

Newsletter
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Intellectual property

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Patents

Patent protection for the antidepressant, Paxil, is limited

GlaxoSmithKline (GSK) suffered a recent disappointment in the English High Court¹ when Pumfrey J ruled partially invalid a patent for its blockbuster antidepressant drug (paroxetine hydrochloride - PHA - sold in the USA and other jurisdictions as Paxil). The ruling could be persuasive in similar challenges to the parallel US patent in the US Courts, which are scheduled for later this year.

BASF, the German chemicals group, had challenged a SmithKline patent for PHA (sold in the UK under the name Seroxat). The patent described the anhydrate form of PHA so that the chemical structure was "substantially free of bound organic solvent". Patent protection for the basic pharmaceutical had expired in January 1999. BASF relied on a number of prior art documents describing methods for producing PHA, some of which were, ironically, owned by SmithKline's predecessor in title. The action had been due to come on for trial at the same time as another action to revoke the patent, brought by Generics (UK) Limited. That action settled on the first day of trial.

The case turned on difficult points of construction, including the meaning of the important integer "substantially free of bound organic solvent", bearing in mind a reference to "conventional vacuum oven drying conditions".

ANTICIPATION

Section 2(1) Patents Act 1977 provides that "an invention shall be taken to be new if it does not form part of the state of the art." In assessing the prior art in this case (in particular a document concerned with the preparation of crystalline paroxetine hydrochloride) the judge relied on an expert's exclamation: "Oh, what on earth is going on there?" and concluded that the skilled person would not have appreciated that what was happening in the prior art was that the solvent was being removed in a water washing step. Therefore there was no clear, unambiguous, disclosure of a distinct displacement step for removing bound solvents. However, it was settled law that it did not matter if the skilled person did not know what he was doing if, in following the directions, he carried out the invention.

However, on the experimental evidence the judge concluded (despite the fact that the art taught that an "anhydrate" was achievable) that production of the compound "substantially free of bound isopropanol" (an organic solvent) was not an inevitable result of following the prior art. Examples in the prior art which used drying without any displacement step did however anticipate those claims which did not require a displacement step and/or claimed product of particular crystalline form or with particular characteristics.

OBVIOUSNESS

Section 3 of the Act provides that "an invention shall be taken to involve an inventive step 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." Pumfrey J emphasised that, in examining obviousness, evidence of what actually happened can only be used to confirm a view reached on the

¹ Unreported, 12 July 2002.

primary evidence. He concluded that the skilled person who did not appreciate the significance of the washing step in the prior art (in converting the solvate, where the solvent molecules are incorporated into the lattice structure, to the anhydrate) would obviously drop this rather odd step in his attempts to obtain an anhydrate.

Claims to methods (and their products) using solvents which do not form a solvate were held to be obvious, given the evidence that the skilled person would routinely have used a "solvent screen" to check for suitable solvents of recrystallisation.

GSK will almost certainly appeal. Paxil is their biggest selling product. The ability for BASF or generics companies to manufacture and distribute this product would have serious implications for them. This case illustrates the inherent weaknesses in secondary claims for pharmaceutical products (in this case the anhydrate) after the basic patent protection for the active ingredient has expired. Perhaps GSK can use a switch in the market place to PAXILCR, a new slow release form of the product, to stave off the generics, at least in the short term (and pending the almost inevitable appeal in this case)!

Nicola Dagg, London

Sabaf SpA v MFI Furniture Centres Ltd and another

This case concerned the construction and importation of burners for gas hobs. The claimant had settled its dispute with the first defendant but continued against the second, Meneghetti SpA. At first instance, Laddie J had held that, although Meneghetti had imported gas burners into the UK which infringed Sabaf's patent, the patent was invalid on the ground of obviousness. Both parties appealed and the result was one which perhaps neither party had anticipated.

The case addresses two points of interest:

CAN A COMBINATION OF KNOWN FEATURES RESULT IN A PATENTABLE INVENTION?

Laddie J had found that essentially two features of the claim formed the heart of the invention: the drawing of primary air in from above the hob unit rather than from below it and the use of a radial mixing passage shaped to produced an phenomenon called "Venturi effect", which promoted complete mixing and distribution of the gas and the primary air. The judge had referred to "the law of collocation" - that there was no invention in putting together two known and obvious integers where there was no interaction between the two.

