

Newsletter  
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## Intellectual property

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Applications and registrations are not currently handled in all legal systems listed above. However, we offer a complete trade mark filing and prosecution service at the Community Trade Mark Office as well as trade mark, industrial design, appellations of origin and domain names searches, clearances, filing and prosecution services before the national Industrial Property Offices in France, Germany, Czech Republic, Slovakia, Russia (together with all other CIS member states), Croatia,

Poland, Hungary, China, Hong Kong, Singapore, Indo-China (Vietnam, Cambodia and Laos) and elsewhere in South-East Asia.

We also offer a complete global domain name protection service including clearance searches, registration, watch and investigation covering all generic TLDs (top level domains) but also, importantly, most country TLDs in some 200 jurisdictions.

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

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

Please refer to the back of this newsletter for office details.

# Trade marks

## European Court ruling on parallel imports of branded goods

On 20 November 2001, the European Court of Justice ("ECJ") handed down its answers<sup>1</sup> to the questions referred to it by the English High Court in the joined cases of *Davidoff v A&G Imports, Levi Strauss v Tesco and Levi Strauss v Costco*. The cases involved the interpretation of Article 7 EC Trade Marks Directive<sup>2</sup> and the circumstances in which a trade mark proprietor may be regarded as having directly or indirectly given its consent to the resale of its branded goods.

Under Article 5 of the Directive, the trade mark proprietor has the exclusive right, inter alia, to prevent third parties from importing or exporting goods bearing its trade marks into the EEA unless, under Article 7(1), the goods have been put on the market in the EEA by the proprietor or with its consent.

### CONSENT

The ECJ concluded that the concept of "consent" used in Article 7(1) should be interpreted uniformly throughout the European Union, rather than under the national law of individual Member States.

Consent therefore is tantamount to the proprietor's renunciation of its exclusive right under Article 5 and is the decisive factor in exhaustion of the right.

Given the very serious consequences of extinguishing the trade mark proprietor's exclusive rights, the ECJ decided that consent should be expressed in such a way that an intention to renounce those rights had been "unequivocally demonstrated". Obviously, an express statement

would suffice. However in certain circumstances consent could also be inferred from "facts and circumstances prior to, simultaneously with or subsequent to the placing of the goods on the market outside the EEA", if the national court considered that they unequivocally demonstrated that the proprietor had renounced its rights.

### IN WHAT CIRCUMSTANCES CAN IMPLIED CONSENT BE INFERRED?

The ECJ considered that the onus lay on the trader wishing to import the goods to demonstrate unequivocal consent by the proprietor. Accordingly, implied consent **cannot** be inferred from the:

- mere silence of the trade mark proprietor
- trade mark proprietor's failure to communicate his opposition to marketing of such goods within the EEA
- lack of any warning or prohibition on the goods or contractual reservations from the proprietor regarding re-sale within the EEA
- fact that, according to the law governing the contract, the property right transferred includes, in the absence of any such reservations, an unlimited right of re-sale or a right to market the goods subsequently within the EEA.

Regarding exhaustion of the proprietor's exclusive right, the ECJ held it was irrelevant that:

- the importer of goods bearing the trade mark was not aware that the proprietor objected to their being placed on the market; and that
- the authorised retailers and wholesalers had not imposed contractual reservations setting out such opposition even though they had been informed by the trade mark proprietor.

<sup>1</sup> The Times, 23 November 2001

<sup>2</sup> First EC Trade Mark Directive 89/104 of 21 December 1988 (OJ 1 February 1989 L 40/1)

## CONCLUSION

In essence, brand owners will now generally be able to use their trade mark rights to prevent the parallel importation of their branded goods into the EEA unless they can be shown to have unequivocally expressly or impliedly consented to the importation. It will be interesting to see how the English courts apply this ruling. Meanwhile, whilst pressure to reform the existing exhaustion regime has gathered momentum, for now, the brand owners have carried the day.

Sahira Khwaja

## ECJ rules "BABY-DRY" a distinctive sign for nappies

On 20 September 2001, the European Court of Justice ("ECJ") ruled<sup>3</sup> that the mark "BABY-DRY" was capable of functioning as a Community trade mark for babies nappies. The Court annulled the decision of the First Board of Appeal of 31 July 1998 and the subsequent decision of the Court of First Instance ("CFI") of 8 July 1999.

The CFI had decided that "BABY-DRY" merely conveyed to consumers the intended purpose of the goods, since the purpose of nappies was to be absorbent and thus to keep babies dry. As the term "BABY-DRY" did not seem to exhibit any additional feature which might render the sign as a whole capable of distinguishing the applicant's goods from those of other undertakings, the sign was ineligible for registration as a Community trade mark.

For its part, the ECJ held that a word combination which could not be viewed as "a normal way of referring to the goods or of their essential characteristics in common parlance was apt to confer distinctive character on that mark". In particular, the ECJ held that:

"As regards trade marks composed of words...descriptiveness must be determined not only in relation to each word taken separately but also in relation to the whole which they

form. Any perceptible difference between the combination of words submitted for registration and the terms used in the common parlance of the relevant class of consumers to designate the goods or services or their essential characteristics is apt to confer distinctive character on the word combination enabling it to be registered as a trade mark."

The ECJ took the view that the term "BABY-DRY" was not used in the common parlance of the relevant public to designate the goods or their essential characteristics:

"... whilst each of the two words in the combination may form part of expressions used in everyday speech to designate the function of babies' nappies, their syntactically unusual juxtaposition is not a familiar expression in the English language, either for designating babies nappies or for describing their essential characteristics."

The ECJ therefore concluded that word combinations like "BABY-DRY" could not be considered as having, as a whole, descriptive character. Rather, the term was a lexical invention and thus distinctive of the mark under Article 7(1)(c) of the Community Trade Mark Regulation<sup>4</sup>. The impact of that decision on the current practice of the OHIM and national Trade Mark Offices is yet to be seen. In particular, we will have to see if the ruling of the ECJ is confined to "lexical inventions" or if it can also be extended to other types of "word combinations".

