name of each of the shadow companies incorporated by them. Upon the authority of an English Court of Appeal case²², Anheuser-Busch Inc., also obtained orders which granted powers to its solicitors, Lovells, to sign special resolutions on behalf of the Defendants in the event the Defendants failed to comply with the orders within a prescribed period of time. The Companies Registry accepted the special resolutions filed by Lovells and issued the new Certificates of Change of Name.

It is hoped that as more and more brand owners explore this newly found solution and actually manage to change the name of shadow companies, company name hijackers may be deterred from spending money incorporating such companies in Hong Kong.



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²¹ In force: 1 October 2008.

²² Halifax plc and others v Halifax Repossessions Ltd & ors [2004] EWCA Civ 331.

How Chinese telecommunication laws can assist copyright infringement actions against online copyright infringers

The flow of information over the Internet in China is subject to certain levels of censorship. As part of its Internet censorship measures, the Chinese government has passed various telecommunication laws governing Internet information services.

To take action in China against websites that offer unauthorized downloads of copyrighted works, copyright owners are not restricted to solutions in copyright law. It is possible that copyright owners may find quicker and more effective ways to stop the infringement in China using telecommunication law.

Registration/recording requirements for Internet Content Providers (“ICPs”)

The Administration Measures for Internet Information Services (“the Measures”) issued by the Chinese State Council categorized the ICPs into two groups:

- commercial ICPs who provide information services over the Internet for money or fees; and
- non-commercial ICPs who provide information services over the Internet for free.

The Measures require that non-commercial ICPs record their websites with the Ministry Of Information Industry (“the MII”) and/or its provincial-level subordinates. The non-commercial ICP who has successfully recorded his website with the MII will be

given a recordation number. The ICP is required to publish the recordation number on his website. The MII has developed an online ICP database including the recorded websites as well as their ICPs. The public may check whether a website has been recorded by searching in the database. Incompliance with the recordation requirement may cause the MII to shut down the website.

Commercial ICPs are subject to a licensing requirement. They need to first obtain a telecom value-added service licence from the MII before they provide paid information services online. According to the P.R.C. Telecommunication Law, to obtain the telecom value-added service licence, the commercial ICP has to be an incorporated company with sufficient funds and professionals to provide telecom services. If a commercial ICP has not obtained a licence but provides information services for fees, it may be subject to penalties including a fine ranging from RMB 100,000 to 1 million (equivalent to Euros €10,000 to €100,000) and an order to shut down the website.

Websites operated anonymously

There have been many websites in China “anonymously” offering unauthorized downloads of copyright works. It may be possible to identify the person who registered the domain name and the contact information of the registrant, such as the address, email account and telephone number from the registrar. However, such contact information can turn out to be false. This makes it very difficult for the copyright owner to take any action.

However, the copyright owner can check the MII online ICP database to see whether the website has been recorded. If the website has been recorded, the copyright owner will be able to obtain the name of

the ICP and therefore will be able to take actions (such as sending take down notices or filing a lawsuit) against the ICP for copyright infringement. Nevertheless, if the ICP is an individual, it still remains difficult for the copyright owner to take action.

If the website has not been recorded or has been providing paid unauthorized download services without a licence, the copyright owner may report the incompliance to the MII requesting them to penalize the related ICP by shutting down the website. From the cases which Lovells has handled in China, it appears that the MII has been enforcing the recordation or licensing requirement strictly.



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