The Court of Appeal criticised this approach. There was no such thing as a law of collocation. Laddie J had also failed to identify properly the invention that was the subject of the patent, the state of the art or the person skilled in the art. Furthermore, although it was not essential to follow the classic approach to obviousness set out in *Windsurfing International Inc v Tabur Marine (Great Britain) Ltd*, the Court of Appeal felt that Laddie J should have adopted this approach.

Having assessed the inventiveness of the patent afresh, the Court of Appeal concluded that the differences between each of the matters cited as prior art and the features of the Sabaf invention would not have been steps obvious to the skilled man. Some degree of invention had been required. What had to be proved was whether or not it was obvious to combine the known features of the invention. In this case it was not.

WHEN IS A PERSON AN IMPORTER?

Having found the patent valid, the Court of Appeal ruled that Meneghetti had not imported the gas burners. The facts surrounding the sale of the gas burners are important to this decision. Meneghetti sold the goods on an ex works basis, so risk and title in the goods passed to MFI as soon as they left the factory gate. Meneghetti arranged for carriage of the goods to the UK on MFI's behalf. The Court held that, in these circumstances, it was an odd use of words to say that Meneghetti "imported" the goods. Meneghetti itself had no ultimate interest in

the goods. It was more usual to describe as an importer the party who had the legal and beneficial interest in the goods, ie MFI.

The question remained whether a seller, who had no title to the goods but made the contract of carriage, imported the goods for the purposes of s 60(1)(a) Patents Act 1977. The Court of Appeal refused to construe the Act to find importation here for three reasons:

- (a) It was artificial to regard someone as an importer who had no legal or beneficial interest in the goods.
- (b) Where, as in this case, there was no joint infringement because the seller had not made the acts of the primary tortfeasor his own, there was no moral imperative to find an importation.
- (c) The statutory word was "imports", not "causes to import".

An additional allegation that Meneghetti had acted with MFI pursuant to a common design and was therefore equally liable was also dismissed. Laddie J had held that although Meneghetti had facilitated sales in the UK it had not been so involved in the commission of the tort of infringement as to make itself liable. The Court of Appeal agreed. Meneghetti was merely a supplier of goods to a purchaser which was free to do what it wanted with those goods and to sell them anywhere.

The lesson from this for exporters to the UK is that their legal position under the UK Patents Act will be better protected if they always sell their goods on an ex works basis, even if they subsequently arrange for the importation of the goods to the UK on behalf of the purchaser.

Graham Burnett-Hall, London

Euro-defence = no defence?

The High Court has recently undertaken a thorough review of the relationship between the assertion of intellectual property rights and anti-competitive behaviour. The computer chip manufacturer, Intel Corporation, had sued the processor and chip-set

manufacturer, VIA Technologies Inc for infringement of patents relating to micro processors and the "chip-sets" which connect a micro-processor to the computer motherboard².

VIA was a licensee of Intel. The relationship between the two parties had, however, soured and there had already been litigation in the United States. VIA remained licensed for certain types of chip-set/processor but claimed that, when it had sought a licence for new processor types, it had only been offered licences the terms of which were anti-competitive under article 81 of the EC Treaty. VIA then began production of micro-processors and chip-sets which were not covered by its existing licence. Intel sued for patent infringement. VIA claimed that it had a defence to infringement under articles 81 and 82 (previously 85 and 86) of the EC Treaty. Intel sought summary judgment in relation to these, so-called, "Euro Defences".

Whilst the judgment runs to 188 paragraphs and there are numerous variants of the competition arguments put by VIA, the main arguments can be summarised as follows:

1. VIA claimed it was entitled to produce some of the products in question under its existing licence. The existing licence restricted VIA to producing chip-sets which were compatible only with lower specification micro-processors and older types of processors. VIA said that this restriction to manufacturing chip-sets for inferior processors restricted competition in breach of article 81 and, accordingly, was void, so that VIA was effectively licensed for the products in question. Intel argued that it should be entitled to grant only a partial licence of its rights. The Court agreed, saying that it was perfectly legitimate for a rights holder to restrict its licence to exploitation in a particular technical field or to certain product markets and in support of this position relied upon the EU Technology Transfer Regulation³ which classifies restrictions to a technical field as generally not restrictive of competition. The relevant restrictions in the existing licence were therefore enforceable and VIA could not say that manufacture of the offending products was licensed.