Verena von Bomhard/André Pohlmann  
Lovells, Alicante

## CFI decision on three-dimensional "Wash Tablet" marks

In four identical decisions<sup>5</sup> on 19 September 2001, the European Court of First Instance ("CFI") held that the three-dimensional "wash tablet" applications filed by Henkel KGaA were devoid of any

3 Procter & Gamble v OHIM; The Times, 3 October 2001

4 No 40/94 of 20 December 1994 L 11 P1

5 Cases T-335/99, T-336/99, T-337/99, T-30/00, Henkel KGaA v. OHIM

distinctive character under Article 7(1)(c) Community Trade Mark Regulation and thus not capable of being registered as Community trade marks. The CFI thus confirmed the decisions of the Third Board of Appeal to refuse their registration.

The CFI emphasised that the criteria for assessing the distinctiveness of three-dimensional trade marks were the same as for other marks. Nevertheless, it took the view that consumers regarded three-dimensional marks, consisting of the shape and colours of the product itself, differently from word or figurative marks or from three-dimensional trade marks that did not consist of the shape of the product itself. Whereas the latter would generally be regarded immediately as signs indicating the origin of the goods, this was not necessarily so with marks that corresponded with the outer appearance of the product itself. In that respect, the CFI confirmed the view of the Board of Appeal that the degree of attention paid by the average customer to shapes and colours of washing and dish washing products, being goods of daily use, was not very high.

The CFI ruled that basic forms of the products concerned or obvious modifications of those product shapes would not be sufficient to serve as indications of origin. The three-dimensional forms of the marks applied for, namely rectangular or round tablets, belonged to the basic range of geometric shapes and were an obvious form for washing and dish washing products. The slightly rounded edges of the rectangular tablets were due to practical considerations and were not capable of rendering the marks applied for distinctive. The fact that the marks consisted of two layers (one white and the other green or red respectively), could not justify the assumption that the tablet's outer appearance could be seen as an indication of the origin of the product.

A couple of observations on these decisions:

1. The CFI seems to be contradicting itself in ruling (a) that all categories of trade marks should be treated equally when assessing inherent distinctiveness, but (b) that the relevant public would view differently 3-D marks consisting of the goods themselves.

2. The CFI ruled that **the time of purchasing the product** was the relevant moment for considering the mark's distinctiveness. Given that trade marks no longer merely indicate the origin of goods, but also act as marketing tools, represent the goodwill of the trader and its products and guarantee the quality of the goods concerned, it is questionable whether the brief moment of purchase of the relevant products still has such importance.

Verena von Bomhard/André Pohlmann  
Lovells, Alicante

## Dispute over "CUTTY SARK" trade mark

Imperial Tobacco had a UK trade mark for CUTTY SARK, registered for tobacco. It had not used the mark for at least five years, as a result of which it was at risk of being revoked from the trade marks register for non-use. The company therefore applied to the Trade Marks Registry to re-establish the mark.

Its application was opposed by Berry Bros, which manufactured a Scotch whisky known as Cutty Sark. Berry Bros also had a registered UK trade mark comprised of the words CUTTY SARK and a picture of a ship, for spirits and for smokers' articles, including ashtrays and lighters.

On appeal from the decision of the Registry, the High Court<sup>6</sup> took the view that the trade marks were similar. It also held that there was a natural association between both smokers' articles and tobacco and tobacco and spirits and that, as such, the goods were also of a similar nature so that there existed a likelihood of confusion between the two.

An interesting aspect of this case was that, even though Cutty Sark whisky was not actually available in England, the Court found that it had a reputation here, as a result of sponsorship, merchandising and duty free sales.

Diane Hamer

<sup>6</sup> unreported, 31 October 2001

## ECJ ruling on Article 3(1)(d) of the EC Trade Marks Directive

In *Merz v Krell GmbH*, the German Federal Patents Court sought a preliminary ruling from the European Court of Justice ("ECJ") on the interpretation of Article 3(1)(d) EC Trade Marks Directive. This precludes registration of trade marks which "consist exclusively of signs or indications which have become customary in the current language or in the bona fide and established practices of the trade".

The ECJ held that Article 3(1)(d) must be interpreted as precluding registration of a trade mark only when the signs or indications of which the mark is exclusively composed have become customary in the current language or in the bona fide and established practices of the trade to designate the goods or services in respect of which registration of that mark is sought. The scope of Article 3(1)(d) is not limited solely to marks which are descriptive of the properties or characteristics or the goods or services covered by them.

Where the trade mark consists of signs or indications that are also used as advertising slogans, indications of quality or incitements to purchase the goods or services covered by that mark, the mark is not precluded from registration by virtue only of such use. It is for the national court to determine in each case whether such a mark has become customary in the current language or in the *bona fide* and established practices of the trade to designate the goods or services in respect of which registration of that mark is sought.

Malcolm Smith

## Court upholds judgment in Asprey appeal

The Court of Appeal has upheld the judgment in *Asprey & Garrard Ltd v WRA (Guns) Ltd* (see our June issue). To recap, William Asprey, a descendant

of the Asprey family, who had worked for the well known luxury goods retailer, was restrained on the basis of trade mark infringement and passing off from, inter alia, carrying on a business in luxury goods under the name "Asprey" or his own full name. He had been trading, through WRA (Guns) Limited ("WRA"), in luxury goods under the name "William R Asprey Esquire".

The Court of Appeal dismissed the defendant's appeal, although it varied the terms of the injunction granted. The Court held that, in addition to the fact that both parties used the name Asprey, the likelihood of confusion was increased by the identical nature of the goods sold by the respective parties, the similar location of the shops, the similarity in the methods of promotion and the use made by the defendants of the connection between Mr Asprey and his forebears.

