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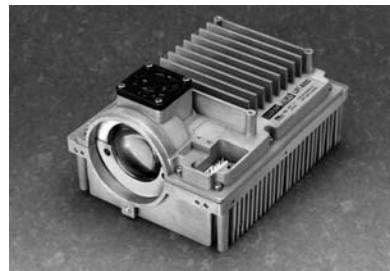
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UK court gives first ruling on forum for patent entitlement disputes

The Patents Court has recently given the first binding judgment on how patent entitlement disputes should be allocated between the UK Intellectual Property Office (IPO) (previously the Patent Office) and the courts. This confirms and amplifies statements by the Court of Appeal that complex cases should be transferred by the IPO to the court (at an early stage) with the IPO retaining relatively straightforward cases.

Under the Patents Act 1977¹ an entitlement dispute is first referred to the IPO but the IPO has discretion to transfer it to the Patents Court or Patents County Court. In *Luxim v Ceravision*² Luxim successfully appealed in the Patents Court, before Warren J, the IPO's decision to retain a dispute brought by Ceravision concerning patent applications relating to a microwave energised plasma lamp.



Luxim, the patentee, argued that the case included "matters which would more properly be determined by the court"³, such as: the interpretation of a contract governed by Californian law; chain of title issues arising from US bankruptcy proceedings; and the effect of the underlying claims for alleged breaches of contract and confidence being statute-barred in California.⁴

The judge said that the complex/relatively straightforward divide⁵ was a general approach but the complexity of each case must be judged in different areas, such as technical, factual and legal. He said

the IPO should avoid a predisposition to exercise "with great caution or sparingly" its discretion to decline to deal with entitlement cases.

The judge held that the issues of foreign law and the consequences for English law were complex and notoriously difficult and would be more properly determined by the court.

The judge also pointed out that the court has a separate inherent jurisdiction to resolve intellectual property entitlement disputes. It will be interesting to see if parties start to use this instead of commencing proceedings in the IPO and then fighting out a time-consuming and costly transfer application.

Lovells acted, and continue to act, for Luxim Corporation.



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¹ Sections 8, 12, and 37 Patents Act 1977.

² *Luxim Corporation v Ceravision Limited*, 9 July 2007, [2007] EWHC 1624 Ch.

³ Section 12(2) Patents Act 1977.

⁴ The House of Lords may express a view on this issue in *Yeda Research and Development Co v Rhone-Poulenc Rorer Intl Holdings Inc*.

⁵ *Obiter* in *IDA Ltd v University of Southampton* [2006] EWCA Civ 145, *Yeda Research and Development Co v Rhone-Poulenc Rorer Intl Holdings Inc* [2006] EWCA Civ 1094.

The Netherlands: preservation of evidence for foreign proceedings

The District Court of Arnhem⁶ recently ruled that parties may use the Dutch IP enforcement legislation, resulting from implementation of the Enforcement Directive⁷, to obtain evidence for foreign proceedings.

The case concerns a dispute between two pharmaceutical companies, Astellas and Synthon. Astellas owned a German patent and SPC covering tamsulosine, but both have expired. In May 2007 Astellas initiated legal proceedings in Germany in which it claimed that Synthon had offered products containing tamsulosine prior to the expiry of the patent and SPC and therefore had infringed those rights. Astellas sought damages in the proceedings. As evidence for its case, Astellas had submitted a report containing detailed information relating to the alleged infringing acts, such as prices, delivery data, and addresses. Astellas had obtained the information through an ex parte order it had obtained in the Netherlands using the Dutch IP enforcement legislation.

Dutch law

Since the implementation of the Enforcement Directive in the Netherlands, Dutch law provides that a party may apply (on an ex parte basis) for provisional measures to preserve evidence, for example, physical seizure and a detailed description of the infringing goods, and the materials and implements used in the production and/or distribution of these goods and the documents relating thereto⁸.

The District Court of Arnhem's decision

In interim relief proceedings initiated by Synthon in the District Court of Arnhem, Synthon argued that Astellas should not have been granted any provisional measures. Synthon's main reasoning was that the measures under the Dutch IP enforcement legislation were not available for use in a case pending outside the Netherlands (Germany in this case). The District Court disagreed with this argument. The court held that it is possible to use provisional measures under the Dutch IP enforcement legislation for use in foreign proceedings. It would not do justice to the purpose and effectiveness of the Enforcement Directive if the Dutch IP enforcement legislation was only available for use in Dutch IP litigation. Pursuant to Dutch parliamentary history and the recitals to the Enforcement Directive a party may invoke national legislation of one country to execute the IP enforcement measures laid down in the Enforcement Directive, notwithstanding the exclusive jurisdiction of another forum in another country to decide on the merits of the case.

Conclusion

This decision of the District Court of Arnhem opens the way to initiating proceedings in the Netherlands to preserve evidence for the potential use in IP litigation elsewhere in Europe.



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Italian court puts a brake on Italian torpedo tactic

The Milan Court of First Instance⁹ has dealt a strong blow to the long-established tradition of Italian torpedoes. However, the fact that it took almost two years for the court to hand down its interlocutory decision suggests that, although the Italian torpedo strategy will eventually become defunct, it is dying a slow death.

Torpedo

The "torpedo" tactic is often used by potential patent infringers as a pre-emptive strike in anticipation of the owner of a European patent filing infringement claims. The potential infringer chooses an EU member state with a notoriously slow court system and commences proceedings there for: a declaration of non-infringement and invalidity in respect of the part of a European patent granted in that member state; and also for a declaration of non-infringement of counterparts in other member states. The claimant, ie the potential defendant in an infringement action, relies on articles 27 and 28 of the Brussels Regulation¹⁰ (see text box).

These provisions have the practical effect that, while the action is pending in the courts of the chosen member state, the patentee is prevented from suing for infringement in any other member state to which the claim relates. Because of the renowned slowness of the Italian courts, the tactic was first used in Italy and became known as the "Italian torpedo". Later, other countries with a slow moving judicial system were used, hence the "Belgian torpedo".

6 District Court of Arnhem 1 June 2007, 156096/KG ZA 07-304.

7 Directive 2004/48/EC on the enforcement of intellectual property rights.

8 Articles 1019 – 1019i Dutch Code of Civil Proceedings.

9 Milan Court of First Instance, 26 March 2007, No 3773 2007.

10 Regulation EC 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

The Brussels Regulation

Article 27(1). Where proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States, any court other than the court first seised shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seised is established.