² 2002 WL 10397 (ChD).

³ Commission Regulation (EC) No 240/96 of 31.1.96.

2. Intel had offered VIA a licence for the newer products. The terms on which the licence was offered required VIA to license Intel to use all of VIA's intellectual property on a royalty free basis. VIA said that this created an asymmetric licence arrangement which would have a negative effect on competition. VIA argued that if it had to license all of its intellectual property to Intel free of charge, there was no incentive for VIA to invest in research and development. The Court held that cross-licences were not per se anti-competitive, relying again, on the Technology Transfer Regulation, which states that such cross licences will generally not be restrictive of competition. Given that such a licence was not per se anti-competitive, the question was whether VIA had demonstrated that there was any likelihood of its being anti-competitive. The Court held that VIA's pleadings on this point were so "vague and imprecise" that this defence stood no chance.
3. VIA said that the refusal to grant a licence for certain of the chip designs amounted to an abuse of a dominant position in breach of article 82. The evidence before the Court was that Intel had an 80% share of the relevant market in an older chip design. The design of this older chip type was such that the existing chip in a computer could be removed and replaced with an upgraded chip very easily. VIA claimed that the refusal to grant a licence in relation to this chip design would mean that customers who wanted to upgrade would no longer be able simply to buy a better interchangeable chip but would have to buy a whole new computer.

The Court was not persuaded. In particular, there was no evidence that Intel had stopped making the older design of chips available itself or through other licensees. In any event, the Court said that a refusal to licence can only be abuse of a dominant position in truly exceptional circumstances. The Court suggested that in relation to patents, as opposed to other types of intellectual property, there was a stronger policy reason for respecting the right of the owner of the intellectual property to refuse to license (ie the need to encourage innovation). The Court reiterated that a refusal to license could, however, be an abuse of a dominant position

where, for instance, a manufacturer refused to supply spare parts for a model in wide circulation and where there was a strong demand for the spare parts. What was needed however was an elimination of competition rather than simply a reduction.

4. VIA alleged that the act of bringing the proceedings was an abuse of a dominant position. The Court disagreed. Bringing proceedings could be an abuse in circumstances where an action was brought in bad faith to harass a competitor (there was no evidence of this) and it could also be a breach of article 81 where two undertakings agreed together in anti-competitive way to take action against a third party competitor. Those circumstances were not present in this case.

This case is a decision only at an interim stage but the clear message is that, although the Euro-defence is not dead, it will only apply in truly exceptional circumstances.

Stephen Bennett, London

Evidence of experiments ruled admissible

In *Synthon BV v SmithKline Beecham plc*⁴, *SmithKline Beecham* ("SKB") owned a UK patent, which claimed that paroxetine methane sulphate, when in crystalline form, had particular characteristic infrared peaks. Synthon sought revocation of the patent on the basis of lack of novelty, citing its own (as yet unpublished) patent application. This disclosed a method of preparing various paroxetine salts, including paroxetine methane sulphate.

Synthon sought to adduce evidence of experiments which showed that, if one followed the "recipe" in its application, one would obtain the infrared peaks identified in SKB's patent. SKB contended that such experiments were irrelevant and that it was immaterial that the inevitable result of following Synthon's formula was a product within SKB's claim.

⁴ Unreported, 19 June 2002.

Jacob J ruled that the evidence of experiments was relevant and admissible. He said that an invention was only "made available to the public", ie part of the state of the art, if the skilled person could work out, without undue effort, how it was made. If the inevitable result of following a recipe was a particular product, then that product, when made by that recipe, was not new.

The effect of s 2 (3) Patents Act was to deem an unpublished patent application part of the state of the art. The test of novelty for prior published cases and deemed prior published cases was (contrary to what SKB had argued) the same. Therefore, if Synthon's unpublished patent application taught a recipe, and if there was an inevitable result produced by following that recipe, then the SmithKline Beecham claim might be wholly or partially invalid.

