

# Intellectual Property Newsletter

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## The US Federal Circuit addresses patentability of business methods

The US Court of Appeals for the Federal Circuit has issued its anxiously-awaited opinion<sup>1</sup> in the *Bilski* case concerning the patentability of business methods. Its conclusion was that the proper test for whether method claims recite patent-eligible subject matter under 35 USC § 101 requires the method to either be “tied to a particular machine or apparatus” or “transform a particular article into a different state or thing.”<sup>2</sup> Although the decision leaves many unanswered questions about applying this test for patent-eligibility, it neither forecloses all business methods from patentability nor does it confirm the patent-eligibility of those applications prosecuted under the standards of different Federal Circuit precedent such as *State Street*.<sup>3</sup>

### THE COURT CHOOSES A TEST

Chief Judge Michel wrote the opinion for a nine member majority of the en banc court. The starting point of the court's analysis was section 101 of the patent statute, which sets out four categories of patent-eligible subject matter:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

35 USC § 101

## The US Federal Circuit addresses patentability of business methods *continued...*

The majority opinion next looked to the legislative history and case law to determine that the Supreme Court has interpreted "process" in section 101 "narrower than its ordinary meaning".<sup>4</sup> Noting that the Supreme Court has precluded laws of nature, natural phenomena and abstract ideas from patentability, the court acknowledged that "an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection."<sup>5</sup> Ultimately, the court stated:

The Supreme Court, however, has enunciated a definitive test to determine whether a process claim is tailored narrowly enough to encompass only a particular application of a fundamental principle rather than to pre-empt the principle itself. A claimed process is surely patent-eligible under § 101 if:

- 1) it is tied to a particular machine or apparatus, or
- 2) it transforms a particular article into a different state or thing.

*Bilski*, slip op. at 10.

In so holding, the court noted that its opinions in *State Street* and *AT&T Corp.*<sup>6</sup> should no longer be relied upon for their "useful, concrete and tangible result" analysis of whether a process claim is patent-eligible.<sup>7</sup>

### **BILSKI'S CLAIM**

Having determined the proper test of patent-eligibility of a method claim, the court turned to the claim at issue:

- 1) A method for managing the consumption risk costs of a commodity sold by a commodity provider at a fixed price comprising the steps of:
  - a) initiating a series of transactions between said commodity provider and consumers of said commodity wherein said consumers purchase said commodity at a fixed rate based upon historical averages, said fixed rate corresponding to a risk position of said consumer;
  - b) identifying market participants for said commodity having a counter-risk position to said consumers; and
  - c) initiating a series of transactions between said commodity provider and said market participants at a second fixed rate such that said series of market participant transactions balances the risk position of said series of consumer transactions.

Finding that Bilski's claim is to a "non-transformative" process that uses a purely mental process, untied to a computer or other device, the court concluded that Bilski's claim would effectively pre-empt any application of the fundamental concept of hedging.<sup>8</sup>

Understanding that its opinion leaves many questions unanswered – and being acutely aware of the recent attention the Supreme Court has been paying to patent cases – the court noted:

[W]e agree that future developments in technology and the sciences may present difficult challenges to the machine-or-transformation test, just as the widespread use of computers and the advent of the Internet has begun to challenge it in the past decade. Thus we recognize that the Supreme Court may ultimately decide to alter or perhaps even set aside this test to accommodate emerging technologies. And we certainly do not rule out the possibility that this court may in the future refine or augment the test or how it is applied.

*Bilski*, slip op. at 15.

### **THE CONCURRING AND DISSENTING OPINIONS**

Judges Dyk and Linn filed a concurring opinion examining the historical underpinnings of the "machine-or-transformation" test, including a review of the 18th century English practice adopted by the US statutes.

Judge Mayer dissented, arguing that the Federal Circuit's *State Street* and *AT&T* cases should be overruled.

In summary, Judge Mayer argued that the "patent system is intended to protect and promote advances in science and technology, not ideas about how to structure commercial transactions", and would find all business methods ineligible for patenting.<sup>9</sup>

Judge Newman dissented and was the only judge who would have found Bilski's claim patent-eligible under section 101:

*"The court today acts en banc to impose a new and far-reaching restriction on the kinds of inventions that are eligible to participate in the patent system. The court achieves this result by redefining the word "process" in the patent statute... The court thus excludes many of the kinds of inventions that apply today's electronic and photonic technologies, as well as other processes that handle data and information in novel ways. Such processes have long been patent eligible, and contribute to the vigor and variety of today's Information Age. This exclusion of process inventions is contrary to statute, contrary to precedent, and a negation of the constitutional mandate. Its impact on the future, as well as on the thousands of patents already granted, is unknown."*<sup>10</sup>

Judge Rader dissented from the majority opinion "[b]ecause this court... links patent eligibility to the age of iron and steel at a time of subatomic particles and terabytes". Rejecting the majority's analysis of Supreme Court precedent and its institution of the "machine-or-transformation" test, Judge Rader would have dispensed with Bilski's claim in a single sentence:

*"Because Bilski claims merely an abstract idea, this court affirms the Board's rejection".*<sup>11</sup>

## COMMENTS

While it remains to be seen just how the Patent and Trademark Office and the Federal Circuit will apply the "machine-or-transformation" test to other claims, patent prosecutors now know what test will apply when determining patent-eligibility of method claims under section 101. ■



**Neal Feivelson**  
neal.feivelson@lovells.com

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- 1 *In re Bilski*, \_\_ F.3d \_\_, No. 2007-1130 (Fed. Cir. Oct. 30, 2008)(en banc).
  - 2 *Bilski*, slip op. at 10.
  - 3 *State Street Bank & Trust Co v Signature Financial Group, Inc* 149 F.3d 1368 (Fed. Cir. 1998).
  - 4 *Bilski*, slip op. at 6.
  - 5 *Bilski*, slip op. at 8 (citing *Diamond v Diehr*, 450 U.S. 175, 187 (1981)).
  - 6 *AT&T Corp v Excel Communications, Inc*, 172 F.3d 1352 (Fed. Cir. 1998).
  - 7 *Bilski*, slip op. at 20.
  - 8 *Bilski*, slip op. at 32.
  - 9 *Bilski*, Mayer, J., dissent at 1.
  - 10 *Bilski*, Newman, J., dissent at 1.
  - 11 *Bilski*, Rader, J., dissent at 1.

## Chinese patent law: entering a new era of reform

Another round of amendments to China's patent law is likely to come into force next year.

### BACKGROUND

In 2006 the State Intellectual Property Office (SIPO) began a process to amend, for the third time, the Chinese patent law. The process has been remarkably transparent. SIPO, the State Council Legislative Affairs Office (SCLAO) and the National People's Congress (NPC) (China's parliament) have actively sought comments from industry, including foreign industry associations, on drafts of the law and then made a number of amendments in response. It is expected that the law will be passed later this year and come into force in 2009.

### REASONS FOR AMENDMENT

The main driver for reform of the patent law has been the official central government policy to transform China into an innovative country, encouraging independent innovation. Improvement in patent protection is seen as a means of achieving this goal. The central authorities believe that without the amendments progress cannot be made in this key area.