In relation to passing off, the Court held that the common law "own name defence" was not available to WRA merely because it had chosen to trade under Mr Asprey's name and that Mr Asprey was liable as a joint tortfeasor. However the wide injunction granted at first instance, which prohibited WRA and Mr Asprey from committing passing off was varied so that Mr Asprey was merely prohibited from acting as a joint tortfeasor. This was to preserve the possibility that he may be able to take advantage of the own name defence.

However when it came to trade mark infringement, the Court held that the statutory own name defence in section 11(2)(a) was not available to WRA, since it was not trading under its own name and that it was not available to Mr Asprey because he himself was not trading. Further any use of his name which amounted to passing off could not be in accordance with honest practice in industrial or commercial matters, as required by the defence.

Richard Evetts

## Reference to ECJ on comparative advertising point

The European Court of Justice ("ECJ") has recently had to grapple with yet another complex trade mark issue. Toshiba Europe GmbH ("TE") distributed photocopiers, spare parts and consumables for photocopiers by reference to a model reference, a product description and product number attributable to each product. Katun Germany GmbH sold spare parts and consumables that could be used for Toshiba photocopiers. In its catalogues these items were set out in categories identifying the specific products for a group of particular models of Toshiba photocopiers. Katun used a variety of numbers to identify its products, including the original TE product number and model reference, as well as its own product number. The catalogues also referred to the Toshiba products and suggested that Katun products offered the same performance at a substantially lower cost.

TE sued in Germany and claimed that, by using the TE product number unnecessarily, Katun was making use of original goods in order to boost its own sales and had misled consumers by asserting that the products were of equivalent quality and thus unlawfully exploited TE's reputation. Katun could simply have used its own product number to identify the goods. Katun said that, as its advertising was directed at specialist traders, they were aware that the goods were not being sold by TE. In addition, the need to use the TE order number could be objectively justified, given the large number of TE consumable products available. Use of both the TE and Katun product numbers allowed Katun's customers to compare the prices of the goods and in any event fell within the definition of comparative advertising in EC Directive 84/450 (as amended) because it did not take advantage of the reputation of TE's trade marks or distinguishing marks.

The German court stayed the proceedings and referred the matter to the ECJ. It asked whether use of the product numbers of an original equipment manufacturer ("OEM numbers") for reference purposes in a spare part supplier's advertising would be regarded as comparative advertising within the

meaning of the Directive. If so, would the use of OEM numbers and the supplier's product numbers in advertising constitute a permissible comparison of goods and would the OEM numbers themselves be distinguishing marks within the meaning of Article 3a(1)(g) of the Directive? There were further questions concerning the operation of the Directive if the second question was answered in the affirmative.

The ECJ held<sup>8</sup> that the legislature had laid down a broad test of comparative advertising in the Directive and that it was therefore sufficient for a representation to be made in any form, which either expressly or impliedly referred to a competitor or the goods it offered. TE had argued that there was no comparison and that use of its product number simply showed that the products were equivalent rather than demonstrated an objective comparison. The ECJ held that, for such comparative advertising to be lawful, it should demonstrate objectively one or more of the material, relevant, verifiable and representative features of the comparable products. In this case, use of the OEM numbers and Katun's numbers allowed customers to compare competing products on the basis that they were technically equivalent.

On the second question, the ECJ affirmed the decision in *Lloyd Schuhfabrik*<sup>9</sup> where it was held that, for a mark to be highly distinctive, the national court should assess its capacity to identify the goods for which it was registered and distinguish them from those of another undertaking. The test for "distinguishing marks" was the same and it was for the national court to determine whether OEM numbers were "distinguishing marks" within the meaning of the Directive. In doing so, it should take into account the audience to whom the advertising was directed and the perception of an average, reasonably well-informed, observant and circumspect person.

The national court should also seek to determine whether use of the OEM numbers would cause the public to associate the OEM's products with those of the supplier and thereby take unfair advantage of the OEM's marks. In doing so, the court should look at the overall presentation of the advertising. If use of the product number was one of only several indications between the manufacturer and

<sup>8</sup> C-112/99 25/11/01 *Toshiba v Katun*

<sup>9</sup> [1999] ECR I-3819 C-342/97

supplier or if the supplier's trade mark and specific nature of his products were highlighted, there might be no confusion or association between the manufacturer and the supplier. In this case, the ECJ thought that Katun would have had some difficulties comparing its products to TE if it had not used the product numbers although it also considered that a clear distinction was made in Katun's advertising between TE's products and its own.

Sahira Khwaja

## Va va voom decision

*Renault UK Ltd v Derivatives Risk Evaluation and Management Ltd* is another domain name case to reach the High Court. In 1999 the first defendant registered the domain name *vavavoom.co.uk* for use in the third defendant's business. Over the last three years, Renault has used the phrase "va va voom" in an advertising campaign for the *Renault Clio* range. Renault registered the domain name *va-va-voom.co.uk* and sought to acquire the defendants' domain name from them, but a price could not be agreed. The defendants, who had not been using their domain name, subsequently created a website bearing links to the sites of several of Renault's competitors.

Renault issued proceedings for passing off and applied for summary judgment. Laddie J acknowledged the value of the goodwill in the names "Renault" and "Clio", but doubted whether Renault had acquired goodwill in the phrase "va va voom", which was, he said, merely a descriptive reference to a human characteristic - a catchy synonym for drive or "pzazz".

The judge held that the defendants had never intended to use their domain name in connection with the manufacture or sale of motor vehicles. Furthermore, it was highly unlikely that anyone visiting his or her website would be confused into thinking that it was an official Renault site. Following the *One in a Million* decision (see our December 1997 issue), the Court held that cybersquatters were "individuals who search the commercial world for valuable trade marks, register domain names incorporating those trade marks and

then use what can best be described as "blackmail techniques" to extract money from the trade mark proprietors in return for the transfer of the domain name." The defendants were not, in the Court's view, cybersquatters.