Graham Burnett-Hall, London

Copyright and designs

Widespread failure to implement Designs Directive

As we have reported in recent issues, a Directive to harmonise the protection of designs throughout the European Union⁵ was adopted in 1988. EU Member States were obliged to implement the Directive into national law by 28 October 2002. However, it appears that only a third of EU countries have so far complied with this obligation.

The European Commission has therefore decided to send formal requests to those which have not: Austria, Belgium, Finland, Germany, Greece, Luxembourg, the Netherlands, Portugal, Spain and Sweden. Each country will have two months in which to give the Commission a "satisfactory reply", failing which it may be referred to the European Court of Justice.

Caroline Clarke-Jervoise, London

New 10-year maximum sentence for copyright offences

On 24 July, the Copyright, etc and Trade Marks (Offences and Enforcement) Act received Royal Assent. At present, the Copyright, Designs and Patents Act 1988 carries a maximum sentence of two years' imprisonment for criminal offences relating to copyright, while the Trade Marks Act 1994 carries a potential ten years' imprisonment for equivalent trade marks offences. The new Act deals with this discrepancy by increasing the maximum

⁵ Council Directive 98/71/EC, 13 October 1998 on the legal protection of designs.

term for copyright offences to ten years. It also increases and harmonises police powers on search and seizure and clarifies the position where illegal material is seized during investigations. However, it does not make any changes to the scope of the criminal offences themselves, ie the type of behaviour which can give rise to an offence remains the same.

It is not yet known when the new Act will come into force.

Caroline Clarke-Jervoise, London

When does a contribution merit a claim of joint authorship?

In *Beckingham v Hodgens*⁶, the claimant, who was referred to by his stage name of Bobby Valentino throughout the trial, was a session musician. The defendant was a member of a band called "The Bluebells" who had, in collaboration with his girlfriend of the time (Siobhan Fahey of Bananarama) composed a song called "Young at Heart".

Mr Valentino, who also works as a Clark Gable look-alike, claimed to be author of the violin part of the song and joint author of the song as a whole. The Bluebells had recorded the song in studio in about February 1984 and the claimant had been hired to play the violin on the track. The defendant claimed that he had always intended to have the introduction on the track played on a violin, although he had frequently played the melody of this introduction to other members of the band on his guitar. He claimed that he told the claimant

⁶ Unreported, 2 July 2002.

exactly what to play, but the claimant said that he had only been told the style in which to play, and had composed the melody himself.

The court held that the claimant alone was the author of the violin part of the song. His evidence was more convincing. He had explained in detail how he had composed the melody, even demonstrating live in court on a violin, and other members of The Bluebells had backed up his refusal of defendant's claim that they had heard the introduction many times previously.

The court then had to decide the issue of what, if any, authorship Mr Valentino had in the song as a whole. Under the Copyright, Designs and Patents Act ("CDPA") 1988⁷, authorship of an existing work is governed by the law in force at the time, here s11(3) of the Copyright Act 1956 (essentially the same as s10 CDPA 1988). Under that section, in order for there to be joint authorship, there must be:

5. A collaboration, ie a "joint labouring in the furtherance of a common design"⁸;
6. A non-trivial contribution of the right kind of skill and labour, that is significant and original; and,
7. A negative requirement that the contribution of the authors be "non-separate". Here, the final musical expression, that the audience would hear, was held to be a joint one.

The defendant argued that even if these were satisfied (which the court held they were), there was a further condition that a work of joint authorship could only arise if there was a joint intention to create a joint work. The court held that the law imposed no such requirement.

Consequently, the violin part was held to make a significant and original contribution of the right kind of skill and labour to The Bluebells' version of the song, and as Mr Hodgens and Mr Valentino had acted in together in the furtherance of a common design, Mr Valentino was a joint author of the copyright in "Young at Heart". Mr Valentino is now seeking to recover past royalties.

Richard Dickinson, London

⁷ Paragraph 10 of Schedule 1.

⁸ *Levy v Rutley* (1871) LR 6 CP 523.