Another driver has been SIPO's desire to update the patent law to comply with international agreements that China has entered into. Notably, China joined the World Trade Organization (WTO) in 2000 and, therefore, needed to make the patent law TRIPS<sup>12</sup> compliant. This led to the previous round of amendments. The latest round contains minor amendments to take account of the Convention on Biological Diversity and the Declaration on the TRIPS Agreements and Public Health.

### THE PROPOSED AMENDMENTS

The proposed amendments have been a roller coaster ride for patentees with some possible amendments of great concern being dropped. Key amendments making it to the latest draft are: a clear "Bolar" provision; prior art includes use anywhere in the world; offering to sell will infringe a patented design; more compulsory licensing provisions; and limiting patents for inventions based on genetic resources. We briefly describe these and some other important changes below.

#### Clinical trial exception

A clear Bolar provision exempting clinical trials from patent infringement is introduced. The current law is not clear on this issue. The new provision means that companies will be able to prepare generic drugs to launch immediately the patent expires. Foreign pharmaceutical companies lobbied hard to include in the amendments a provision for Supplementary Protection Certificates<sup>13</sup> to compensate for the reduced time a marketed drug is protected by a patent due to the long drug approval process. This lobbying was not successful, principally it seems because the government is keen to keep medical costs down and also to encourage Chinese pharmaceutical manufacturers.

#### International use is prior use

The definition of prior art for patents and designs will be expanded to include use anywhere in the world rather than just in China. This will make it easier for those who have used technology in countries other than China to invalidate patents.

#### Design patents: offer to sell loophole closed

The offer to sell a product protected by a patented design will be an infringing act. This closes a loophole where infringers could offer products on websites and at trade shows, for example, and not be liable for infringement. Actual sale can be hard to prove, particularly in the case of exporters, and this amendment will make enforcement of design rights much easier.

#### Increased statutory damages

The maximum statutory damages available for civil actions in China will be increased to RMB1 million. It can be very hard to prove damage in a civil case and statutory damages are often the only damages available. Increasing the amount will increase the threat to infringers of having to pay substantial damages and, therefore, should be a greater disincentive to infringe.

#### Overseas filing of patents completed in China

A patent that is "completed" in China can be filed overseas without first filing in China. However, the patent must pass a "confidentiality examination"<sup>14</sup> by SIPO before a foreign patent is applied for. An earlier proposal was that applications for patents for inventions made in China must first be filed in China. While better than the original requirement for first filing in China, this draft provision still begs a number of questions: for example, what will be the definition of "complete"?

### Compulsory licences

The following grounds for granting a compulsory licence are added to the two existing grounds relating to a national emergency and improvements:

- the patent owner has not worked the patent within four years of the filing date or three years after grant, and has no reasonable grounds for not doing so. The party applying for a compulsory licence must provide evidence of its reasonable requests for a licence and that it was unable to obtain one in a reasonable time
- there has been a court or administrative finding that the patent owner has abused its patent rights under the Anti-Monopoly Law
- to manufacture pharmaceuticals to export to a least developed country or a WTO member country unable to produce its own pharmaceuticals for the purpose of public health.

### New requirements for genetic resources

Two new provisions reflect the concern of the Chinese government to avoid improper exploitation of genetic resources:

- if the genetic resources that are used to “complete” a patent breach any law, then a patent will not be granted
- a patent applicant must disclose the direct or original source of the genetic resources used to “complete” the patent, but if unable to do so must give reasons.

“Complete” in this context is intended to mean the final stages of inventive research and development to obtain the invention.

### COMMENT

Observing the amendment process has been an extremely interesting insight into the workings of the Chinese legislative process. The transparency in the process is laudable. The number of amendments proposed and rejected clearly show different agendas within the government.

Rejected amendments include introduction of defences of laches, acquiescence and “public interest”. A first filing requirement was also rejected but amended to a “confidentiality examination”.

Amendments that were sought by many but not included in the latest draft include: definitions of indirect infringement, the doctrine of equivalents and file wrapper estoppel; a remedy for bad faith enforcement; and procedures for post grant amendment to allow matter from the specification to be added to claims. SIPO’s original draft amendments also included provisions spelling out how injunctions were to be enforced and giving SIPO stronger enforcement rights but the SCLAO rejected these.

The final set of amendments proposed by the NPC, in general, clearly reflect a well-balanced approach to the lobbying by various industry groups and internal pressures for special clauses. ■



**Douglas Clark**  
douglas.clark@lovells.com

12 Agreement on Trade-related aspects of Intellectual Property Rights, 15 April 1994.

13 As in the EU.

14 What this means exactly will need to be clarified in the implementing regulations.

## Court of Appeal clarifies UK test for patentability of software, and the EPO President seeks clearer guidelines

The English Court of Appeal's decision<sup>15</sup> in *Symbian* is the second time in two years that the Court of Appeal has considered the patentability of computer software, an area where the English courts find themselves in conflict with the European Patent Office (EPO). But the decision did not provide the hoped for reconciliation of approaches. In *Actavis v Merck*,<sup>16</sup> the Court of Appeal held that it would be free to depart from its own earlier decision on an issue if it were satisfied that the EPO Boards of Appeal had formed a settled view of European patent law which was inconsistent with the earlier decision. In *Symbian*, the Court of Appeal took the view that EPO case law on software patents remained unsettled and, therefore, it applied its own 2006 *Aerotel* decision.<sup>17</sup>

The *Symbian* judgment slightly widens the subject matter that is protectable in the UK, but the inconsistency between the UK and the EPO remains.

Since the *Symbian* decision, the President of the EPO has made a referral to the EPO's Enlarged Board of Appeal on the exclusion of computer programs from patentability,<sup>18</sup> in order to clarify and achieve harmony in this area.

### THE COURT OF APPEAL'S DECISION IN SYMBIAN

*Symbian*'s application is entitled "Mapping dynamic link libraries in a computing device", and teaches the use of a piece of software to operate between a program that requires access to a library and the library itself, allowing extensions or updates to the program to be incorporated without disrupting the library referencing system. The Court of Appeal found that this invention enabled devices such as computers and various forms of cameras and mobile phones to work faster and more reliably.

The judgment of the court, given by Lord Neuberger, upheld the High Court's decision that *Symbian*'s invention was not excluded from patentability as it was not a computer program "as such".<sup>19</sup>

### The Court of Appeal's test

The Patents Act 1977 is framed so as to have the same effect in the UK as the corresponding provisions of the European Patent Convention (EPC). It means that, generally, the English courts and the EPO should be applying a consistent approach when addressing the question of patentability of computer programs. In *Aerotel*, Jacob LJ considered previous Court of Appeal case law and EPO Technical Board of Appeal decisions but declined to follow the decisions of the EPO, saying that there was no consistent line of authority. He arrived at the following four stage approach that he said was a reformulation of the Court of Appeal's *Merrill Lynch* test.