Article 28(1). Where related actions are pending in the courts of different Member States, any court other than the court first seised may stay its proceedings.

The Brussels Regulation replaced the Brussels Convention but most of the provisions are virtually identical. Articles 27 and 28 of the Regulation are equivalent to articles 21 and 22 of the Convention.

Cease and desist letter to Italian company

The recently published decision of the Milan Court of First Instance involves a US company which owned a European patent (designating Italy and some other countries). The exclusive European licensee of the patent was based in the UK. The licensee's patent agents sent a cease and desist letter to an Italian company, saying that their client had heard rumours that the company was supplying products which infringed its European patent. Although the letter mentioned Italy, it did not specify whether it was referring only to the Italian patent or to counterparts in other countries as well.

Italian company claims non-infringement

The Italian company started an action in the IP specialised division of the Court of First Instance of Milan. It filed a claim for invalidity in relation to the Italian patent. It also filed an application for one declaration of non-infringement of all of the counterparts in other countries.

The court's decision on jurisdiction

In an interlocutory decision, the court said it had no jurisdiction over the application for a declaration of non-infringement of the non-Italian parts of the patent. The court applied the Brussels Convention rather than

the Brussels Regulation; because the action involved a non-EU party (the US patentee), Italian law provides that the Brussels Convention should apply. The court considered two provisions.

- The basic rule in article 2 of the Brussels Convention (and also the Brussels Regulation) is that a person domiciled in a member state should be sued in the courts of that member state. In this case, neither of the defendants (the patentee and the licensee) were domiciled in Italy. The fact that the patentee elected Milan as its domicile for the purpose of registering its European patent in Italy was not relevant to deciding jurisdiction for disputes.
- Article 5(3) of the Brussels Convention provides one of the exceptions to the basic rule. It states that in matters relating to tort a person domiciled in a member state may be sued where the harmful event occurred. This rule is relevant as patent infringement is a tort. However, the court applied the same reasoning as had the Supreme Court in its landmark decision in 2003¹¹, it held that article 5(3) cannot apply when a claimant seeks a judgment in respect of the non-existence of a harmful event (for example, a declaration of non-infringement). The court went on to consider article 5(3) of the Brussels

Regulation, which refers not only to a harmful event that has occurred but one which may occur. The court, however, said that even the words "may occur" did not make the provision relevant for an application for a declaration of non-infringement, as the claimant is in effect saying that it does not, and will not, infringe.

Nevertheless, the court held that it did have jurisdiction to rule on the claim for a declaration of non-infringement of the Italian patent. It did not give any reasons for this decision, and it appears to have contradicted itself; article 2 did not apply, and if it strictly followed the Supreme Court's reasoning article 5(3) would not apply to a declaration of non-infringement of any patent, even an Italian patent.

Implications

This decision of the Milan Court confirms recent Italian case law on the Italian torpedo. It indicates that a cross-border claim for a declaration of non-infringement is unlikely to succeed before an Italian court unless it is brought against an Italian-domiciled party.

However, the speed at which this decision was issued shows that the Italian courts have done little to change their reputation for being slow. Therefore, Italy will continue to be a forum of choice for those who wish to file a cross-border non-infringement action and enjoy the temporary paralysing effects. This case also emphasises that patent owners should be very cautious about sending cease and desist letters.



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¹¹ Supreme Court *BL Macchine Automatiche v Windmoeller und Hoelscher*, No 19950 2003.

UK: when should the inventor's records be disclosed in a patent invalidity claim?

Disclosure accounts for a large proportion of the cost of litigation in the UK, particularly in patent actions. The Woolf reforms to the English rules of procedure sought to address this by introducing "standard disclosure", requiring a party to disclose only documents on which he relies and those which adversely affect his own or another party's case or support another party's case. This is modified in patent actions. For example, no disclosure is required on the validity of the patent, except for documents falling within the "window" two years before and two years after the priority date. The question in *Nichia v Argos*¹² was whether the inventor's records concerning the making of the invention came within the amended test and fell to be disclosed.

Background

Nichia is a Japanese company which manufactures LEDs (light emitting diodes) and owns two particular patents relating to white LEDs. Argos, the well known UK retailer, sold Christmas lights, each set containing 120 white LEDs which Nichia claimed infringed its patents.

Argos counterclaimed that the patents were invalid for obviousness. The parties disagreed about disclosure. Nichia proposed not to give any. Argos wanted Nichia to disclose documents about the making of the invention and the experiments done to prove infringement. The High Court refused both types of disclosure. Argos appealed.

The issue about disclosure of experiments was resolved by consent. The Court of Appeal

considered whether or not disclosure of the inventor's records should be ordered in patent cases involving obviousness issues.

Minority opinion

Jacob LJ, the only specialist patents judge hearing the appeal, gave detailed consideration to the tests by which obviousness is assessed and whether evidence about what the inventor actually did to make the invention is relevant to this issue.

The statutory test is that the invention must involve an "inventive step", which it will do if it is not obvious to a person skilled in the art having regard to the state of the art¹³. To decide this, the court usually applies the structured approach set out by Oliver LJ in *Windsurfing*¹⁴ and recently restated by Jacob LJ in *Pozzoli*¹⁵. This does not involve what the inventor actually did or thought.

Despite this, for many years the English courts have admitted evidence from the inventor in relation to obviousness. This was because evaluating whether there was an inventive step required a value judgment often involving both technical and non-technical factors (such as commercial success and long-felt want). What those working in the area were doing at the priority date was relevant, but a full assessment of this would involve a survey of everyone in the art which was simply impossible. However, at least seeing what the patentee, and its opponent (if researching in the same field at the same time) were doing might be helpful; for example, disclosure by the opponent may show it recognised, but failed to solve, the problem solved by the patent¹⁶.

Jacob LJ went on to consider the inconsistency between the accepted irrelevance of the manner at which an invention was arrived at and the established practice of allowing evidence from inventors. That evidence was secondary and as

such must be kept "firmly in its place". In few cases was this evidence crucial and merited the expense of a disclosure exercise. Proportionality required that disclosure of the inventor's records should not be ordered except in the largest cases where the cost was small compared to the value of the dispute. Even then, such disclosure should be limited to standard disclosure and the advisers to each party should ensure that the test for standard disclosure was rigorously applied. For these reasons, Jacob LJ would have refused the appeal.