Trade marks and passing off

Setback for Parma ham producers

The long-running battle over the right to sell Parma ham which is sliced and packaged in the UK may finally be at an end. In 1989, an Italian consortium of producers of Parma ham sued Marks and Spencer for passing off. M & S had been importing from Italy whole Parma hams, which it then sliced and packaged in the UK. Parma ham sold under the rules of the consortium carried a "crown" mark of authenticity and the consortium argued (inter alia) that the product could not be sold in England as "Genuine Parma Ham" unless each slice bore the crown or the ham was sliced in front of the customer (ie in Italy) in sight of the crown on the packaging.

The consortium failed, both in the High Court and the Court of Appeal⁹, largely on the ground that they had no standing to sue. However, in 1992, an EC Regulation was enacted¹⁰, laying down rules on the protection of designations of origin and geographical indications for agricultural products. "Designation of origin" is defined as:

"... the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff ... originating in that region, specific place or country", whose "quality or characteristics ... are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors and the production, processing and preparation of which take place in the defined geographical area ...

Along with, for example, Shetland lamb and Gorgonzola cheese, "Parma ham" obtained designation of origin protection. In its application for protection, the Consortium specified the principal physical, chemical and microbiological characteristics that ham had to possess to be "Prosciutto di Parma" (ie "Parma ham"), as well as the requirement that the ham must be sliced and packaged in the Parma region.

The Consortium then brought an action under the Regulation against another UK supermarket, Asda, whose Parma ham was packaged and sliced in the UK. Again, the Consortium failed, both in the High Court and in the Court of Appeal. When the Consortium subsequently appealed to the House of Lords, their Lordships referred a question on interpretation of the relevant EU legislation to the European Court of Justice¹¹.

Advocate General Alber of the ECJ has now given his opinion to the effect¹² that the protected designation of origin "Prosciutto di Parma" can be used for Parma ham which has not been sliced, packaged and labelled in the region of production. Essentially he found that the requirement for Parma ham to be sliced and packaged in the region of production was an unjustifiable restriction on exports within the European Union.

It will be interesting to see whether the ECJ follows this opinion in its judgment, to be given at later date.

Caroline Clarke-Jervoise, London

⁹ [1991] RPC 351.

¹⁰ Council Regulation 2081/92 on the protection of designations of origin and geographical indications for agricultural products.

¹¹ Unreported, 8 February 2001.

¹² Unreported, 25 April 2002.

Moves towards CTM courts for Spain and Italy

The Community Trade Mark Regulation¹³ requires EU Member States to designate a limited number of national courts with exclusive jurisdiction to hear CTM cases and to notify the European Commission accordingly. In fact, no EU country met the 17 March 1997 deadline to designate CTM courts. All but Spain and Italy have now done so, and, given the long period of inactivity, the Commission decided to refer both to the European Court of Justice for their failure to do so.

This has led the Spanish Council of Ministers to propose the creation of Commercial Courts in Spain (first and second instance), which would have exclusive competence for IP matters in general. More importantly from a CTM point of view, it is proposed that the Alicante Commercial Courts will hear all CTM cases in Spain in the first and second instance.

If this proposal becomes law, it will mean that Spain designates only one CTM court, namely that of Alicante. However, it is by no means certain to become law, given Spain's political situation. The country's regional autonomies have long resisted having only one central court rather than separate regional courts. However, the Commission's intervention may force the issue in favour of the central system.

The Commission's action has also prompted the Italian Government to act. The Government has submitted to the Parliament an additional clause for inclusion in a bill which has already been through the Lower House of the Legislature, to deal with the institution of the CTM Courts in Italy. This would enable the government, within six months of enactment, to set up a maximum of eight lower and higher courts, which will have jurisdictions on claims relating to trademarks (including CTM), patents and IP matters in general.

Given the summer recess, it is unlikely that the Higher House of the Italian Parliament will give its response to the Bill until the autumn.

Verena von Bomhard, Alicante;
Isabella Betti, Rome

Invisible use of a trade mark can amount to infringement

In a case that will have implications for those trade mark proprietors who complain that their marks are being used to direct consumers to competing websites, the High Court recently concluded that both visible and invisible use of a trade mark can amount to trade mark infringement.