- 1) Properly construe the claim
- 2) Identify the actual contribution
- 3) Ask whether the [actual contribution] falls solely within the excluded subject matter
- 4) Check whether the contribution is actually technical in nature.

In *Symbian*, the Court of Appeal said that there is no reason, at least in principle, for not conflating the third and fourth stages of the *Aerotel* test. Patten J in the High Court had said this was necessary as he thought it impossible to decide whether an alleged invention was excluded subject matter without considering whether the contribution was technical in nature. This would, therefore, seem to be the approach that the UK Patent Office should take in future.

This clarification of the *Aerotel* test should assist practitioners in considering the patentability of computer programs, and should mean that more software patents are granted by the UK Patent Office. However, the court did not go as far as following later EPO decisions, agreeing with Jacob LJ in *Aerotel* that there was no settled view, with the result that the EPO will still be more generous in relation to these type of patents.

### Could the Court of Appeal have gone further?

It had been expected that the court may have given leave for appeal to the House of Lords, or may have even asked (as it did in *Aerotel*) for a reference to be made to the Enlarged Board of Appeal at the EPO in order to settle the question once and for all. However, the court said that the last thing they wanted to do was to add to the uncertainty in this difficult and somewhat controversial field and, for the reasons above, would follow previous authority and try to minimise complexity and uncertainty. This is a judgment that clarifies the four stage test introduced in *Aerotel*, which should make understanding the UK law in this area easier. However, as the court noted in its penultimate paragraph, there is a need for a two-way dialogue between national tribunals and the EPO, coupled with a degree of mutual compromise.

### THE PRESIDENT OF THE EPO SEEKS CLARIFICATION FROM THE ENLARGED BOARD OF APPEAL

Two weeks after the English Court of Appeal's decision in *Symbian*, the President of the EPO, Alison Brimelow, asked the Enlarged Board of Appeal to address four questions regarding the exclusion of computer programs 'as such' from patentability.

In a letter<sup>20</sup> sent to the chairman of the Enlarged Board of Appeal, Ms Brimelow stated that: “This point of law, which concerns the patentability of computer programs as such, is of fundamental importance as it defines the limits of patentability in the field of computing”.

The four questions addressed by the referral regard whether a computer program can only be excluded from patentability if it is explicitly claimed as a computer program and where the line should be drawn in relation to what is excluded from patentability. Ms Brimelow states that diverging decisions of the EPO’s Boards of Appeal on these questions have created uncertainty and the referral sets out in detail these decisions, explaining why they need addressing. Interestingly, all of the decisions that are referred to were made prior to the refusal of the previous President, Professor Alain Pompidou, to make a reference to the Enlarged Board of Appeal in February 2007, when asked by Jacob LJ in *Aerotel*.

It is therefore possible that the referral will be refused by the Enlarged Board of Appeal, on the grounds that the requirements of article 112(1)(b) of the EPC, requiring differences in the decisions of the EPO’s Boards of Appeal, are not met.

Whatever the outcome of this referral, it is likely to be of significant interest to all concerned with software patents. ■



**Paul Brown**  
paul.brown@lovells.com

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- 15 8 October 2008 *Symbian Limited v Comptroller General of Patents* [2008] EWCA Civ 1066.
- 16 21 May 2008 *Actavis UK Limited v Merck & Co., Inc.* [2008] EWCA Civ 444. Reported in our July 2008 IP Newsletter.
- 17 27 October 2006 *Aerotel Ltd v Telco Holdings Ltd* [2007] RPC 7.
- 18 Article 52(2)(c) and (3) European Patent Convention.
- 19 Section 1(2) Patents Act 1977.
- 20 Alison Brimelow’s letter of 22 October 2008 to the Enlarged Board of Appeal can be found here: [http://documents.epo.org/projects/babylon/eponet.nsf/0/B89D95BB305AAA8DC12574EC002C7CF6/\\$File/G308\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/B89D95BB305AAA8DC12574EC002C7CF6/$File/G308_en.pdf)

## Reforms in practice – application of a new legal remedy in the EPO

Before the introduction of article 112a, the European Patent Convention (EPC) provided no legal remedy against a decision of a Board of Appeal of the European Patent Office (EPO) even if it was apparent that a serious mistake had occurred in reaching that decision. This lack of judicial relief was rightly perceived as wholly unsatisfactory. Under the old regime, if a Board of Appeal held a “bad” patent valid, an opponent had no real option but to initiate national proceedings to revoke the patent even if the EPO’s decision to uphold the patent was procedurally flawed. The position was even worse for a patentee; if a patent was revoked on appeal by the EPO as a result of a defective decision the patentee would lose its rights.

### THE AIM OF ARTICLE 112A

The new article 112a of the EPC aims to remedy this situation by extending the jurisdiction of the Enlarged Board of Appeal to make a further review of decisions possible. Article 112a was introduced with a view to protecting the image and reputation of the EPO in situations where:

- doubt is cast on the ability of officers to work in a judicial capacity; or
- basic provisions of the EPC, the Implementing Regulations or Rules of Procedure of the Boards of Appeal have been disregarded.

The principles governing this new legal remedy are laid down in the EPC and its accompanying Implementing Regulations. It is important to note that the review procedure applies only in exceptional circumstances. The President of the EPO’s Basic Proposal for Revision of the EPC makes this quite clear. The function of the petition for review is to remedy **intolerable** procedural deficiencies occurring in individual appeal proceedings and not to develop the practice in EPO proceedings or to ensure the uniform application of the law.

The new procedure is tightly regulated. Only a party adversely affected by the decision under review has the right to file a petition for review and must do so within strict time limits.

### USE OF THE PROCEDURE SO FAR

Since its introduction in December 2007, only a handful of cases have been brought under article 112a and only two, to our knowledge, have proceeded to a full review by a five member panel of the Enlarged Board of Appeal. Lovells is acting in the first of these cases to be heard.

### GROUNDINGS FOR FILING A PETITION FOR REVIEW

A petition for review may only be based on one of the following limited grounds.

- A member of the Board of Appeal took part in the decision in breach of article 24 of the EPC because they had some personal interest in the case
- The Board of Appeal included a person not appointed as a member of the Boards of Appeal
- A fundamental violation of the right to be heard under article 113 of the EPC occurred
- Any other fundamental procedural defect as defined in the Implementing Regulations occurred
- A criminal act may have had an impact on the decision.

### PROCEDURE

In order to be admissible, a reasoned petition for review must:

- be filed within two months of notification of the decision complained of; and
- relate to a defect which was objected to during the appeal proceedings unless for some reason the objection could not have been raised during the proceedings.

The review procedure takes place in two parts. A three member panel of the Enlarged Board of Appeal first considers whether the petition is “clearly inadmissible” or “clearly unallowable” on the basis of the petition alone without the involvement of the other parties. If the petition passes this test, the matter will proceed to consideration by a five member panel. At this stage all the parties to the proceedings concerned may make submissions. A successful petition for review will result in the decision of the Board of Appeal being overturned and the appeal proceedings being reopened (possibly in front of a new Board of Appeal).