It was therefore at least arguable that Renault would not be able to show misrepresentation or damage to its business, two essential ingredients of passing off. As such it was not appropriate to award summary judgment to Renault.

Diane Hamer

# Copyright and designs

## Major changes to law on registered designs

In our June 2001 issue, we summarised some major changes to be made to the UK's Registered Designs Act 1949, in order to implement the EC Designs Directive<sup>10</sup>. These were due to come into effect on 28 October 2001, but this date has been delayed until 9 December 2001.

Lovells is preparing a client note on the subject, but in summary, these are the most important changes:

1. Registered designs will be enforceable in respect of the use of the design on any product.
2. The requirement for "eye appeal" will go with the result that more functional designs may become registrable.
3. A new test of "individual character" : in order to be registrable, the overall impression the design gives must differ from the overall impression given by existing designs.
4. A 12-month grace period in which disclosures by the designer will not prevent registration.
5. The "must match" exception will go. However, component parts of larger products (for example, cars) will not be registrable if they are not visible in normal use and registrations for designs of visible component parts will not be infringed by use of the design for repairing the larger product so as to restore its original appearance.

Hard on the heels of these changes comes the European Design Regulation. This provides for pan European Community Design Rights - both registered and unregistered. The unregistered right will arise automatically, last for three years and be infringed by copying. The registered right will be a monopoly right and last for a maximum of 25 years. Conditions for these Community Design Rights will mirror those under the Designs Directive and the rights will exist in the UK in addition to our own registered and unregistered design rights. This proposed regulation was approved by COREPER on 1 November and is now expected to be adopted by the European Council without further discussion. If so, the unregistered right may be available as early as the first quarter of 2002, with registration coming on stream at a later date.

Astrid Arnold

## Can computer icons be registered as designs?

When the amendments to the Registered Designs Act 1949 come into effect, graphic symbols will become registrable. However, in *Apple Computer Inc v Design Registry*<sup>11</sup>, the High Court had to consider whether computer icons could be registered under the current, unamended Act.

The icons that were covered by Apple Computer Inc's application were built into the operating system software at the manufacturing stage and as a result were permanent aspects of the system. None of the icons would be visible when the computer was switched off. When the computer was switched on, the icons would or could become visible on the screen.

10. Directive 1998/71 of the European Parliament and the Council of October 1988 on the legal protection of designs OJ 1998 L 289/28

11 unreported, 24 October 2001

Apple's application described the article to which the design was to be applied as a set of user interfaces for computer display. The hearing officer of the Registry objected to the applications, on the basis that (a) they were not articles of manufacture as defined in section 44(1) of the Act, or (b) did not amount to a design applied by an industrial process or means within section 1(1).

Apple appealed. Jacob J allowed the appeal. There was established authority to say that it was not necessary for a design to be apparent to a consumer until the relevant article was used as it was intended to be used. This was analogous to having to wait for the computer to be turned on before the icon could be seen. The evidence established that the design applications were features of shape, configuration, patent or ornament applied to an article, that is, the computer screen, doing an industrial process. Further, the operating system on which the designs were applied during manufacture remained an integral and permanent part of the computer.

The judge remitted the matter back to the Registry in order for an acceptable definition for "article" to be found.

Graham Burnett-Hall

## Decision on personal liability for copyright infringement

The main issue in *MCA Records Inc v Charly Records Ltd*<sup>12</sup> was whether one of the defendants, an individual, Y, was personally liable for copyright infringement by his company, CRL. There was also a secondary issue as to whether the judge was correct to order flagrancy damages.

The claimants (MCA) were the US owner of copyrights in certain sound recordings (the Chess recordings) and its UK licensee. They brought an action against five defendants including CRL and Y. Y was not a director of CRL but MCA alleged that for all practical purposes he controlled its affairs and was in the position of a de facto director.

The judge at first instance directed that, in order to make a director, other officer or employee of a company personally liable for the company's tort, that person had to be shown to be the person who had committed or participated in the tort or who had directed or procured the tortious act. On the facts, Y was found liable as he had to be taken at least to have impliedly directed or procured CRL's acts of infringement.

Y appealed, contending that the judge had applied the wrong test to determine whether Y was personally liable for the infringements. The Court of Appeal dismissed the appeal and made no criticism of the test applied. In order to hold a person controlling a company liable for infringing acts where the company was the primary infringer and where the individual had not committed or participated directly in those acts, it was necessary and sufficient to find that he had procured or induced those acts to be done by the company or that, in some other way, he and the company had joined together in concerted action to secure that those acts were done.

Y also appealed against an order for flagrancy damages to be assessed under section 97(2) Copyright, Designs and Patents Act 1988. Under section 97(2), a court before whom an inquiry is made as to the quantum of damages can consider the flagrancy of the infringement among all the circumstances when deciding whether to award additional damages. The Court of Appeal confirmed that it was appropriate and was likely to be of particular relevance for the trial judge to give his view as to the flagrancy of the infringement. However, the trial judge could not determine or direct whether the flagrancy, taken together with all the other circumstances, was such as to lead to the conclusion that additional damages should in fact be awarded.

Elizabeth Newman

<sup>12</sup> unreported, 5 October 2001

# Patents

## Ruling on relationship between TRIPS agreement and national laws

*Schieving-Nijstad vof v Groeneveld*<sup>12</sup> considers the effect of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) on the domestic law of an EU State. The judgment is complex but is relevant to anyone seeking an interim injunction in intellectual property proceedings if the IP rights concerned are subject to TRIPs.

The defendant had filed "Route 66" figurative marks in respect of various classes of goods and services covering alcoholic and soft drinks, restaurant/hotel/catering services. The claimants operated a disco in the Netherlands. Since 1995 this had incorporated a cafe named "Route 66", which was decorated with various 1950s paraphernalia, including a neon sign reading "Route 66" on the outside and various other signs and shields reading or including "Route 66".