Majority decision

The majority of the Court of Appeal (Rix LJ and Pill LJ) agreed with Jacob LJ's views on keeping secondary evidence firmly in its place and on the need to control expense. However, they considered that, although disproportionate disclosure should be discouraged, a blanket prima facie rule of no disclosure of the inventor's records was not appropriate. As Jacob LJ suggested, the parties should be encouraged to apply the test for standard disclosure rigorously. Alternatively, the courts should take a pragmatic approach to the scope of disclosure, considering the needs of the case, including the commercial value of the litigation. They could, for example, order that the search for relevant documents be limited by date (narrowing the "window") or by the document type. This type of exercise had not been performed in this case and should have been. Accordingly the appeal was allowed.



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¹² *Nichia Corporation v Argos Limited*, 19 July 2007, [2007] EWCA Civ 74.

¹³ Sections (1)(1)(a) and 3 Patents Act 1977.

¹⁴ *Windsurfing v Tabur Marine* [1985] RPC 59.

¹⁵ *Pozzoli* [2007] EWCA Civ 588. Reported in this newsletter (page 6).

¹⁶ As in the *Mölnlycke* case: [1994] RPC 49.

Duration of SPCs under French law

The Cour de Cassation (the French Supreme Court) has ruled¹⁷ on the duration of a Supplementary Protection Certificate (SPC) protecting a medicinal product covered by two marketing authorisations and another SPC. The fact that the two lower courts had granted an interim injunction based on the SPC also made this case interesting.

Pfizer's two SPCs

This case relates to the active ingredient fluconazole, used to treat fungal infections and marketed by Pfizer as Triflucan. Pfizer obtained a European patent designating France with a priority date of 1982. It then obtained two French marketing authorisations, one in 1988 for capsules and another in 1990 for an injectable solution.

Claim 1 of Pfizer's patent was for the active ingredient; claims 2 to 5 were for methods to make the active ingredient; and claims 6 to 8 were for an injectable solution of the active ingredient. Under French law an SPC relating to part of a patent and its corresponding marketing authorisation may be granted. Therefore, Pfizer had

one SPC for products obtained through the methods in claims 2 to 5 of the patent and covered by the 1988 marketing authorisation, and a second SPC for the injectable solution of the active ingredient (claims 1, and 6 to 8 of the patent) covered by the 1990 marketing authorisation.

Pfizer applies for interim injunction

Laboratoires G GAM launched in France a product called Fluconazole G GAM, an injectable solution, to compete with Triflucan. In April 2005 Pfizer applied for an interim injunction to stop the sale of Fluconazole G GAM, on the basis of its second SPC. Because the SPC was filed before 2 July 1992, the court applied French national law and not the SPC Regulation (see text box). Under French law the maximum duration of an SPC is 17 years (instead of 15 years under the SPC Regulation) from the date of the marketing authorisation or five years from the date of patent expiry, whichever is shorter. Therefore, when Pfizer started the action, the SPC relied on would still be in force if that SPC's duration was calculated using the 1990 marketing authorisation, whereas it would have expired if it was calculated using the 1988 marketing authorisation.

The First Instance Court of Paris and the Court of Appeal of Paris both held that the two SPCs were independent of each other, and the duration of each should be calculated separately based on the separate marketing authorisations. Therefore, they said that Pfizer still had SPC protection for fluconazole when it started the action, and that it was entitled to an interim injunction.

The Supreme Court's decision

The Supreme Court disagreed with the lower courts. It said that both SPCs related to an identical active ingredient (fluconazole) and the same patent, and the duration of both SPCs should be calculated from the first marketing authorisation relating to that ingredient. Therefore, the court held that Pfizer's SPC rights had expired (as had its patent rights) and its action was inadmissible.



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SPCs

Obtaining a marketing authorisation for a medicinal product is a long process, and it is usually granted several years after a patent relating to the product was filed. Therefore, the patentee only benefits from the protection given to the product by the patent for a relatively short time. SPCs were introduced to address this problem. An SPC provides an additional period of protection for the active ingredient of a medicinal product which is covered by a patent and has a marketing authorisation. It does not extend the term of the patent itself.

The SPC Regulation¹⁸ introduced SPCs on an EU-wide basis on 1 January 1993. However, some countries, such as France and Italy, already had national laws with different provisions from those in the Regulation. In some cases these national laws will still apply; for example, SPCs filed in France on or before 2 July 1992 are governed by French law.

¹⁷ *Laboratoires G GAM v Pfizer Corporation* Cass Com, 30 April 2007, W/205/20647, PIBD 2007, 853, III, 353.

¹⁸ Regulation EEC 1768/92 concerning the creation of a supplementary protection certificate for medicinal products.

UK: Court of Appeal restates test for obviousness

In *Pozzoli*¹⁹ Jacob LJ in the Court of Appeal reviewed, restated and elaborated on the *Windsurfing*²⁰ structured test for obviousness.

Pozzoli owns a patent relating to a container for two or more CDs (or other discs). As seen in the illustration, the CDs are offset and at different heights.

Pozzoli claimed that the defendants' product infringed the patent, and the defendants counterclaimed for invalidity. The High Court held that the patent was invalid for obviousness, and also that the defendants' product was not within the scope of the claims. Pozzoli appealed.

The test for obviousness

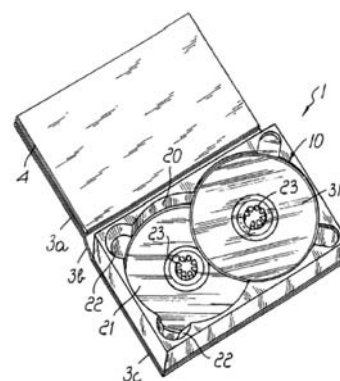
For an invention to be patentable it must involve "an inventive step", which it will do if "it is not obvious to a person skilled in the art, having regard to any matter which forms part of the state of the art [defined]"²¹. In 1985 Oliver LJ in *Windsurfing* set out a structured approach to the assessment of obviousness. This four-step test is commonly used by the courts. In the *Pozzoli* Court of Appeal judgment, Jacob LJ reviewed

the *Windsurfing* test. He was particularly concerned with the requirement to identify the inventive concept, mainly because parties sometimes could not agree on what the concept was and this developed into an unnecessary satellite debate. Changes to the *Windsurfing* test are shown in bold in the table below.