### CONCLUSION

All the complaints so far under the new procedure have relied on article 113. This is one of the basic rules of the EPC, namely that decisions of the EPO should only be based on grounds or evidence on which the parties have had a genuine and real opportunity to present their comments. The right to a fair procedure is one of the fundamental principles of justice and it is vital that the EPO, like the national courts, is seen to adhere to this principle. Before the introduction of article 112a, if a party felt that their right to be heard had not been observed by the Boards of Appeal, they were left without remedy. On the rare occasions where things go wrong, we are hopeful that an extra level of review will give comfort to those using the system that mistakes can be rectified. We eagerly await the first full decision of the Enlarged Board of Appeal. ■



**Sarah Turner**  
sarah.turner@lovells.com

## Germany: proposed modernisation of patent law and law on employee inventions

On 15 October 2008, the German Federal Government proposed a bill to simplify and modernise patent law. This bill would lead to two major improvements: simpler and quicker patent revocation actions; and easier transfer of employee inventions to employers, so removing a major problem for employers and making it more attractive for foreign companies to invest in Germany. The bill is good news for patent owners and it is generally hoped that it will soon be passed by the Bundestag.

### PATENT REVOCATION PROCEEDINGS

An appeal of a decision of the Federal Patent Court in patent revocation proceedings is heard by the Supreme Court. The current law allows for a full review of the case by the Supreme Court. Parties can submit new factual evidence, including new prior art. This, and the hearing of expert opinions in particular, has resulted in very long proceedings and an appeal at the moment may take longer than four years.

Under the bill, the presentation of new facts will be mainly limited to first instance proceedings in the Federal Patent Court, whereas appeal proceedings in the Supreme Court will be mainly restricted to questions of law. The Federal Patent Court will, in return, have to comply with increased duties to inform the parties what the court really considers to be decisive. It will have to point out to the parties any issues they have not presented but which it considers relevant to the decision. This will enable parties to concentrate on submission of relevant facts, and prevent surprising new submissions during the oral hearing, which have regularly prolonged proceedings.

In practice, all means of attack and defence will in future have to be presented in the first instance proceedings. On appeal, new lines of attack or defence will be allowable only if based on new facts that could not have been presented before. Similarly, redrafting of patent claims on appeal will be allowable only if based on allowable new submission of facts.

The government hopes these measures will halve the duration of appeal proceedings.

### EMPLOYEE INVENTIONS

The bill provides for a fundamental reform of the Act on Employee Inventions.<sup>21</sup> Under the current Act, an employer has to claim in writing each invention made by an employee within four months of being notified of the invention. Our experience shows that employers very frequently do not adhere to this procedure and they allow the four month deadline to expire. The consequences are severe: the employee remains the legal owner of the invention; he is entitled to ask the employer to transfer to him any patents for the invention registered in the employer's name; and he may even claim profits made by the employer based on the invention.

The proposed new rules should remove those problems. They ensure that employers will regularly become the owners of employee inventions. As is the case already, employees will in return receive a fair remuneration.

In order to achieve this simplification, the obligation to claim in writing employee inventions will be replaced by a fiction of law. Employee inventions will automatically pass to the employer four months after their notification by the employee, unless the employer explicitly renounces the right to the invention. ■



**Steffen Steininger**  
steffen.steininger@lovells.com



**Tihani Prüfer-Kruse**  
tihani.pruefer-kruse@lovells.com

## Inter partes reexamination: an effective and affordable alternative to US patent litigation

The inter partes reexamination procedure allows third parties to challenge the validity of US patents, outside the US federal court system. Validity can be challenged on the grounds of lack of novelty and obviousness, but only on the basis of prior art patents or publications. The procedure takes place in the US Patent and Trademark Office (PTO) and was set up in November 1999 to allow third party requesters a low cost and expedited alternative to challenging validity via patent litigation in federal courts. In the last few years there have been increasing numbers of inter partes reexaminations filed. This is partly due to the patents issued since November 1999 filtering through the system, but there has been a particular increase since 2005 when the PTO established the Central Reexamination Unit (CRU). Prior to the establishment of the CRU, the original examiner who had issued the patent was responsible for a reexamination, but now a member of a core group of specialist examiners handles the reexamination.

Third parties may request inter partes reexamination of a US patent at any time, including while a federal court action involving that patent is ongoing or even after the court has upheld the validity of the patent. If the request is made and granted while a federal court patent litigation action is pending, the federal court may, at its discretion, stay the court proceeding until the reexamination procedure is complete or continue with the federal court proceeding.

### BENEFITS

There are numerous reasons why inter partes reexamination has become an attractive route to challenging patent validity:

- there is no presumption of validity when dealing with the PTO, and the burden of proof required to prove invalidity is a "preponderance of the evidence" – a lower bar than the stringent "clear and convincing" standard employed in the district court

- the Supreme Court's recent *KSR*<sup>22</sup> decision has eliminated the prior teaching, suggestion or motivation test, in favour of a more flexible and lower standard to prove obviousness – resulting in certain types of patents being more vulnerable to an obviousness validity challenge
- perhaps most importantly for financially challenged alleged infringers, the cost for the inter partes reexamination procedure is very low compared to a validity challenge in the district court.

### THE PROCESS

A potential infringer can file a request for inter partes reexamination that includes all prior art patents and publications to be relied upon in the reexamination. The PTO will review the prior art to determine whether a "substantive new question" of patentability exists; if it finds there is, it orders the reexamination and issues an initial office action. Both the patentee and the requester may respond to the initial office action, after which the PTO will issue a final office action. The PTO considers the parties' responses to the final office action and issues a final decision. The final decision is appealable to the Federal Circuit, if the inter partes reexamination was filed on or after 2 November 2002. The entire reexamination process is usually completed within two and a half years.

### RECENT STATISTICS

The PTO released in June 2008 statistics about inter partes filings which should bolster the use of the proceedings as a potent and inexpensive vehicle to challenge invalid patents. The PTO reported that 78% of the inter partes reexamination certificates it issued from 11 November 1999 to 30 June 2008 cancelled **all** the patent's claims, 15% resulted in some claim changes and only 7% of challenged patents emerged from reexamination unaltered.

### OTHER USES

Not only does inter partes reexamination provide an inexpensive route to challenge the validity of a patent at the outset, but it also allows an unsuccessful defendant in a district court to have a "second bite of the apple" by challenging the validity before the PTO even though the district court failed to find the patent invalid.<sup>23</sup>

The potential use of the inter partes reexamination procedure by a third party may also be a useful tool for leverage in licensing negotiations. When an entity wishing to commercialise its products in the US is blocked by another's invalid patents, a cogent written opinion outlining the prior art invalidating the blocking patents, combined with the threat of inter partes reexamination, may persuade the patent holder to consider favourable licensing terms rather than face a proceeding likely to invalidate its patents.

### A POTENTIAL DRAWBACK

A potential downside for an accused infringer is that if the patent emerges from the reexamination with the claims intact, the accused infringer is estopped from raising invalidity issues in subsequent federal court proceedings that "were or could have been raised in the reexamination proceeding".