The claimants, Reed Executive PLC, had registered the trade mark "REED" for employment agency services and were well-known in the field, operating in part from a website, www.reed.co.uk. Reed Business Information ("RBI"), with the other defendants, launched a website, www.totaljobs.com. The sign had been used in the text of the website to indicate origin and for copyright reasons, and also in the normally invisible metatags. Metatags are used to increase the chances that a search engine displays a website high in its results so that a user will access it before other sites. The defendants denied trade mark infringement and passing off and asserted a defence under s 11(2) Trade Marks Act 1994 ("the Act") (use of a trade mark to indicate type or other characteristics of goods or services does not constitute infringement).

The defendants argued that the activities on totaljobs.com did not amount to employment agency services, as there was no assessment or subjective judgment of the candidate's qualities and competence by an independent individual. Rather it operated as a sort of noticeboard. In spite of this, Pumfrey J concluded that, because the site operated as a go-between for employers and candidates, it was offering employment agency services.

Irrespective of his conclusion as to the services, and whether the case was one of identical or similar marks, the judge concluded that there was at least infringement under s 10(2)(b) of the Act (similar marks used for similar services such that the public would be confused). In this case, Reed Executive had a substantial reputation in the word "reed" with the general public for the provision of job vacancies. After comparing the marks and services, Pumfrey J considered that the public would be confused between the two.

¹³ Council Regulation 40/94 on the Community Trade Mark, OJ L11, 14.1.94 p1.

The court then considered the s 11(2) defence (see above) in respect of the visible use of RBI's logos or corporate name in the text shown on totaljobs.com to indicate origin or copyright ownership. It held that an objective standard must be used to assess whether use fell within the proviso to the section (use within honest practices in industrial or commercial matters). The sole question was whether such use would be thought honest by one in full possession of the facts. Here there was a more than negligible risk that visible use of "reed" on the website would cause confusion.

On the matter of **invisible** use of "reed" in metatags, the judge noted that infringement under ss 10(1) and (2) required use in the course of trade, which must be "trade mark use", ie it must be intended to indicate the trade origin of the goods or services. If a metatag is visibly displayed in a search engine's results, clearly there is infringement and the s 11 defences may be available. What, however, happens if the metatag is not produced in the search results, so that it remains invisible to the user? Pumfrey J concluded that such use would fall within s 10 as ultimately the metatag is being used to suggest a connection with the trade mark proprietor that did not exist. The s 11 defences however would not be available.

Finally the court considered the question of passing off and concluded that although the defendants had not intended to cause confusion between totaljobs.com and the claimant's business, the elements of passing off (reputation and confusion leading to damage) were present for both the visible and invisible uses of "reed" in totaljobs.com.

Sahira Khwaja, London

1 - Arsenal; 1 - Matthew Reed

We explained in our June 2001 issue that the High Court had referred a number of questions to the European Court of Justice in the dispute between Arsenal Football Club and Matthew Reed. The Advocate General has now released his preliminary opinion on the questions referred.

The case revolves around the sale by Mr Reed of various articles of clothing and souvenirs bearing the

words "Arsenal" and "Arsenal Gunners" and the "Crest" and "Cannon" devices (all registered trade marks belonging to Arsenal Football Club). On Mr Reed's stall, he displayed a large notice disclaiming any affiliation or relationship with the manufacturers or distributors of official Arsenal merchandise. Arsenal brought actions against Mr Reed for passing off and registered trade mark infringement. The passing off claim was dismissed on the grounds that Arsenal had not been able to show any actual confusion on the part of the consumers, ie that they thought the goods came from Arsenal or were marketed with its authorisation.

In the trade mark infringement matter, Laddie J was minded to give judgment in Mr Reed's favour on the basis that his use of the trade marks was not "trade mark use" (ie use to indicate the origin of the goods) but rather that the marks were being used as badges of support, loyalty or affiliation. However, the Court of Appeal in *Philips v Remington* had concluded that "use" of a mark did not have to be use in a trade mark sense to equate to infringement and the High Court was not in a position to ignore this decision.

The High Court therefore referred to the ECJ for guidance on the interpretation of the Trade Mark Harmonisation Directive¹⁴ by asking the following questions:

1. Does a third party using a registered trade mark in a manner which would otherwise infringe have a defence if the use complained of does not indicate trade origin (ie a connection in the course of trade between the goods and the trade mark proprietor)?
2. If so, is the fact that the use in question would be perceived as a badge of support, loyalty or affiliation to the trade mark proprietor a sufficient connection between the goods and the proprietor (for the defence not to be available)?