The main effect is to:

- reverse steps 1 and 2, as the inventive concept must be identified through the eyes of the person skilled in the art, and divide the new step 1 into two clear stages
- elaborate on the identification of the inventive concept:
 - it is the inventive concept of the particular claim (not a generalised concept from the specification on a whole), and this is likely to be a question of construction, that is what is the essence of the claim²²
 - if a disagreement about the inventive concept gets too involved, forget it and simply work on the features of the claim.

Windsurfing being a case under the Patents Act 1949, Jacob LJ used this opportunity to bring the test in line with the current statutory wording.



Technical prejudice

Jacob LJ also looked at the concept of "technical prejudice", part of Pozzoli's argument being that its invention was not obvious to pursue as there was a technical prejudice against it. Jacob LJ said that the idea **and** the prejudice that it would not work or would be impractical can both form part of the state of the art. If a patentee shows that, contrary to the mistaken prejudice, the idea will work or is practical then he has shown something new and non-obvious.

Applying the test

The notional person skilled in the art was someone who might wish to package discs, or make or design the packaging for discs. He would

The <i>Windsurfing</i> test	The <i>Pozzoli</i> test
1. Identify the inventive concept embodied in the patent.	1. (a) Identify the notional " person skilled in the art ". (b) Identify the relevant common general knowledge of that person.
2. Assume the mantle of the normally skilled but unimaginative addressee in the art at the priority date and impute to him what was, at that date, common general knowledge in the art.	2. Identify the inventive concept of the claim in question or if that cannot readily be done, construe it.
3. Identify what, if any, differences exist between the matter cited as being "known or used" and the alleged invention.	3. Identify what, if any, differences exist between the matter cited as forming part of the "state of the art" and the inventive concept of the claim or the claim as construed.
4. Viewed without any knowledge of the alleged invention, do those differences constitute steps which would have been obvious to the skilled man or do they require any degree of invention?	4. Viewed without any knowledge of the alleged invention as claimed , do those differences constitute steps which would have been obvious to the person skilled in the art or do they require any degree of invention?

¹⁹ *Pozzoli SPA v (1) BDMO SA (2) Moulage Industrial de Perseigne SA*, 22 June 2007, [2007] EWCA Civ 588

²⁰ *Windsurfing v Tabur Marine* [1985] RPC 59.

²¹ Sections 1(1)(b) and 3 Patents Act 1977.

²² Jacob LJ in *Unilever v Chefaro* [1994] RPC 567.

know about common forms of packaging CDs, including the 2:1 (a tray holding two CDs side by side) and packaging known as the Brilliant Box (a hinged tray swinging out from the edge of the base and holding two CDs each on a central rosette). Jacob LJ agreed with the judge's rejection of Pozzoli's suggestion that there was a prejudice against overlapping CDs.

In Jacob LJ's view, the skilled man's take-home message from the claim in the context of the patent was "overlap the discs, hold them in the known way via their centres yet space them via a step-like arrangement so they can be got out". This was to overcome the problem of the shape of the 2:1 (too high to fit into an average bookshelf) while still being able to remove individual CDs.

Applying step 3, the difference was in the idea of overlapping yet spaced apart, rather than side by side or concentric.

The judge had specifically considered whether it was inventive to overlap, space apart and provide ready removability, and concluded that it was not. Jacob LJ said there was ample material to support the judge's conclusion. In particular, as it was known that the 2:1 was too high it was hardly inventive to consider reducing the height, in which case you must overlap and the rest followed. Jacob LJ concluded that the patent was obvious. However, he said it might have been different if the first product made according to the patent had had immediate commercial success. The fact that a later version of the product was successful was due to good design and not the features of the claim.



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When does a CTM have a reputation in the Community?

The Austrian Supreme Court has asked the European Court of Justice (ECJ) to clarify the scope of protection given by a Community trade mark (CTM) if the mark's "reputation" has only been proved to exist in one member state.

Article 9(1)(c) of the CTM Regulation²³ gives additional protection to a CTM with a "reputation in the Community". In summary, the CTM is infringed by an identical or similar sign used on any goods or services if that use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark. In short, this is the European dilution protection.

In *PAGO International*²⁴ the Austrian Supreme Court has asked the ECJ whether a CTM with a reputation only in one member state is given that additional protection in the whole of the Community. If not, then whether that mark is given the additional protection in the member state in which it has the reputation.

Surprisingly, the ECJ has not yet had the opportunity to clarify this point and CTM courts in different member states (and in some cases in the same member state) have interpreted the provision differently. It is hoped that the ECJ will take the opportunity to give full guidance.

Some CTM courts have required the CTM to have a reputation in more than just the member state where the owner is claiming infringement under article 9(1)(c)²⁵. On the other hand, OHIM practice in opposition and invalidity proceedings brought by the owner of an earlier CTM has always been that if the owner can show the mark has a reputation in one member

state this counts as "reputation in the Community" and gives enhanced protection against later marks. One of OHIM's reasons for this approach is that a CTM is a unitary right in the Community, and the intention of the CTM Regulation is to treat the territory of the Community as one, rather than as a conglomerate of member states. If this approach were not followed then a trade mark owner would need to maintain national marks and this is contrary to the intention of the CTM Regulation. However, if the ECJ follow this approach and its answer to the first question is positive, it will become more difficult to avoid infringing a CTM. For example, someone using a sign in Portugal may not know that a similar CTM that is protected for entirely different goods has a reputation in Sweden and, therefore, may unknowingly infringe that CTM, and may face his use being stopped.

The practical importance of CTMs is growing all the time, with almost 400,000 registered CTMs and over 200,000 pending applications. Therefore, the ECJ's response in about two years' time is awaited with great interest.



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²³ Regulation EC 40/94 on the Community trade mark 40/94/EEC.

²⁴ *PAGO International* Austrian Supreme Court (OGH), 12 June 2007. Reference to ECJ C-301/07.

²⁵ *CLINIQUE* Tribunal de Grande Instance, 11 January 2006.

New relative grounds system for UK trade marks

Since our previous review of the upcoming changes to the UK-IPO examination of trade mark applications on the basis of relative grounds (published in our June 2007 IP Newsletter), a number of significant developments have taken place. The new system starts on 1 October 2007.