In other words, if the inter partes reexamination is resolved in favour of the patentee, and the accused infringer is subsequently a defendant in an infringement action in a federal court, it is barred from asserting any invalidity contentions based on lack of novelty or obviousness.

However, the defendant will not be estopped from asserting other invalidity defences, such as claim indefiniteness, lack of written description, or lack of enablement.

## Limiting the scope of US patent biotech genus claims

### COMMENT

We recommend the use of inter partes re-examination as a tool for our clients for the purposes outlined above, and as a low cost alternative to full-blown patent litigation in the US when the art suggests lack of novelty or obviousness. ■



**Veronica Mullally**  
veronica.mullally@lovells.com



**Joseph Saphia**  
joseph.saphia@lovells.com

In *Carnegie Mellon*<sup>24</sup> the Federal Circuit affirmed the trial court's ruling that patent claims directed to DNA obtained from **a bacterial source** were invalid for lack of written description.

### BACKGROUND

Carnegie Mellon University (CMU) owns three US patents directed to recombinant plasmids for the enhanced expression of a DNA polymerase. Hoffman La Roche commercially manufactures a recombinant plasmid which causes host cells to express an enzyme called *Thermus aquaticus* (Taq) DNA polymerase. CMU filed an action against Roche in the US District Court for the Northern District of California alleging infringement of its three patents.

The main issue was whether certain asserted patent claims requiring DNA obtained from a bacterial source satisfied the written description requirement of the US Patent Act:

#### 35 USC § 112, ¶ 1

The specification **shall contain a written description of the invention**,<sup>25</sup> and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

### THE FEDERAL CIRCUIT'S DECISION

A panel of the Federal Circuit affirmed the trial court's decision that all the patent claims directed to DNA from **a bacterial source** were invalid for lack of written description. The court explained that "the applicant does not have to utilise any particular form of disclosure to describe the subject matter claimed, but the description must clearly allow persons of ordinary skill in the art to recognise that he or she invented what is claimed... [and]... convey with reasonable clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention".

#### DNA from only one species of bacteria described

The court said that in this case the claims were genus claims<sup>26</sup> that encompassed DNA from any bacterial source, and the patent specification, describing the use of only the *E coli* species, did not adequately describe the use of DNA from any bacterial sources.

The court focused on the fact that the patents described the use of only the *E coli* polymerase I (*polA*) gene to construct the claimed plasmids:

*"[T]he narrow specifications of the '708 and '745 patents only disclose the polA gene coding sequence from one bacterial source, viz., E. coli... the specification fails to disclose or describe the polA gene coding sequence for any other bacterial species."*

Also, evidence indicated that when the patent application was filed only three bacterial *polA* genes had been cloned, and skilled persons knew that DNA polymerase I (a) was a family of enzymes encoded by a family of genes, and (b) varied from one bacterial species to another.

<sup>22</sup> *KSR International Co v Teleflex Inc* 127 S. Ct. 1727 (2007).

<sup>23</sup> See *in re Swanson*, 540 F 3d 1368 (Fed. Cir. 2008) affirming a reexamination procedure that invalidated claims previously held valid by a federal court.

## Limiting the scope of US patent biotech genus claims *continued...*

### Only one plasmid and one restriction site described

The court also relied on the fact that the specification described only one plasmid (pMP5) created using the E coli polA gene that was enzymatically excised at one specific restriction site (BglII). Excising the polA gene at that particular site was critical because that cut resulted in a severely damaged natural promoter. The patents stated that a significant discovery was “the need to severely damage the polA promoter sequence when constructing the recombinant plasmid in order to avoid the unregulated expression of DNA polymerase I, which otherwise would be lethal to the cell”. The importance of damaging the polA promoter was highlighted by the specification stating: “[I]t is an important feature of this invention that the cloned polA gene fragment contains essentially none of or at the most only a portion of the activity of its natural promoter”.

### **CAPON**<sup>27</sup>

The court distinguished the facts in this case from those in *Capon*.

In *Capon*, the Federal Circuit had reversed a decision by the Board of Patent Appeals and Interferences, and held that the subject genus claims, directed to chimeric antibodies, did satisfy the written description requirement.

It stated: “what is needed to support generic claims to biological subject matter depends on a variety of factors, such as the existing knowledge in the particular field, the extent and content of the prior art, the maturity of the science or technology, the predictability of the aspect at issue, and other considerations appropriate to the subject matter”. It found the genus claims were supported because, unlike in *Carnegie Mellon*, there was extensive knowledge in the field (the structure of mouse antibody DNA light chains and antibody DNA heavy chains).

### IMPLICATIONS FOR BIOTECH GENUS CLAIMS

It is clear that genus claims in the biotech area will be challenged for inadequate written description. Given the Federal Circuit’s decisions in *Capon* and *Carnegie Mellon*, special attention will be paid to:

- the scope of the embodiments exemplified
- the existing knowledge in the particular field
- the predictability of the particular field of biotechnology
- known variations between species. ■



**Joseph Saphia**  
joseph.saphia@lovells.com

<sup>24</sup> 8 September 2008 *Carnegie Mellon University v Hoffman La Roche Inc* No 2007-1266 (Fed Cir).

<sup>25</sup> Emphasis added.

<sup>26</sup> A genus (or generic) claim refers to a collection of products sharing common features.

<sup>27</sup> *Capon v Eshhar* 418 F.3d 1349 (Fed Cir 2005).

## Is Marlene Dietrich a mere sales-boosting star or a trade mark too?

Using famous people's names and images to promote products or services is a common market practice. This so-called "celebrity merchandising" attracts the consumers' attention and conveys positive messages by association. But can a celebrity's image also distinguish the commercial origin of a promoted product or service from that of others and, therefore, function as a trade mark? The German Supreme Court has held in the *Marlene Dietrich case*<sup>28</sup> that, depending on the product or service, this is possible.

### BACKGROUND

The German Patent and Trade Mark Office (PTO) rejected an application to register a portrait of the famous actress Marlene Dietrich, for a variety of goods and services, on the grounds that it lacked distinctiveness.



Marlene Dietrich

On appeal, the Federal Patent Court concurred with the PTO's reasoning:

- **Marlene Dietrich as a mere description of content**

For some of the goods and services (such as CDs, DVDs, films, and entertainment services) the image merely described the content, not the trade origin. The content of all these might contain images of, or directly refer to, the famous actress. For example, a consumer seeing the image of Marlene Dietrich on a DVD would merely assume that the DVD was for a film in which she starred. He would not perceive the image as a reference to the company marketing the DVD

- **Marlene Dietrich as an advertising tool**

For the other goods and services (such as items of clothing and other typical merchandising products) the image merely conveyed an advertising message. For example, a person buying a T-shirt bearing the image of Marlene Dietrich is typically buying it because of that image and its positive associations. Again, the image is not functioning as a trade mark.

### THE SUPREME COURT'S DECISION

On appeal, the Supreme Court annulled the decision of the Federal Patent Court with respect to the items of clothing and other typical merchandise. The Supreme Court said that although clothing may carry a prominent print of a celebrity, that is not the only possible use of a celebrity's image for clothing. It could, for example, also form a logo on a small label sewn into the garment and consumers generally perceive that type of label as a reference to the garment's commercial origin.