The claimants had no licence from the defendant nor had they bought their "Route 66" articles from it or its licensee. In 1996, the defendant obtained an interim order from the Assen District Court, requiring the claimants to stop using the "Route 66" marks in relation to the goods and services in respect of which they were registered. That judgment was upheld by the Leeuwarden Regional Court of Appeal.

The claimants appealed to the Netherlands Supreme Court. In essence, the claimants' case was that, as a result of TRIPs, the interim judgment of the Assen District Court had to be revoked and/or cease to have effect because the defendant had not followed

up the proceedings leading up to the interim judgment with substantive proceedings within the period required by TRIPs.

Critical to this case was Article 50 of TRIPs. Article 50(1-2) gave judicial authorities the authority to order prompt and effective provisional measures to prevent infringement of IP rights, to prevent infringing goods from entering the jurisdiction and to preserve relevant evidence in regard to the alleged infringement. They could act in the absence of any party where delay might cause irreparable harm to the right holder or allow evidence to be destroyed.

Article 50(4) provides that: where such provisional measures have been adopted:

"... the parties affected shall be given notice, without delay after the execution of the measures at the latest. A review, including a right to be heard, shall take place upon request of the defendant with a view to deciding, within a reasonable period after the notification of the measures, whether these measures shall be modified, revoked or confirmed."

Article 50(6) continues that such provisional measures will:

"... upon request by the defendant, be revoked or otherwise cease to have effect, if proceedings leading to a decision on the merits of the case are not initiated within a reasonable period, to be determined by the judicial authority ordering the measures where the Member's law so permits or, in the absence of such a determination, not to exceed 20 working days or 31 calendar days, whichever is the longer."

<sup>12</sup> Case C - 89/99 - unreported, 13 September 2001

Article 70 (1) of TRIPs provides:

"This agreement does not give rise to obligations in respect of acts which occurred before the date of application of the Agreement for the Member in question."

Members of the World Trade Organisation were obliged to apply the provisions of TRIPs by 1 January 1996. This date was after the hearing of the case before the Court of First Instance in the Netherlands but before that court had delivered its decision. The Netherlands Supreme Court referred a number of issues to the European Court of Justice for a preliminary decision, and the ECJ reached the following conclusions:

1. Article 50 applied to the extent that the infringement of the IP rights concerned continued beyond the date on which it became applicable with regard to the Community and the Member State. The infringing acts threatened to continue beyond the date on which TRIPs entered into force in the Netherlands. Accordingly it was wrong to say (as submitted by the UK Government) that TRIPs did not apply to the current proceedings.
2. Article 50 did not have direct effect, that is, did not create rights upon which individuals could rely directly before Community Courts or Courts of Member States. Nevertheless, where judicial authorities were asked to apply national rules with a view to ordering provisional measures regarding IP rights covered by TRIPs, they had to do so as far as possible in the light of the wording and purpose of Article 50(6). The court had to take account of all the circumstances of the case before it, to ensure that a balance was struck between competing rights and obligations of the IP right holder and the defendant.
3. A request by the defendant was necessary in order for any provisional measures ordered by way of interim relief to lapse on the ground that no substantive action had been brought within the required period.

4. TRIPs was silent on the point at which the time period was to begin, so it was for each contracting party to determine a reasonable point at which that period was to start.
5. Article 1(1) allowed a Member State to implement more extensive protection than that required by TRIPs (provided this did not conflict with its other provisions). Accordingly, the Agreement neither required nor forbade the laws of a Member State to provide that its judicial authorities were, without a request by the defendant being necessary, to determine of their own motion the period within which substantive proceedings were to be instituted at the time it ordered the provisional measures.
6. Article 50(6) was silent on the powers conferred on appellate courts, so it was for each Member State to decide this point.

The main point to draw from this is that, where intellectual property rights fall within the scope of TRIPs, it may not be sufficient for a party to rely on an interim remedy in order to dispose of a matter. Previously it was often the case that the grant or refusal of an interim injunction in intellectual property proceedings would bring the litigation to an end. In the future a defendant subject to an injunction will be able to apply to the court for the injunction to be lifted if the claimant does not instigate substantive proceedings within a reasonable time period set by the court or, if the court does not set a time period, at the end of the 20 working day/31-day period (whichever is longer) provided for by TRIPs. When seeking interim injunctions, parties should now always consider whether the court should be asked to determine the period within which substantive proceedings must be brought and, if so, what would amount to a reasonable period.

Graham Burnett-Hall

# More guidance on construction of patents

*Arjo Ltd v Liko AB*<sup>13</sup> concerned a patent in respect of lifting hoists for invalids. The defendants had been held to infringe the claimant's parallel national patents in Holland and Australia. However, in the UK (where Lovells successfully acted for the defendants), the defendants' products were held not to infringe, and the patent in suit was declared invalid. Although the decision may not be groundbreaking in terms of legal developments, there are a number of points worth making.

1. Even though the construction of the patent had already been judicially determined in the UK in another case, Laddie J decided to review its construction afresh. He gave no reasons for not simply following the previous construction despite the claimant's invitation, although notably, validity had not been in issue in the earlier action.
2. In his discussion on construction, Laddie J cited as a useful reminder a passage of Lord Hoffmann's judgment in *Step v Emson*<sup>14</sup>:

"The well known principle that patent claims are given a purposive construction does not mean that an integer can be treated as struck out if it does not appear to make any difference to the inventive concept. It may have some other purpose buried in the prior art and even if this is not discernible the patentee may have had some reason of his own for introducing it."

Lord Hoffman was concerned with whether it was permissible to strike out a limitation in a claim which did not appear to affect the inventive step. One would clearly not strike out a limitation which was central to a step

described by the patentee as his invention. Furthermore, this approach was not affected by application of the Protocol on Construction, which did not allow one to ignore limitations in a claim which a skilled reader would understand to have been deliberately included to achieve a particular, stated and wanted, technical effect.