On 10 July the Trade Marks (Relative Grounds) Order 2007 was passed, coming into force on 1 October 2007. Then, on 20 July, the Trade Marks (Amendment) Rules 2007 and the Trade Marks (Fees) (Amendment) Rules 2007 were passed, both amending the Trade Marks Rules 2000. They also come into force on 1 October 2007.

Refusal on relative grounds only if owner of earlier right opposes

Under the Order, the registrar will no longer refuse to register a trade mark on a ground mentioned in section 5 of the Trade Marks Act 1994 (earlier third party rights) unless the proprietor of the earlier trade mark or other earlier right raises an objection on that ground in opposition proceedings.

The examiner may still carry out a search of earlier trade marks as part of the examination process. However, this is to notify the applicant about the existence of earlier trade marks that might form the basis of an opposition, and to notify the owners of the earlier marks.

If the examiner is of the view that there may be any potentially conflicting earlier marks already on the register, the applicant will have the option to: (i) continue with the application; (ii) restrict the specifications of goods and/or services; (iii) attempt to overcome

the conflict with the earlier mark by arguing against it; or (iv) withdraw the application.

Notification

If the applicant decides to continue with the application, the UK-IPO will write to the owners of conflicting marks identified in the search when the application proceeds to publication in the Trade Marks Journal. It still seems unclear what will determine whether an earlier mark is considered to be potentially conflicting enough to be included in the notification. Under the Trade Marks (Amendment) Rules 2007, while the owners of earlier UK trade marks and International Registrations designating the UK will be notified automatically, owners of Community Trade Marks (CTMs) and International Registrations designating the EC will only be notified if they have elected to "opt-in".

Opting-In

It will be possible to opt-in electronically through the UK-IPO website from 1 October 2007. If owners of CTMs wish to nominate someone to opt-in on their behalf (and to receive the notification) they should contact their usual trade mark advisor as this can be arranged. If they wish to receive notification of the first applications published under the new system they should opt-in by 20 October; those applications will be published in the Trade Marks Journal on 26 October.

After much debate, the amount of the opt-in fee has been decided. The Trade Marks (Fees) (Amendment) Rules 2007 set a fee of £50 for three years. Previously, the UK-IPO considered charging either £100 for five years or £200 for 10 years but, following two rounds of consultation, the UK-IPO has adjusted both the level of the fee and the period it covers. It is important to note that the fee is per trade mark and not per owner.

Who may oppose or apply for a declaration of invalidity

Another change is that there are restrictions on who may file an opposition or an application for a declaration of invalidity, on the basis of relative grounds. Under the current system any person may do so. The new system is designed so that only persons having a commercial interest may do so. Therefore, the following rules apply.

- Only the owner of the earlier trade mark or other earlier right may file an opposition on relative grounds. There is, however, also an intervention procedure under which a licensee of the earlier trade mark may apply for leave to intervene. If leave is granted that licensee will be treated as a party to the opposition proceedings.
- The owner or licensee of the earlier trade mark, and the owner of the earlier right, may file an application for a declaration of invalidity on relative grounds. One of the reasons for a licensee being able to do so is that, if the trade mark owner commences infringement proceedings against the licensee, the licensee may wish to file a counterclaim for invalidity.

Implications

The new regime will be closer to the CTM registration procedure, and obtaining a UK trade mark registration should be easier than before. However, how easy it will be in practice remains to be seen, as it is possible that the number of oppositions to trade mark applications will increase.



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Stopping comparative advertising in the UK

In a recent case²⁶, the Court of Appeal confirmed that an interim injunction will only rarely be granted to stop the publication of a comparative advertisement.

Boehringer and Vetplus both make and sell nutritional supplements for dogs. Boehringer's product Seraquin and Vetplus' product Synoquin both contain the ingredient chondroitin.



Vetplus wished to publish a report saying that Seraquin did not contain the amount of chondroitin stated on its label. Boehringer sued Vetplus for malicious falsehood, libel and trade mark infringement.

Boehringer applies for an interim injunction

Following the rule in *Bonnard v Perryman* (see text box), the court could not grant an interim injunction to stop publication of the report for an alleged malicious falsehood or libel. Therefore, Boehringer sought an interim injunction to restrain the use of its trade marks SERAQUIN and BOEHRINGER in the report, alleging that their use constitutes trade mark infringement.

Comparative advertising can damage both reputation and property rights

Although Vetplus claimed it was using the trade marks "in accordance with honest practices in industrial and commercial matters" and so did not infringe, the court held that Boehringer clearly had an arguable case. The court had then to consider whether the rule in *Bonnard* applies in a trade mark infringement action. Vetplus submitted that it did, as what was really being complained of was a defamatory statement and the principles favouring free speech applied equally to comparative advertising. The court disagreed, saying a trade mark infringement action, even in respect of comparative advertising, protects not only the claimant's reputation, but also property rights: both the trade mark registration and goodwill. The defendant has a commercial interest in diverting trade from the trade mark owner to himself and it is not a question of "pure" free speech.

The threshold for an interim injunction to stop comparative advertising

The court then considered how to determine whether to grant an interim injunction. The normal test is set out in *American Cyanamid* in which the claimant must show that he has "a real prospect of success", and then the court considers where the balance of convenience lies between the parties. However, in a case where there is an issue relating to the right to freedom of expression, section 12(3) of the Human Rights Act 1998 applies and the court must be satisfied that the claimant is "likely" to establish at trial that publication should not be allowed.

In *Cream v Banerjee*, the House of Lords considered section 12(3) and said that the general threshold which the claimant must cross to obtain an interim injunction is that he will probably succeed at the trial, a higher threshold than in *American Cyanamid*.

The court held that this should be the general rule for actions concerning trade mark infringement in a comparative advertising case. An injunction will therefore only be granted if the claimant can show that it is more likely than not that the disparagement is wrong and misleading. Otherwise, because of both the interests of the public and the defendant's commercial interests, the defendant ought to be free to say what it honestly believes.

The House of Lords did say in *Cream v Banerjee* that a lesser degree of likelihood was sufficient in some cases, for example where the potential adverse consequences of disclosure would be "particularly grave". Boehringer submitted this was such a case. The court disagreed, saying that damage to reputation was not "particularly grave"; if it were then nearly all cases would be in that class and section 12(3) would be made virtually pointless.