The Supreme Court agreed with the lower court's finding regarding the goods and services in the entertainment sector. It confirmed that it is an established trade practice in that sector to advertise by using an image of the person who is the main feature of the entertainment medium. Therefore, consumers are familiar with seeing a celebrity's image being used to refer to content and no more.

### COMMENT

The Supreme Court's decision highlights the central role both market practice and consumer perception play in the trade mark registration process. These factors have to be individually examined for each product and service in the trade mark specification. Unfortunately, the PTO does not always heed this requirement but at times rejects a trade mark application as descriptive (and therefore non-registrable) for entire classes of goods and services, giving only superficial and sweeping reasons. Therefore, it may well be worth appealing such a decision to the Federal Patent Court, and even to the Supreme Court. ■



**Antonia Zimmermann**  
antonia.zimmermann@lovells.com

## Italian Supreme Court holds Louis Vuitton's colour trade marks invalid

**In its decision<sup>29</sup> on Louis Vuitton's colour trade marks, the Supreme Court addressed the issue of whether single colours can be registered as trade marks in Italy. In doing so, the court applied some of the principles which the European Court of Justice (ECJ) set out in its 2003 judgment in *Libertel*.<sup>30</sup>**

### THE TRADE MARKS AND THE LOWER COURTS' DECISIONS

Three Italian fashion companies (Robert Diffusion, Giorgia and Gioe) commenced proceedings against Louis Vuitton Malletier before the Court of Milan seeking a declaration of invalidity of six Louis Vuitton Italian trade mark registrations<sup>31</sup> for leather goods, on the ground of lack of distinctiveness.

Each registration was described (in French) as a texture of light coloured (for example, fawn, grey, or light red) irregular lines arranged in an *épis*<sup>32</sup> pattern on a darker coloured (for example, brown, black, or dark red) background. There was also a colour description (for example, grey and black) and a photograph of a piece of leather.

In 2000 the Court of Milan held the six trade mark registrations were invalid. It said that the large number of registrations meant that consumers would not link the products to Louis Vuitton, and that the colours registered had long been widely used for leather goods. The court also held that the trade marks did not actually consist of a pattern with lines but consisted of material (that is, *épis* leather), and this was supported by the fact that the registrations showed photographs of a piece of leather.

Louis Vuitton appealed but the Court of Appeal of Milan upheld the lower court's decision. It added that a colour can only be considered a trade mark when it has a particular colour combination. It said the use of a colour in itself, considered separately, does not have distinctive character but only a "functional and ornamental character" and, therefore, cannot be appropriated by one undertaking registering it as a trade mark. The Court of Appeal also held that Louis Vuitton's systematic registration of the colours most frequently used for leather goods did not allow the colour aspect to be seen as the element that identified the goods as Louis Vuitton's.

### THE SUPREME COURT'S DECISION

Louis Vuitton appealed to the Supreme Court, again to no avail, as the Supreme Court confirmed the appellate judgment in full. The Supreme Court made express reference to the reasoning of the ECJ in *Libertel* – for example:

- a colour may be said to have distinctive character provided that, in the view of the relevant public, the mark is capable of identifying the product or service, for which registration is sought, as originating from a particular undertaking and distinguishing that product or service from those of other undertakings
- in assessing the potential distinctiveness of a colour as a trade mark, the general interest in not unduly restricting the availability of colours to other undertakings offering goods or services of the same type must be taken into account.

In full agreement with the ECJ ruling, the Supreme Court pointed out that the number of single monochrome colours that can potentially be registered as trade marks is limited and, therefore, the registration of such colours could lead to a monopoly situation incompatible with a fair system of competition. The Supreme Court concluded that only colours of a very particular shade or hue that are not the norm for the product for which they are used could be found to be distinctive, subject to an assessment on a case by case basis. This could not be said of the Louis Vuitton trade marks. ■



**Ginevra Righini**  
ginevra.righini@lovells.com

<sup>29</sup> 18 March 2008 "*Louis Vuitton*" case Supreme Court decision no 7254.

<sup>30</sup> 6 May 2003 *Libertel* C-104/01.

<sup>31</sup> Granted from international registrations.

<sup>32</sup> *Épis* in French describes a particular pattern, and *épis* refers to leather extracted by a method well-known in the leather industry and used for Louis Vuitton products.

## Sweet decision in Japan for a chocolate brand

The shape of a product has been registered as a 3D trade mark without requiring evidence of distinctiveness acquired through use.

**Guylian, the Belgian confectionery manufacturer known for its GuyLIAN brand, applied to the Japanese Patent Office (JPO) in 2003 to register an application for a 3D trade mark (consisting of four shell-shaped chocolates) for “chocolate and pralines” in class 30.**

The JPO examiner rejected the application. Guylian appealed but the JPO dismissed the appeal. The JPO held that the mark was not registrable on the grounds<sup>33</sup> that it consisted “solely of a mark indicating, in a common manner, the quality, efficacy, quantity, shape of goods...” (Mark Indicating Quality etc), it was not inherently distinctive, and it had not acquired distinctiveness.

Guylian appealed to the IP High Court.



Guylian's trade mark application

### THE IP HIGH COURT'S DECISION<sup>34</sup>

The IP High Court cancelled the JPO's decision, holding that the trade mark was not a Mark Indicating Quality etc and it was inherently distinctive. The court said that a Mark Indicating Quality etc has two elements:

- **unsuitability for monopoly:** many people may wish to use the mark because it is appropriate to their trade – therefore, in the public interest no one should be granted a monopoly over its use
- **lack of distinctiveness:** the mark is generally used and so lacks distinctiveness and cannot function as a trade mark.

The court held that the trade mark did not have these two elements. With regard to the first element, the court concluded that as Guylian had adopted its shell-shaped trade mark in 1958, and no one else appeared to have adopted any similar trade mark since, it was difficult to see that the trade mark was of a type that other traders would wish to use. With regard to the second element, the court noted the four different shell designs and their combination and arrangement and also the marbled colour, together with the absence of any evidence of identical or similar marks, and concluded that the trade mark was sufficiently distinctive.

The court added that, although a manufacturer chooses the shape of a product mainly on the basis of function and visual attractiveness, it is obvious that shape plays a role when a consumer is choosing a product and that also the manufacturer has this in mind when creating a product. Therefore, it is not appropriate to make a sweeping judgment that a shape trade mark is not distinctive purely because it is a feature of the product. The court, therefore, rejected the JPO's claim that a 3D mark consisting solely of the shape of the product will lack distinctiveness if it is recognised as generally suitable for use as a shape of the product.