3. Laddie J held that the defendant's products did not infringe the patent claims, so it was not necessary from a commercial point of view to consider the validity of the patents. However, he proceeded to do so "in the public interest", and held them invalid for obviousness and anticipation.
4. The claimants had applied to amend their patent. The defendants opposed this application and invited the court to exercise its discretion against the claimants on account of the claimant's conduct. The claimants had been aware of some of the prior art at the time of earlier proceedings and allegedly immediately settled that action and tried to stop those defendants from making it public. The claimants chose not to disclose their privileged documents in relation to the amendments and how they had come about, which would have been the most direct source of information relevant to the discretionary grounds. However, case law precludes any negative inference from being drawn when such documents are not disclosed. At trial the judge pointed to the difficulty of applying the case law on this issue but ruled that the patent would still be invalid for obviousness even if the amendments were allowed. He therefore

<sup>13</sup> Unreported, 8 November 2001

<sup>14</sup> [1993] RPC 513

did not need to look into whether or not he should exercise the court's discretion and refused to allow the amendments.

5. At trial, the claimants asserted for the first time that a prototype machine (or a photograph of it) relied on by the defendants as part of their obviousness case was a forgery. The judge rejected this allegation. He was influenced by the fact that the claimants had never asked to inspect the prototype machine in question throughout the litigation.

Graham Burnett-Hall

# Miscellaneous

## New tax regime for intellectual property

On 27 November, in his autumn pre-budget report, the Chancellor of the Exchequer published draft legislation on the taxation of intellectual property, goodwill and other intangible assets. The new regime will be introduced with effect from 1 April 2002, but only in relation to intangible assets acquired or created after that day. Assets already in existence would continue to be taxed and relieved under existing law.

The major impact of the new regime will be to assimilate, to a far greater extent than exists under the current patchwork of legislation in this area, the accounting treatment of acquisitions and disposals of intangible assets with their corporation tax treatment. For the first time in the UK, companies will be able to amortise purchased goodwill for tax purposes, and also to obtain tax relief for the amortisation of other intellectual property in accordance with their accounting policies - provided that they are within the scope of generally accepted accounting practice.

The Government has also confirmed its intention to introduce, in 2002, a new tax credit for expenditure on research and development by large companies. A credit system for small and medium-sized companies was introduced in 2000. Details of the proposed system for large companies are still awaited, but the Government has announced that the new credit will be volume-based, rather than incremental, so that qualifying companies will be entitled to it even if their R&D expenditure has not increased over expenditure in earlier years.

Chris Major

# Other European developments

## Important German ruling on protection of colour trade marks

On 8 November 2001, the District Court of Bremen gave an important ruling on the extent to which a company may monopolise a shade of colour to sell goods.

Kraft Foods owns a German trade mark and a Community Trade Mark for the colour "violet" in relation to chocolate and chocolate-related goods. Both marks were registered on the basis of acquired distinctiveness. Kraft claims a notoriety of up to 90% within the relevant consumer circles.

Schwartau Werke GmbH & Co, is the market leader in Germany for cereal bars, sold under the trade mark "CORNY". Each new flavour in the "CORNY" line is distinguished by a different colour on the packaging. A new flavour, "Raisins & Nuts", has recently been introduced, in packaging which includes various shades of violet and the description "with milk chocolate".

Kraft brought proceedings primarily for infringement of its rights in its colour marks and secondarily for passing off (under the law of unfair competition), arguing essentially that its violet marks have such a strong reputation in Germany that consumers associate the colour violet per se with Kraft, so that use by a competitor of any shade of violet on chocolate products would cause confusion.

Kraft obtained an ex parte preliminary injunction in the District Court of Bremen, enjoining Schwartau from using violet on its cereal bar packaging. On behalf of Schwartau, we sought at an oral hearing to

have the preliminary injunction lifted. Our main arguments were as follows:

1. Under German trade mark law, mere colour marks have generally only been registrable on the basis of acquired distinctiveness, resulting in a limited scope of protection which does not give the proprietor trade mark protection for every shade of the colour in question.
2. Kraft does not use violet alone on its chocolate, but always does so with word elements such as "Milka" and/or a drawing of a Swiss cow. When comparing the marks of the other side with the getup of Schwartau's product, one has to consider these additional word and/or device elements by Kraft Foods as the distinctiveness may really lie in the word "Milka".
3. The products are not likely to be confused. Both the shades of colour and the types of goods differ, and are sold in different sections of the supermarket. In relation to cereal bars, Schwartau is already the market leader in Germany and well-known to consumers. There are also several differences between the products' get-up. The cereal bars bear the "CORNY" mark and "Schwartau" prominently and, unlike Kraft's chocolate bars, colour on the packaging is not the main characterising element.
4. The colour of "CORNY" bars indicates the different flavours and does not point to the place of origin at all. Violet is a natural choice of colour as it reflects the colour of grapes, and would amount to "fair use" in trade mark terms.

5. Other companies use violet on their chocolate products' packaging, which dilutes Kraft's already limited rights. This shows that German consumers are familiar with the different shades of violet and do not choose their chocolate by reference to the colour of the wrapping.
6. In terms of passing off, as Germany's market leader for cereal bars, Schwartau would be highly unlikely to try to free-ride on the notoriety of Kraft Foods for violet.

The District Court of Bremen concluded that Kraft has no right to enjoin Schwartau from using its getup for "CORNLY Raisins & Nuts", either under trade mark law or unfair competition law/passing off. Most importantly, although the Court affirmed the broad scope of protection for Kraft's mere colour marks, it held that our client is not using the colour "violet" as a trade mark, that is, to denote the goods' origin, but simply to distinguish the different flavours of "CORNLY" cereal bars. As consumers understand the reason for this choice of colour, the passing-off claim failed.

The Court accepted that violet is associated with grapes and therefore a legitimate choice for wrapping for "Raisins & Nuts". Furthermore, shoppers would be confronted not only by one violet-coloured "CORNLY" bar, but a whole range of bars in different colours. The shape of the products also varies sufficiently to prevent the risk of confusion.