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The rule in *Bonnard v Perryman* is that an interim injunction cannot be obtained to restrain the publication of a defamatory statement, whether a trade libel or a personal one, where the defendant says he will justify the statement at the trial of the action, except where the statement is obviously untruthful and libellous. This is intended to protect free speech.

²⁶ *Boehringer Ingelheim Limited & Others v Vetplus Limited*, 20 June 2007, [2007] EWCA Civ 584.

Russia's highest court confirms H&M's success against company name hijacker

Russia's Cassation Appeal Court²⁷ upheld three previous decisions that the Russian registered trade mark H&M should be cancelled. The mark had been registered in the name of a Russian company run by a Russian individual. The court gave this important decision less than seven months after H&M Hennes & Mauritz AB started a court action.

The well known Swedish clothes retailer, H&M Hennes & Mauritz ("H&M"), established in 1947, was exploring the possibility of opening shops in Russia. It owned the registered trade mark H&M in many countries, but not in Russia where it discovered the mark had already been registered by a Russian company. Mr Kostyrin, the Russian company's owner, offered H&M a licence to use the mark or the option to buy the mark (both for undisclosed sums).



H&M ignored Mr Kostyrin's proposals and decided to take legal action. This was a huge undertaking in a country where there are gaps in the existing law, of which trade mark hijackers have been taking advantage. For example:

- contradictory decisions on the type and extent of use required to maintain a trade mark registration

- no formal grounds for launching an unfair competition action against a company not present in the market
- no ability to base an action such as this one entirely on abuse of rights.

H&M applied to the Russian patent office to cancel the Russian company's registration of the H&M mark on the basis of non-use, claiming that the company had not used it sufficiently in their commercial operations. The patent office cancelled the registration, but Mr Kostyrin appealed in December 2006 to the Russian state commercial court²⁸, then to the Appeal Court²⁹, and finally to the Cassation Appeal Court. Each time the court ruled in favour of H&M.

Cassation Appeal Court's decision

The Cassation Appeal Court applied the internationally recognised interpretation of trade mark use sufficient to maintain a registration, concluding that the use must be actual and practical and aim to create and maintain a market outlet for goods or services. The Russian court expressly stated that the nominal use of a trade mark for the sole purpose of retaining rights in the mark will not be deemed to constitute use within the meaning of the Paris Convention.

The decision sets a precedent for the resolution of trade mark disputes in Russia

Many multinational corporations see Russia as a very attractive market for business expansion. However, trade mark hijacking has been a real problem. The strategy adopted in this case gave H&M a robust and fast action against a trade mark hijacker which according to the H&M press secretary, Annacarin Bjerne, "has been important in upholding H&M's reputation and laid the groundwork for its entry into the Russian market".

This case indicates that it should now be possible to successfully combat infringement of IP rights in Russia very quickly.

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²⁷ Federal Arbitrazh Court of Moscow District, 18 July 2007.

²⁸ Moscow Arbitrazh Court, 6 February 2007.

²⁹ 9th Arbitrazh Court of Appeal, 16 April 2007.

UK: procedure to objecting to a company name on the basis of goodwill

The government has published draft Rules³⁰ under section 71 of the Companies Act 2006 to regulate proceedings before a company names adjudicator. Under section 69 a person may apply to the adjudicator to object to a company's registered name because it is the same as a name associated with the applicant in which he has goodwill (defined to include "reputation of any description") or it is sufficiently similar that its use would be likely to mislead by suggesting a connection between the company and the applicant. This right to object is a new provision coming into force on 1 October 2008³¹ and it is expected the Rules will also come into force on that date. The right will give trade mark owners a useful additional tool to force a company to change its name, and is to some extent akin to a trade mark opposition.

Defences

Section 69 lists what the new company³² must show if the applicant establishes his ground for objection. If the new company cannot show one of these listed the objection will be upheld. These circumstances include:

- the name was registered before the applicant commenced the activities on which he relies to show goodwill
- the company is operating under the name, or is proposing to do so and has incurred substantial start-up costs
- the name was registered in the ordinary course of a company formation business and is available for sale to the applicant

- the name was adopted in good faith
- the applicant's interests are not adversely affected to any significant extent.

For some of these, even if the company can show the circumstances existed, the applicant will still succeed if he can show that the main purpose in registering the name was to obtain money from him or prevent him registering the name.

Change of name

If the objection is upheld, the adjudicator will order the company to change its name by a specified date. If the company does not do so, then the adjudicator may determine a new name.

Procedure

The Rules state the procedure the applicant and company should follow, including information they must include in the appropriate forms. The adjudicator has wide powers to manage the proceedings. For example, he:

- will specify the time limits for the company filing its defence, and for both parties filing evidence
- may strike out the application or any defence in whole or part
- may give directions to control the nature, scope and form of evidence
- may make awards of costs or expenses at any stage
- may require a person to give security for costs.

The Rules provide in what circumstances a hearing will be held and that a hearing will be public (unless it should be private in the interests of justice, and all parties have an opportunity to be

heard). Also, all documents will be available for public inspection unless the adjudicator directs otherwise.

Fees

The UK-IPO is currently considering what fees would apply to the forms required to be used, but it is intended that these will be on a cost recovery basis.



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³⁰ The Company Names Adjudicator Rules 2007.

³¹ Sections 53 to 85 Companies Act 2006 form Part 5 which regulates company names and comes into force on 1 October 2008.

³² The company is the primary respondent and any of its members and directors may be joined as respondents.

UK: walking the line between copyright and design right

A recent High Court decision³³ provides further guidance on the difficult issue of whether a design is protected by copyright or design right.

Background

The Flashing Badge Company commissioned a freelance graphic designer to design flashing novelty badges carrying messages such as “Birthday Girl”, “World’s Best Dad” and “Princess”. The designer assigned to the company the copyright in the designs. Each of the badges had its own distinctive style and colours and was designed to have six flashing, battery powered LEDs. The defendant subsequently sold virtually identical copies of these badges. The Flashing Badge Company brought an action for copyright infringement and applied for summary judgment.



The defendant accepted that the designs were artistic works in which copyright subsists, in particular the messages were “graphic works” – “artistic works” under section 4 of the Copyright, Designs and Patents Act 1988 (CDPA) but raised section 51 of the CDPA as a defence (see text box). The badges as a whole were not works of artistic craftsmanship or any other “artistic works”.