### COMMENT

This decision is notable because, without considering whether the mark had acquired distinctiveness through use, the court considered the mark itself was distinctive, not unsuitable for monopolisation, and not a Mark Indicating Quality, etc. Previous decisions in Japan on registrability of 3D marks relating to the shape of goods or their packaging have generally followed the principle that when a product's shape contributes to its function or eye-appeal a 3D mark of that shape is a Mark Indicating Quality, etc and not distinctive, and

the mark will only be registrable if there is evidence that it has acquired distinctiveness.<sup>35</sup> That principle was based on the interrelationship between patent, design and trade mark laws, functional and attractive shapes being protected by patents and designs respectively and not by a registered trade mark.

In this recent decision the court did not even refer to the relationship between rules for 3D trade marks and the patent and design laws. It said that if only shapes not relating to the function or the sense of beauty of the product could be distinctive this would overly limit the significance of the existence of the rules for 3D trade marks.

As the decision was not appealed, it is uncertain how the JPO will apply the rules on registrability of 3D marks in the future. However, this judgment does imply that the rule relating to Marks Indicating Quality, etc, which has traditionally been an obstacle for registration of 3D marks, may now be interpreted in a different way. ■



**Hirotaka Noguchi**  
hirotaka.noguchi@lovells.com

<sup>33</sup> Article 3 of the Trade Mark Act.

<sup>34</sup> 30 June 2008 IP High Court, *Guylian chocolate case*, 2007 (Gyo-Ke) No 10293.

<sup>35</sup> For example, the 3D trade mark of Coca-Cola's bottle, 29 May 2008, 2007 (Gyo-Ke) No 10215 (reported in our July 2008 IP Newsletter). Also see *Maglite case*, 27 June 2007, 2006 (Gyo-Ke) No 10555.

## Russian court allows parallel imports

**Russian courts regularly regard the parallel import of original goods by unauthorised parties into Russia as illegal. Therefore, the recent decision<sup>36</sup> by the Arbitrazh Court of Moscow in favour of a parallel importer of car spare parts was quite unexpected.**

The case concerned parallel import of two well-known car manufacturers' branded spare parts. The court's interpretation of the law in making its decision has caused huge controversy. The court said that importing goods into Russia will only infringe the trade mark on the goods if the goods are counterfeit, and not if they are original, even if the import is unauthorised. Based on this view, the court dismissed the claim of the Russian customs authorities to seize original spare parts being imported into Russia without the trade mark owner's consent.

The court's decision re-opens discussion on the legality of parallel imports into Russia and possible exemptions from the regulations in Part IV of the Russian Civil Code. The current widely supported interpretation of that law is that parallel imports should clearly be held illegal when made by any legal entity not included in the white list of importers; the white list is a list of importers that the trade mark owner has compiled and is recorded, together with its trade marks, on the Russian Customs Register. This does not apply to parallel imports carrying trade marks that have not been recorded on the Customs Register.

Right holders now look forward to the appeal court's ruling in this case. At the same time, it is hoped that the issues will soon be fully resolved by the Joint Resolution of the Plenum of the Supreme Court and the Plenum of the Higher Arbitrazh Court concerning clarification of certain Part IV provisions.

In the meantime, the practice of trade mark recordals (initiated by the trade mark owner) on the Customs Register is vital for efficient protection of IP rights. This remains, without doubt, the only, and a very key, tool for efficient border control over imported goods. ■



**Natalia Gulyaeva**  
natalia.gulyaeva@lovells.com



**Alexandra Sutormina**  
alexandra.sutormina@lovells.com

## Can shopping centres register UK trade marks for their services?

### WAS THERE A PROBLEM?

Shopping centres are becoming increasingly popular in the UK and the recent opening of the Westfield shopping centre in London, Europe's biggest urban shopping centre, is a good example of that. As the number of shopping centres grows, so does the importance of their trade names, which serve to differentiate one shopping centre from another.

It may seem obvious to most of us that such names are capable of being registered as trade marks. Indeed, shopping centres such as Brent Cross, Lakeside and Westfield did manage to register trade marks for their services a few years ago.

However, at the end of 2005, the UK Trade Marks Registry had adopted a rather restrictive practice in relation to the registration of trade marks for retail services<sup>37</sup> on the basis of the ECJ ruling in *Praktiker*.<sup>38</sup> That case held that trade marks are registrable in respect of retail services. Nevertheless, the Registry had also taken the view that according to *Praktiker* it was always necessary to identify the types of goods connected with the services applied for.

Therefore, an acceptable description of retail services in the Registry's opinion was, for example, "The bringing together, for the benefit of others, of a variety of [list of goods or types of goods], enabling customers to conveniently view and purchase those goods".

### THE REGISTRY'S DECISION

In line with its change in practice, the Registry rejected three trade mark applications filed in 2006 and 2007 by three shopping centres operators (Land Securities Plc, Capital Shopping Centres Plc and Hammerson Plc) for services such as "The bringing together for the benefit of others of a variety of retail outlets, entertainment, restaurant and other services, enabling customers to conveniently view and purchase goods and services and make use of such facilities in a shopping centre...".

In the Registry's view these services were not "services" within the meaning of the Trade Marks Act<sup>39</sup> because they were not subject to remuneration in their own right. In addition, they lacked the requisite degree of clarity required under the Trade Mark Rules<sup>40</sup> in that they did not specify the types of goods connected with the services applied for.

The Registry's decision was appealed and subsequently overturned by the High Court in the recent *Land Securities* case.<sup>41</sup>

### THE COURT'S DECISION

Essentially, the High Court's decision holds that services relating to making "the shopping centre as a whole an attractive place for the consumer to come and spend money" are registrable services.

Such services include the provision of "... a mix of retail outlets and other facilities such as restaurants, bars, cafes and cinemas in an appropriate ambience, coupled with other common services...". In the court's view, the shopping centre's trade mark is fulfilling its essential function in that it serves to distinguish the services of one undertaking from those of another, guaranteeing the origin of services to which the mark is applied.

Like the Registry, the court also relied on the ECJ's decision in *Praktiker*, concluding that registrable services must be of the kind that is "normally provided for remuneration". In the court's view, services may be deemed to be provided for remuneration, even if they are not separately invoiced, when they are "supplied in order to promote the sale of certain goods and not on a purely disinterested basis...". In this conclusion the court differed from the Registry who had taken a narrower view on the meaning of such services, holding that they should be subject to remuneration in their own right.

The court also held that the descriptions of the applicants' services were sufficiently clear so as to capture the services of a shopping centre operator, except for some items that needed some further clarification. The court did not think that it was always necessary to identify the types of goods connected with the services applied for.

### CONCLUSION

This decision is a positive development as it broadens the scope of registrable retail services in view of the court's broad interpretation of services "usually provided for remuneration". As long as such services consist of any "activities of a commercial character", which are not provided in a purely disinterested fashion, they should now be registrable. Moreover, the court did not embrace the Registry's practice requiring the identification of the types of goods connected with the retail services applied for.

The decision thus forces the Registry to abandon the somewhat artificial practice it had adopted, namely, that only retail services referring to the provision of specific goods and which are subject to remuneration in their own right are registrable.