At present, there is no decision of the Federal Supreme Court for Civil Matters in Germany which addresses the likelihood of confusion based on mere colour marks. However, we have come across an obiter dictum of that court on the issue in relation to a trade mark application. An application by EFFEMS for registration of the mere colour market "violet" for pet foods in Germany had been rejected by the German Patent and Trade Mark Office and the Federal Patent Court, on the ground that a mere colour mark did not fulfil the minimum requirement of distinctiveness.

The Federal Supreme Court for Civil Matters reversed this decision and remanded the case to the Federal Patent Court. In doing so, the Federal

Supreme Court pointed out that the applicant was not claiming protection for the colour "violet" in general but only for a certain shade of the colour, mixed from certain and definable colours. The right of competitors to use "violet" could be determined by reference to whether there was likely to be any confusion. A trade mark which only met the minimum requirement of protection enjoyed only a limited scope of protection. Competitors had sufficient possibilities to use different shades of violet.

A more detailed note, with colour illustrations of the products can be obtained upon request from Marc Groebl (marc.groebl@lovells.com).

Marc Groebl  
Lovells, Hamburg

### The Italian perspective on three-dimensional trade marks

A decision of the Civil Court of Naples on 26 July 2001, in a case involving a three-dimensional trade mark, clarifies Italian law on trade marks consisting of the shape of a product. The case relates to snacks manufactured by DANONE-SAIWA under the trade mark "Cipster". Each Cipster snack has an ellipsoidal hollow shape, which makes it look like a small potato and improves its crispness.

In early 2001, Amica Chips, a competitor of SAIWA, began to make and sell in Italy "Star Chips", snacks with an identical shape to Cipster's. SAIWA sued for, inter alia, infringement of its unregistered trade mark consisting of the "potato-like" shape of the snacks. Amica Chips objected that this shape was excluded from protection as a three-dimensional trade mark under Article 18(1)(c) Italian Trade Mark Act<sup>15</sup>, since it consisted of a shape necessary to obtain a technical result (ie improve the snack's crispness).

Article 18(1)(c) substantially reproduces Article 3(1)(e) of the EU Trade Marks Directive and in particular excludes from registration "signs which consist exclusively of the shape of goods which is necessary to obtain a technical result". Article 3(1)(e) has provoked much debate in Italy, particularly on the meaning of "exclusively" and the scope of the exclusion of 3D functional signs from

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<sup>15</sup> Royal Decree no. 929 of 21 June 1942, as amended

trade mark registration. In construing it, Italian courts have swung between two positions. Some hold that the exclusion applies only where the functional shape could have formed the object of a patent or of a utility model and the technical result achieved by the shape is necessarily and strictly linked to that shape. Others concentrate on the concept of preponderance of the distinctive character of the shape over its functionality:

In his Opinion in *Philips v Remington*<sup>16</sup>, Advocate General Ruiz-Jarabo Colomer suggested a strict construction of Article 3(1)(e) and made clear that the exclusion applied to any shape whose essential features served the achievement of a technical result, irrespective of whether it was possible to achieve that result using other shapes. On this basis, a merely functional shape could never enjoy protection as a trade mark, even though it had or had acquired a distinctive character. The Advocate General continued that "essential feature means that a shape containing an arbitrary element which, from a functional point of view, is minor (such as its colour), does not escape the prohibition", adding that the exclusion in Article 3(1)(e) "reflects the legitimate concern to prevent individuals from resorting to trade marks in order to extend exclusive right over technical developments".

Whilst there are significant differences between this and the *Cipster* case, in theory the principles outlined by the Advocate General could apply to any "merely functional" shape, **irrespective of the importance of the technical result achieved**. In other words, if the ellipsoidal hollow shape were considered an essential feature serving the technical result of improving the snack's crispness, such shape could not be protected as a trade mark, even if it also had a distinctive character. Were we to follow the Advocate's strict interpretation, this conclusion would not change even if other shapes existed capable of achieving the same technical result.

Indeed, from a functional point of view, the potato-like hollow shape of the snacks does not contain, to use the Advocate General's words, any major arbitrary element. At least in theory, its essential feature (the fact of being hollow) fulfils a function and is there only in order to perform that function.

Would this be sufficient to exclude trade mark protection for the shape of "Cipster" snacks? The Court of Naples answered this question in the negative, and was seemingly completely unaware of the Advocate General's Opinion. The Court accepted that the potato-like hollow shape served a technical result (in improving crispness), but ruled that such shape mainly fulfilled a distinctive function. The fact that it also contributed to achieving a "useful" result was irrelevant, that is, the Court applied the test of the preponderance of the shape's distinctive character (which, according to the Advocate General, should not be taken into account where a merely functional shape is involved) over its functionality.

Another noteworthy aspect of this case is that, for the first time since the Directive's implementation in Italy, an **unregistered** 3D sign has clearly been held a valid and enforceable trade mark, in spite of the fact that the shape in which it consisted was also "functional".

Francesca Rolla  
Lovells, Milan

## Protection of sounds as trade marks in the Netherlands

On 13 July 2001, the Netherlands Supreme Court submitted questions to the European Court of Justice for a preliminary ruling on protection of so-called sound marks. The claimant was a trade mark agent, who had instituted proceedings as a test case.

The claimant had applied for trade mark protection with respect to two sound marks in connection with software, newsletters, legal services and the organisation of intellectual property seminars. The first mark related to the first nine notes of Beethoven's "Für Elise". This had been registered in many forms, for example, as musical notes in a staff with the additional information that the mark was a sound mark and consisted of the first nine notes of Beethoven's Für Elise. The second mark consisted of a cock's cock-o-doodle-doo (in Dutch

<sup>16</sup> unreported, 23 January 2001

sound mark and consisted of the first nine notes of Beethoven's Für Elise. The second mark consisted of a cock's cock-o-doodle-doo (in Dutch "KUKLEKUUU"). This had also been registered in different forms, for example by means of onomatopoeia and the additional information that this mark consisted of the crowing of a cock.