The Advocate General rejected the more narrow interpretation of a trade mark strictly as a badge of origin, adopting a more expansive definition of the function of a trade mark, which could include indications as to origin, provenance, quality or reputation. Accordingly, he observed that trade

¹⁴ First Council Directive 89/104/EEC, of 21 December 1998.

mark proprietors should be entitled to object to third party use of identical signs on identical goods where such use was capable of giving a misleading indication as to any of those categories. In such cases (of identical sign and goods/services), in the absence of evidence to the contrary, use of the sign as a trade mark was to be presumed.

"Use" of a trade mark must be "in the course of trade" in order to be infringing. The Advocate General asserted that this phrase should be given a wide interpretation, namely any use in the world of business for the distribution of goods/services in the market. On this basis, taking into account the importance of merchandising to the football industry, he rejected the "badge of allegiance" defence, holding that the reasons on which the consumer bases his/her choice are irrelevant. The key point is that the consumer has made the decision to buy an article because it is identified by the trade mark. Accordingly, the proprietor should be entitled to prevent third parties from making use of their trade marks for the purposes of commercial exploitation.

Alicia Turner, London

ECJ confirms functional shapes not registrable as trade marks

On 18 June 2002¹⁵, the ECJ delivered its ruling in answer to questions referred to it by the Court of Appeal in the *Philips v Remington* dispute over the registration by Philips of the shape of its three-headed rotary shaver as a trade mark.

The decision of the ECJ confirmed that signs which consist exclusively of the shape of goods which is necessary to attain a technical result are not registrable as trade marks. The ECJ was clear that a sign which is refused registration on this basis cannot be saved by virtue of Article 3(3) of the Trade Marks Directive on the basis of the use made of it. The purpose of the ground of refusal under Article 3(1)(e) is to prevent trade mark protection from granting its proprietor monopoly on technical

solutions or functional characteristics of a product. Philips' submission that this ground can be overcome by establishing that there are other shapes which allow the same technical result to be attained was not accepted. This ruling accords with the view expressed by the Court of Appeal on this point.

The ECJ did not agree with the views expressed by the Court of Appeal on all points. Its answers to the questions referred went some way to clarifying when shapes may be registered. In summary:

1. If a mark has a distinctive character by nature or has acquired a distinctive character through use, it must be capable of distinguishing under Article 3(1)(a).
2. In order to be capable of distinguishing an article, the shape of the article in respect of which the sign is registered does not require any capricious addition, such as an embellishment which has no functional purpose.
3. Where a trader has been the only supplier of particular goods to the market, extensive use of the sign which consists of the shape of those goods may be sufficient to give the sign a distinctive character. It is for the national Courts to verify whether the sign has in fact acquired distinctiveness, a monopoly position by itself not being an absolute bar to registration.

It is likely that the Court of Appeal will confirm revocation of the mark when it applies this ruling.

Louise Zafer, London

Nominet to bring all .uk domain names into the system

Before Nominet UK took over the management of the .uk Register Database on 1 August 1996, around 26,000 .uk domain names had already been registered. Nominet suspects that many of these are not in fact being used and should therefore be cancelled, while it is keen to bring those that are in use under its protection.

¹⁵ The Times, 20 June 2002.

Nominet is therefore asking all those who registered a .uk domain name before 1 August 1996 to let their Internet Service Provider know whether they still want the name. The ISP will then notify Nominet accordingly. Any unclaimed pre-Nominet domain names will be withdrawn from service and, unless a registrant emerges within three months, cancelled.

Those who confirm that they wish to retain the domain name will receive the standard Nominet contract and certificate, and their details will appear on the free online search facility on Nominet's website. As a goodwill gesture, Nominet will not charge them a registration fee for the first two years of the contract. Those with a pre-Nominet domain name but no ISP should contact Nominet, whose website is at: www.nominet.org.uk.

Caroline Clarke-Jervoise, London

Scottish decision on jurisdiction in domain name cases

In *Bonnier Media Ltd v Greg Lloyd Smith*¹⁶, the Outer House of Scotland's Court of Session continued an injunction preventing two defendants from using domain names similar to the claimant's registered trade marks and business name for website purposes, despite the fact that they were based outside Scotland.