A key feature of the design of each badge was that its outline shape followed, and was dictated by, the outline of the artistic design on the badge’s face. If the graphic design on the badge was removed, the same outline for the shape of the badge would remain. The main issue in the case was whether, in

these circumstances, section 51 provided a defence to the claim for copyright infringement in the graphic design. The defendant submitted that none of the designs was a design “for” an artistic work, but was for a badge; and that each drawing in respect of which the claimant sued was not a “design document” (the definition referring to a record of a “design”, which is defined to exclude surface decoration).

The ruling

Rimer J ruled against the defendant in respect of all but one of the badges. He considered that each drawing was a “design document” within the meaning of section 51. Each drawing incorporated a design for an artistic work and a design for something other than an artistic work, that is, an article (a badge) in the same outline shape as the artistic work. In his view, section 51 applied only to the latter. Therefore, the defendant infringed the copyright in the graphic designs providing the surface decoration of the badges. The only badge for which section 51 provided a defence was a star; the badge was star-shaped, but there was no graphic design on the surface.

Lambretta³⁴ revisited

Notably, Rimmer J reached a different conclusion from the Court of Appeal in the *Lambretta* case, where the court held that the section 51 defence applied to the undisputed copying of the colourways used on a tracksuit top. The original drawing of the coloured tracksuit top was considered a design drawing under

section 51 and the defendant’s tracksuit tops were made to that design. The Court of Appeal held that the fact that surface decoration was excluded from section 51 made no difference, because the colourways on the tracksuit top were not just colours in the abstract but colours applied to shapes. The colourways could neither physically nor conceptually exist apart from the shape of the garment. They could not subsist on other substrates in the same way as a picture or a logo.

A life of its own

Distinguishing *Lambretta* from this case, Rimmer J acknowledged that the shape of the badges followed the outline of the design for the artistic work on the face of each badge, but found that the graphic work was capable of existing independently of the badge itself and capable of being applied to other substrates. As the decoration could be separated from the design, it qualified for copyright protection and the section 51 defence failed.

In summary, in order to attract copyright protection, it appears significant that the design of a decoration must be capable of transfer to another surface and living a life of its own.



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³³ *The Flashing Badge Company Limited v Brian Groves (t/a Flashing Badges by Virgo and Virgo Distribution)* 14 June 2007, [2007] EWHC 1372 (Ch).

³⁴ *Lambretta Clothing Company v Teddy Smith (UK) Ltd* [2005] Civ 886.

Section 51 CDPA

“It is not an infringement of any copyright in a design document or model for anything other than an artistic work or a typeface to make an article to the design or to copy an article made to the design.”

The purpose of section 51 is to avoid giving a design the benefit of copyright protection (by relying on copyright in, for example, the drawings) when the design should really only have the shorter protection given by design right. A design for an “artistic work” (such as a graphic work, a sculpture or a work of artistic craftsmanship) is excluded from this mechanism, as the design would merit copyright protection.

France: the latest developments in the *Mulholland Drive* case

The issue of technological protection measures, or digital rights management systems, has been a hotly debated topic in France for some years. The famous *Mulholland Drive* case is an illustration of this. The eagerly awaited decision of the Paris Court of Appeal³⁵, ruling on remand from the Supreme Court, surprisingly avoided considering the application of the “three-step test” to private copying. Instead, the court held that the user’s claim based on private copying was inadmissible.

Background

Mr Stephane Perquin bought a DVD of the David Lynch movie *Mulholland Drive*. He wanted to make a private copy (onto a video cassette) but the DVD contained a technological protection measure which prevented copying. Under the French IP Code, the user of a copyright work has a right to make a copy for his private use. Mr Perquin and the consumer association, *Qué Choisir?*, initiated proceedings against the producer and distributor of the DVD, claiming that the anti-copying measure infringed a person’s right to make a private copy.

The Paris Court of First Instance and the Paris Court of Appeal adopted different positions

The Copyright in the Information Society Directive³⁶ provides that any exception to the copyright owner’s exclusive reproduction right must comply with the “three step test”:

- (i) the exception shall only be applied in certain special cases which:

- (ii) do not conflict with a normal exploitation of the work or other subject matter; and
- (iii) do not unreasonably prejudice the legitimate interests of the rightholder.³⁷

This therefore applies to a private copying exception. The Paris Court of First Instance interpreted the private copying exception in French law in the light of the Directive (as the Directive had not yet been implemented into French law). The court rejected Mr Perquin’s claim³⁸. It considered in particular that copying a movie edited on a digital medium seriously affects an essential mode of exploitation of the work, which is needed to compensate for the costs of production.

However, the Paris Court of Appeal adopted a totally different position³⁹ and allowed Mr Perquin’s claim. It considered that, in the absence of any limit to the exception of private copying under French law, the consumer sustains a loss due to the implementation of a technological protection measure. Also, the making of one copy for private use did not conflict with a normal exploitation of the work in DVD format.

The Supreme Court’s decision

In February 2006 the French Supreme Court⁴⁰ overturned the decision of the Court of Appeal. The Supreme Court said that the “conflict with a normal exploitation of the work” must be evaluated having regard to the risks inherent in the new digital environment, and the economic importance that the exploitation of the work in the DVD format represents in compensating

for the cost of cinematographic production. In this case, there should be no private copying exception because it would prejudice the normal exploitation of the work.

The Paris Court of Appeal dismisses claim but on a different ground

When the Paris Court of Appeal heard the case on remand, the “three-step test” had been included in the French IP code.⁴¹ However, very unexpectedly, the court did not reconsider the application of the three-step test to the private copying provision. Instead it said that private copying does not constitute a right but a legal exception to the prohibition of the reproduction of a copyright work. It then declared Mr Perquin’s action inadmissible because private copying could only be used as a defence, and not as the basis of a claim on the merits as Mr Perquin did in this case.

The Paris Court of Appeal may have decided not to rule again on the “three-step test” because it considered that the issue of technological protection measures should now be the responsibility of the Authority of Regulation of Technological Measures (created on the day of its decision) and not the responsibility of the courts.



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35 *UFC Que Choisir? v Universal Pictures Video France*: Paris Court of Appeal, 4th Ch, Sect A, 4 April 2007, Juris-data No 2007-329335.