Between the parties concerned, only the first mark was in dispute. The claimant opposed the use by a publicity agency of the Für Elise melody in its company radio commercials. The publicity agency however argued, inter alia, that the signs registered by the trade mark agent did not qualify as trade marks under Article 1 Benelux Trade Mark Act. The Appeal Court had accepted this defence, stating that the Benelux countries had chosen to exclude sounds from registration as trade marks, as long as no appropriate registration means were available. Furthermore, the registrations made by the trade mark owner had been judged ambiguous and unclear, since they had all been registered as *word* or *device* marks, whereas in reality, they were sound marks.

In its reference to the ECJ, the Netherlands Supreme Court started by asserting that Article 1 Benelux Trade Mark Act should be interpreted in the light of the Article 2 Trade Marks Directive, which required that "trade marks should be capable of being represented in a **graphic** way". It submitted the following questions for a preliminary ruling:

- 1.a Does Article 2 of the Directive exclude sounds from registration as a trade mark?
- 1.b If not, does the system created by the Directive imply that sounds should be recognised as trade marks?
- 2.a If so, how should sound marks be registered according to the Directive, bearing in mind that trade marks should be capable of being represented in a graphic way?
- 2.b Have registration requirements for sound marks been met if registration is made by means of
  - notes on a staff

- a description in words in the way of an onomatopoeia or in any other way
- a graphic representation such as a sonogram
- a digital registration to be heard via the Internet
- a combination of the above possibilities or other possibilities and if so, which one?

The answers by the European Court of Justice are expected in approximately two and a half years.

Karin Verzijden  
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## French Bill adopts the EC Biotechnology Directive

On 31 October 2001, the French Government voted on a bill<sup>17</sup> adopting the EC Directive on the legal protection of biotechnological inventions<sup>18</sup>. The Directive requires Member States to adopt some of its provisions but leaves others as a matter of choice. France has chosen not to include all the Directive's provisions, and in particular, has not adopted the provisions of Article 5. This provides that:

"An element isolated from the human body or otherwise produced by means of technical process, including the sequence or partial sequence of gene, may constitute a patentable invention, even if the structure of that element is identical to that of a natural element."

So are parts of the human body now patentable under French law? The words "an element isolated from the human body ... may constitute a patentable invention" leave some doubt as to whether EU Member states are compelled to transpose Article 5 or if they have a discretion in the matter. However, it is likely to be binding a provision, since the Directive's stated objective is to harmonise the rules

17 Bill adopting the EU Directive on legal protection of biotechnological inventions, available at [www.legifrance.gouv.fr](http://www.legifrance.gouv.fr)

18 98/44 of 6 July 1998, OJ n° L 213 of July 30, 1998

of patentability for biotechnological inventions. In fact, in a recent Statement, the EU Commission made clear that it considers Article 5-2 "a core provision of the Directive because it sets the rules of patentability of isolated elements of the human body", so it can hardly be considered optional.

Some member states, including the UK, Ireland, Finland, Denmark and Greece, have already taken this view by implementing the Directive in its entirety. In addition, the European Patent Office already applies the criteria of patentability set out in the Directive to pending applications, with those patents being enforceable in France.

Bearing in mind that France is a year late in implementing the Directive, it is already in breach of Article 249 of the EC Treaty. In such a case, the European Court of Justice ("ECJ") permits individuals to invoke clear and unconditional provisions of a Directive that has been improperly implemented when opposing a member state in national courts. As the ECJ interprets the term "member state" very broadly in this context, the provisions of Article 5 are very likely to apply to patent applications before the French Intellectual Property Institute (INPI). As a conclusion, it seems fairly certain that the EU Directive on the legal protection of biotechnological inventions is already part of the applicable law in France.

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## New rules on the registration of domain names in France

The French NIC has recently modified its naming rules for the registration of .fr domain names, opening the .fr extension to foreign companies and increasing the number of .fr domain names a French company can hold.

### 1. COMPANIES LOCATED OUTSIDE FRANCE

#### 1.1 Rules prior to the change

Before 19 November 2001, companies without a presence in France could not register in their name under the .fr extension. The only possibility of registering a domain name in France without setting up a local company or branch office, was the registration of their trade marks under the extension .tm.fr or using a local agent, such as Lovells, to register under the extension .com.fr.

#### 1.2 Rules after the change

Foreign companies now no longer need a presence in France to register a .fr domain name but instead can rely on their trade mark certificates, providing such certificates are French trade marks, Community trade marks or international trade marks where France is a designated country. NB: Pending trade mark applications are not acceptable.

Clients, who have already registered their trade marks under the extension .tm.fr, do not, however, have any priority for registrations under the .fr extension. We thus recommend registering directly under .fr since this is a more attractive top level domain name.

### 2. COMPANIES LOCATED WITHIN FRANCE

#### 2.1 Rules prior to the change

Before 19 November 2001, French companies or foreign companies with a subsidiary or branch office in France could only register up to five domain names with the extension .fr. In order to register, it was necessary to add the names as trade names to their k-bis (short form company report).

#### 2.2 Rules after the change

French companies or foreign companies with a subsidiary or branch office in France can now register an unlimited number of domain names

providing that these domain names have been added as trade names to the k-bis certificate (short form company report).

Lovells is an accredited registrar with the French NIC and, as part of its global domain name registration and protection service, registers .fr domain names for €400 inclusive of NIC fees.

Please contact Milan Chromecek (email: milan.chromecek@lovells.com) or David Taylor (email: drd@lovells.com) for information on the comprehensive global domain name registration and protection service offered by Lovells using our dedicated domain name servers. This service covers over 200 ccTLDs as well as the new gTLDs .info, .biz and .name as and when they become available. Clients are also able to access their domain name portfolios via an extranet facility "Anchovy".