The claimants owned and published a newspaper called "business a.m.", and had registered a trade mark, which contained these words. They provided an online service at their website under the domain name www.businessam.co.uk, which they viewed as a vital part of their business, with a substantial goodwill in its own right.

They alleged that the defendants (who had a history of using domain names to pass themselves off as others) had registered various domain names incorporating the word "Business AM", with a view to setting up a website under the name, in order to pass themselves off as the claimants. The claimants

obtained an interim injunction, preventing the defendants from doing so.

The defendants now sought to have this set aside, arguing that the Scottish court had no jurisdiction over them as one was domiciled in Greece and the other incorporated in Mauritius. The Scottish court held that it had jurisdiction under the Civil Jurisdiction and Judgments Act 1982 to prevent a threatened tort which was likely to produce a harmful event within Scotland. The crucial question was whether here a tort was threatened **within Scotland**.

The court held that it was. Someone who set up a website could potentially commit a tort in any country where it could be viewed, ie anywhere in the world. However, this did not mean that he in fact committed a tort in every country worldwide. Instead, the court should look at the content of the (proposed) website and at the commercial or other contexts in which it operated, to determine whether its impact was significant in a particular country. Here, it was obvious on the facts that the defendants' acts were intended to have their main impact in Scotland. The Scottish court therefore had jurisdiction and the injunction should be allowed to stand.

Caroline Clarke-Jervoise, London

¹⁶ The Times, 10 July 2002.

Overseas Developments

The Netherlands: Supreme Court rules on criteria for "substantial investment" for database protection

The Netherlands Association of Estate Agents (Nederlandse Vereniging van Makelaars - "NVM") offers via its website (www.nvm.nl) the ability to search for property being offered for sale on the basis of various search criteria, such as area, type and price. On the basis of the selection made, a list of properties for sale is displayed. Each entry contains a hyperlink to a more detailed description and often a picture of the property, and also displays the name of the seller's estate agent, whose website can be reached by another hyperlink.

The national newspaper De Telegraaf uses the Internet search machine, El Cheapo (www.elcheapo.nl). On its homepage, where El Cheapo describes itself as "an ultra quick bargain chaser", visitors can select various search domains, such as cars, music, travelling and living. If one presses the hyperlink that relates to "living", a search page appears, where various selection criteria can be filled in. On the basis of these criteria, the search engine searches various property-related data bases, including that of NVM. The data found are then copied to the server of El Cheapo and merged into one list, which is displayed in El Cheapo's housestyle. These data also include the hyperlinks contained in the pages of the NVM website. Once these are selected, the visitor receives exactly the same information as provided by NVM.

NVM instituted summary relief proceedings before the District Court in the Hague in which it

requested that De Telegraaf be ordered, among other things, to stop infringing its database rights in its online database. This claim was granted by the District Court, but dismissed by the Hague Appeal Court. Although the Appeal Court held that NVM had systematically ordered the online collection of data accessible via electronic means at its website, it also held that a substantial investment for the creation, the presentation and the control of this database on the Internet had not been sufficiently established. The Appeal Court regarded NVM's Internet database as a spin-off of its core business of collecting data about properties for sale on behalf of its members, who are thereby able to assist in the selling of such property. Since this data had previously existed in a non-digital form, any investments regarding this database that had been made by NVM related to this non-digital version rather than to the one available on the Internet.

On 22 March, the Netherlands Supreme Court revoked this judgment. It ruled that neither the EC Directive on the legal protection of databases¹⁷, nor the Netherlands Database Act, supported the view that, if data have been collected for a specific purpose, the investment required for collecting them should merely be attributed to that purpose. Consequently, if those data are also made available in a database, that investment may not be disregarded in assessing whether making the database required a substantial investment.

In view of NVM's overall investment in collecting its data, it seems highly likely that the substantial investment requirement must be considered to have been satisfied. However, since this is a question of fact rather than a legal issue, the case was referred to the Amsterdam Appeal Court for further consideration.

Karin Verzijden, Amsterdam

¹⁷ E.C. Directive 96/6 dated 11 March 1996, O.J. L/77.