Interestingly, both the Registry and the High Court relied on the *Praktiker* case to justify their conflicting decisions. If there is such a disparity as to the implications of this case in the UK, one can only imagine the differences that might arise in applying this case in 27 EU member states. ■



**Anat Paz**  
anat.paz@lovells.com

<sup>37</sup> See PAN 6/05, issued 11 November 2005.

<sup>38</sup> 7 July 2005 *Praktiker Bau- und Heimwerkermärkte AG* C-418/02 [2005] ECR I-5873.

<sup>39</sup> Trade Marks Act 1994.

<sup>40</sup> Trade Marks Rules 2000 (as amended). These Rules are no longer in force as they have been replaced by the Trade Marks Rules 2008.

<sup>41</sup> 25 July 2008 (1) *Land Securities Plc (2) Capital Shopping Centres Plc (3) Hammerson Plc v Registrar of Trade Marks* [2008] EWHC 1744 (Pat).

## Hong Kong: tort of passing off or criminal offence?

Recent amendments to the Trade Descriptions Ordinance criminalise activities previously falling within the realms of the common law tort of passing off.

### TRADE DESCRIPTIONS (AMENDMENT) ORDINANCE 2008

The Trade Descriptions (Amendment) Ordinance 2008, enacted in June, amends the Trade Descriptions Ordinance (TDO) to increase protection of consumers against dishonest retailers. The amendments are likely to come into force soon and we highlight the important changes.

The most notable change to the TDO is the introduction of the new section 13C(1) which is designed to deal with false representations. Also, the new section 13C(2) is designed to deal with representations capable of misleading customers.

#### Section 13(C)(1)

This makes it an offence for any person, in the course of any trade, business or profession, to make a false representation to another that a seller who sells any goods in the course of trade or business is connected with, or endorsed by, any particular individual or body.

Unlike passing off, it is not necessary to show that the individual or body concerned is reputable or well known.

The person has a defence if he can show that he did not know and had no reason to believe that the representation was false.

#### Section 13(C)(2)

This makes it an offence to make a representation about the seller's connection with, or endorsement by, an individual or body unless reasonable steps are taken to prevent customers from mistaking that individual or body for another reputable party.

The person has a defence if he can show that he believed on reasonable grounds that the recipient of the information did not mistake the individual or body for the reputable party.

### COMMON LAW OF PASSING OFF V SECTION 13C TDO

The Legislative Council has made it clear that the criminal provisions under section 13C of the TDO are to be distinguished from passing off for which civil remedies are available. The main objective of section 13C is to stop retailers making false representations when supplying goods by using names identical with or similar to those of other parties, whether reputable or not.

There are certainly a number of material differences between the new section 13C and the common law tort of passing off. To succeed in a civil action for passing off the plaintiff must show that:

- the plaintiff has goodwill and/or reputation
- the defendant's misrepresentation may cause or has caused public confusion that the goods and/or services offered by the defendant are the plaintiff's, or that the plaintiff's and the defendant's businesses are somehow connected
- the plaintiff has suffered or is likely to suffer damages as a result of the defendant's misrepresentation.

In contrast, in section 13C the primary offence under subsection (1) does not require the aggrieved party to establish that:

- the individual or body which is the subject of the false or misleading representation has a reputation in the market
- the misrepresentation led to or is likely to result in public confusion
- the aggrieved party suffered damages.

Unlike passing off, section 13C does not apply to misrepresentations made in relation to the supply of services. It is intended to apply only in relation to the supply of goods.

While there are certain overlaps in the kinds of activities regulated by the new criminal offences under section 13C of the TDO and the law of passing off, it is interesting to note that the evidence required to prove the offences under section 13C is less onerous than the evidence required to prove the civil claim of passing off.

If the right circumstances are present, the new provisions of the TDO may prove to offer a quicker solution to aggrieved brand owners than a civil case in passing off. ■



**Gabriela Kennedy**  
gabriela.kennedy@lovells.com



**Monique Woo**  
monique.woo@lovells.com

## Lovells IP news

We are pleased to announce the arrival in Vietnam of IP lawyer, Greg Buhyoff (Of Counsel).

Of Counsel Gregory Buhyoff joined Lovells earlier this year to spearhead the firm's intellectual property practice in Vietnam. Greg is a US attorney with extensive IP and IT experience in the US, Vietnam and the Asian region. Previously a senior attorney with Baker & McKenzie in Ho Chi Minh City, he was responsible for a wide range of matters including foreign direct investment, regulatory matters, project finance, construction, telecommunications, intellectual property and technology transfer/licensing. He has handled a variety of matters, including registrations, oppositions, cancellations, administrative appeals, licensing, franchising, unfair competition (including in respect of comparative advertising) and anti-piracy cases for a wide range of multinational clients, including many from the research-based pharmaceutical industry. Greg speaks English, Vietnamese, Chinese and Japanese. ■



**Gregory Buhyoff**  
gregory.buhyoff@lovells.com

## Contacts

**For advice and information on Lovells Intellectual Property Practice please contact:**

### Alicante

Lovells (Alicante) Limited & Cia.  
Verena von Bomhard  
verena.bomhard@lovells.com

### Amsterdam

Lovells LLP  
Bert Oosting  
bert.oosting@lovells.com

### Beijing

Lovells LLP  
Horace Lam  
horace.lam@lovells.com

### Chicago

Lovells LLP  
Mark Halligan  
mark.halligan@lovells.com

### Düsseldorf

Lovells LLP  
Andreas von Falck  
andreas.vonfalck@lovells.com

### Frankfurt

Lovells LLP  
Gisela Jung-Weiser  
gisela.jung-weiser@lovells.com

### Hamburg

Lovells LLP  
Andreas Bothe  
andreas.bothe@lovells.com

### Ho Chi Minh City

Lovells LLP  
Gregory Buhyoff  
gregory.buhyoff@lovells.com

### Hong Kong

Lovells  
Henry Wheare  
henry.wheare@lovells.com

### London

Lovells LLP  
Robert Anderson  
robert.anderson@lovells.com

### Madrid

Lovells LLP  
Burkhart Goebel  
burkhart.goebel@lovells.com

### Milan

Lovells Studio Legale  
Luigi Mansani  
luigi.mansani@lovells.com

### Moscow

Lovells CIS  
Natalia Gulyaeva  
natalia.gulyaeva@lovells.com

### Munich

Lovells LLP  
Matthias Koch  
matthias.koch@lovells.com

### New York

Lovells LLP  
David Leichtman  
david.leichtman@lovells.com

### Paris

Lovells LLP  
Marie-Aimée de Dampierre  
marieaimee.dedampierre@lovells.com

### Prague

Lovells (Prague) LLP  
Michal Nulíček  
michal.nulicek@lovells.com

### Shanghai

Lovells LLP  
Douglas Clark  
douglas.clark@lovells.com

### Tokyo

Lovells Horitsu Jumusho  
Gaikokuho Kyodo Jigyo  
Lloyd Parker  
lloyd.parker@lovells.com

### Warsaw

Lovells H Seisler sp.k.  
Krystyna Szczepanowska-Kozłowska  
krystyna.szczepanowska-kozłowska@lovells.com

[www.lovells.com](http://www.lovells.com)

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