36 Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society.

37 Article 5(5).

38 *Perquin and UFC Que Choisir? v SA Films Alain Sarde, SA Universal Pictures Video France*: Paris Court of First Instance, 3rd Ch, 2nd Sect, 30 April 2004, Juris-data No 2004-241517.

39 *Perquin and UFC Que Choisir? v Universal Pictures and Synd Ed Vidéo*: Paris Court of Appeal, 4th Ch, Sect B, 22 April 2005, Juris-data No 2005-268600.

40 *Studio Canal and Universal Pictures v UFC Que Choisir? and Perquin* French Supreme Court, 1st Civil Chamber, 28 February 2006, No 05-15.824 and 05-16.002: Juris-data No. 2006-032368A.

41 Article L 122-5.

Germany: new copyright law

On 5 July 2007 the German Bundestag passed the Second Act Governing Copyright in the Information Society, the so-called "Second Basket" of the copyright law reform, and this is likely to be in force by the end of the year. Key changes relate to unknown forms of use, file-sharing, and the levy system.

An important change for commercial users of copyright material relates to their ability to exploit the work in an "unknown way", in other words, through a form of use that did not exist when the copyright licence was entered into. Under current German law (unlike in some other jurisdictions), contracts granting advance rights to unknown methods of exploitation are not valid; therefore, if a user wishes to exploit a work in a previously unknown way, it must locate the copyright owner and reach an agreement. The new law allows contracts to cover unknown forms of use, subject to certain restrictions. For example, the user must inform the copyright owner before exploiting the work in an "unknown way" and the copyright owner can revoke the right within three months. Also, the copyright owner must receive separate, reasonable remuneration for the new right. This reform not only applies to new contracts but also to existing contracts. Therefore a licensee will, for example, be entitled to use the licensed work in digital form (subject to the above restrictions).

Private copying will continue to be permitted, still with the restriction that circumvention of copy protection measures is prohibited. There is a new provision clearly covering illegal file-sharing networks; whereas the current law prohibits copying of material which has obviously been unlawfully produced,

the new law also prohibits copying of material which is obviously unlawfully offered on the internet for downloading.

Copyright owners receive compensation for private copying from a levy imposed on certain equipment and storage media. This levy system will change. Under the current system, remuneration rates are stipulated by law. Under the new system, the remuneration rates will be agreed by negotiation between the collecting societies and the associations of equipment and storage media producers. However, the law stipulates criteria the parties must take into account when determining the remuneration rate. One factor is the actual extent to which the equipment or storage medium in question is typically used for copying, and this may be determined by market research surveys. Therefore, there will be a very small, or no, levy on devices that use copy protection measures. In addition, the levy must be reasonable in relation to the price of the equipment or storage medium.

The German Bundesrat still has to approve the new copyright law but it is not expected there will be any substantial changes.



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German Supreme Court rules lottery device to promote a savings account is legal

The German Supreme Court⁴² has held that a Postbank advertisement for a savings account with an interest rate varying according to the results of football matches was legal.

The advertisement offered fixed-term deposit accounts with 1.5% interest rate plus a bonus interest which depended on how well the German football team did in the 2004 UEFA European Soccer Championships. If the German team won the championships the bonus was 150%; if they lost in the final it was 75%; if they lost in the semi-finals it was 50%; and if they lost in the quarter-finals it was 25%. However, the German team lost in the preliminary round and, therefore, customers only received an interest rate of 1.5%.

A consumer association, fighting unfair competition practices, took action against Postbank, claiming the advertisement was a lottery prohibited under the German Act against Unfair Competition⁴³. Under article 4(6) of the Act, participation in the lottery must not depend on the prior purchase of a product or service. The association claimed that it was a lottery because the amount of interest depended on the results of football matches, and a customer had to make a purchase (that is, put a sum into the Postbank fixed-term deposit account) before they could take part in the lottery.

The Supreme Court dismissed the action. It held that a lottery is only prohibited under the Act if the lottery and the prior purchase requirement do not relate to the same product.

⁴² 19th April 2007, I ZR 57/05.

⁴³ Gesetz gegen den unlauteren Wettbewerb (UWG).

In this case, both related to the Postbank savings account. The advertisement would have been prohibited if once a person deposited money in the savings account they were entered into a lottery for, for example, a car.

It will be interesting to see how district courts apply this decision to future cases. It seems likely that there will be a more liberal attitude to many lotteries used in advertising.



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The IP community achieves special treatment for IP in the UN Convention on the Assignment of Receivables

The United Nations Convention on the Assignment of Receivables in International Trade⁴⁴ will come into force when ratified by five countries. The Convention aims to make it easier for businesses to use income flows (receivables) to raise finance by assigning the receivables to a lender as security. Because IP licence royalties are “receivables”, the Convention provisions would cause problems for an IP owner granting a licence allowing sub-licensing.

Under the Convention, if an IP licensee assigns receivables (royalties from a sub-licensee) to a lender and then defaults, the law of the country in which the licensee is located governs the priority of the right of the lender in the assigned receivables over the right of a competing claimant. Therefore, the IP owner (who may be in a different country) may have to take second place behind the lender. The IP owner cannot prevent its licensee assigning receivables to a lender by including a provision in the licence.

The IP community was not consulted before the Convention was adopted. However, the Convention provides that a Legislative Guide is drafted to assist implementation, and that Guide is not yet finalised. Marques⁴⁵ in co-operation with ECTA⁴⁶ and other organisations founded a working group with IP interests to influence the Guide. The working group has actively participated in various sessions of UNCITRAL⁴⁷; UNCITRAL drafted the Convention

and is now drafting the Legislative Guide. At the session on 2 July 2007 the working group achieved agreement with UNICITRAL that the Legislative Guide will refer to an IP Annex. The working group will draft the IP Annex with UNICITRAL, and the IP Annex will, for example, state that provisions of the Convention and the Legislative Guide contradicting a national IP law will not apply.



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⁴⁴ The United Nations Convention on the Assignment of Receivables in International Trade was adopted and opened for signature by the General Assembly of the United Nations by its Resolution of 56/81 of 12 December 2001.

⁴⁵ The Association of European Brand Owners.

⁴⁶ The European Community Trade Mark Association

⁴⁷ The United Nations Commission on International Trade Law.

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