

Newsletter
February 2003

Intellectual property

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

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Patents

Novelty attacks based on earlier, unpublished, applications

Paroxetine is used in the treatment of depression and other ailments. In *Synthon BV v Smithkline Beecham plc*¹ Jacob J held that SKB's patent for paroxetine methanesulfonate was anticipated by Synthon's earlier patent application. Synthon's application was filed but not published before the priority date of the SKB patent.

Unpublished patent applications can be used as the basis of a novelty attack under section 2(3) Patents Act 1977. This provides that the state of the art (matter available to the public by which the novelty of the invention is judged) includes matter contained in an application for another patent which was published on or after the priority date of the invention, provided that (a) the matter was contained in the earlier application as filed and as published; and (b) the priority date of the earlier patent is earlier than that of the invention. It is worth noting that earlier, unpublished, applications are excluded from the state of the art for obviousness. The Synthon application could only have been used in an obviousness attack if it had actually been published before the SKB priority date.

The court had to decide whether the SKB invention was new, having regard to the Synthon disclosure. To anticipate a patent, the prior art publication (interpreted as at its date of publication) must contain clear, unmistakable directions to the patentee's invention or the inevitable result of carrying out what is described in the prior art would fall within the scope of the patentee's claim.

The judge compared the two patents and stressed the importance of concentrating on the essential information in the two documents. Synthon disclosed a wide variety of methods of making crystalline paroxetine methanesulfonate. SKB's disclosure was equally wide, albeit it disclosed a readier way of making the crystals. He held that this was not a case of anticipation by "inevitable result": Synthon first invented paroxetine methanesulfonate and sufficient information was given in their patent to enable the skilled man to make it. SKB's patent was invalid for anticipation.

Sarah Turner, London

"Euro Defence" may live on

In our August 2002 issue, we reported on *Intel Corp v VIA Technologies Inc*, where the English High Court reviewed the relationship between the assertion of intellectual property rights and anti-competitive behaviour. That decision has now been reviewed by the Court of Appeal².

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 motherboard. As part of its defence, VIA alleged that various of Intel's licensing practices and the bringing of the patent action itself were anti-competitive and that, as a result, Intel could not enforce its patent rights against VIA. These arguments were based on Articles 81 and 82 of the Treaty of Rome, which prohibit certain anti-competitive agreements and abuses of dominant position.

1. unreported, 3 December 2002

2. *Intel Corp v VIA Technologies Inc*, unreported, 20 December 2002

Intel obtained summary judgment against VIA, ie immediate judgment on the basis that the defendant had no real prospect of successfully defending the action. VIA appealed.

The Court of Appeal overturned the first instance decision, ruling that there was sufficient merit in each of the Euro Defence arguments for them to be decided at full trial, rather than dismissed at the summary judgment stage. The "Euro Defence" may live yet.

Stephen Bennett, London

Bookies back a loser - Part II

In our April 2002 issue, we reported on *Menashe Business Mercantile Ltd v William Hill Organisation*, a rare decision of the English High Court on business method patents. Jacob J ruled³ that, by locating a "host computer" outside the UK, the bookmaker, William Hill, could not avoid infringement of an on-line gaming patent. William Hill appealed and on 28 November 2002⁴, the Court of Appeal upheld the first instance decision, albeit on different grounds.

Menashe owned a European Patent (UK) relating to a system which, to be infringed, required a system containing, amongst other elements, a "host computer" (in this case a computer operated by William Hill) and a "terminal computer" (the end user's computer). This is a common form of claim for patents which involve systems operating over the Internet.

To use William Hill's system, customers had to obtain a copy of a computer program from William Hill, either by downloading it from the Internet or by obtaining a CD-ROM from William Hill. Menashe alleged that this program turned the punter's computer into a "terminal computer" within the meaning of the patent, so the supply of this program amounted to infringement under s 60(2) Patents Act 1977, as it constituted the supply of "...an essential element of the invention, for putting the invention into effect". William Hill argued that

there could be no infringement, because a key feature of the patent claim - the host computer - was not located in the UK but in Antigua.

Jacob J at first instance was asked to give a ruling on the following question:

"Is it a defence to the claim under section 60(2) of the Patent Act 1977, if otherwise good, that the host computer claimed in the patent in suit is not present in the UK, but is connected to the rest of the apparatus claimed in the patent"

The emphatic answer from Jacob J was that this was no defence. The test under s 60(2) was whether the "...effect of the invention..." was within the UK. The fact that William Hill's punters could play the system in the UK meant the "effect of the invention" was in the UK and the location of the "host computer" element outside the UK was irrelevant.

Aldous LJ, giving the lead judgment in the Court of Appeal, agreed that William Hill did not escape liability by locating the "host computer" element in Antigua. However, he rejected the reasoning of Jacob J that the test was whether the "... effect of the invention ..." was in the UK. As a matter of statutory interpretation, Aldous LJ took the view that section 60(2) required the "invention" to be put into effect in the UK, not merely for the "effect" to occur in the UK. Where the claimed invention was to an apparatus, the apparatus had to be effective in the UK.

At first sight, Aldous LJ's test appears to impose a higher threshold than that of Jacob J. However, the application of the test appears to be more generous to the patentee. The Court of Appeal stated that "... it would be wrong to apply the old ideas of location to inventions of the type under consideration in this case". Aldous LJ went on to ask where the gaming system was used. In his view, it was used in the UK despite the fact that the "host computer" element was physically located outside the UK. The physical location did not matter - what mattered was the input and output of the host computer. His view was that in a "real sense the punter uses the host computer in the United Kingdom even though it is situated in and operates in

3. unreported, 15 March 2002

4. unreported

Antigua". This was enough to allow him to deny the offshore location of the host computer as a defence.

The decision appealed against was a preliminary point and does not dispose of the case. It remains to be seen whether the case will now proceed to trial and give some guidance as to the Patents Court's view of such "business method" patents.

Stephen Bennett, London

How to become a criminal by protecting your rights

"I wouldn't do that if I were you." Clients are sometimes surprised to be told that they are on the verge of criminal activity. What have they done - carried out a bank robbery or murder perhaps? No - they have just filed a patent application. Not any patent application, but if the person filing the application is a UK resident and files first abroad he could end up with two years in prison. Dusty old section 23 of the UK Patents Act, although no doubt infringed from time to time, has not in practice attracted much attention from the police. But perhaps things are to change.

The Patent Office has issued a reminder on its website about the provisions of section 23, which makes it a criminal offence for anyone resident in the UK to apply in another country for a patent for any invention without permission from the Comptroller of Patents, unless:

- (i) he has first applied for a patent for the same invention in the United Kingdom, and
- (ii) six weeks have elapsed since the date of this application and
- (iii) there are no "secrecy directions" in force (see below).

Section 23 is designed to give the Government the chance to inspect patent applications before publication in order to identify any inventions that could be relevant to public security or defence. Given the fears of terrorism and the difficulties in Iraq, this has suddenly become topical.

Section 23 must be read in conjunction with the "secrecy directions provisions" in s 22. These enable the Comptroller to give directions prohibiting or restricting publication of information in a patent application which could prejudice the defence of the realm or public safety.

The Official Secrets Act 1911 contains other restrictions in relation to inventions of a "military nature". It is a crime to communicate directly or indirectly to any foreign power, or in any other manner prejudicial to the State's safety or interests, any "sketch, plan, model, article, note document or information which relates to munitions of war". This could include a patent application.

There are enough people in our prisons without filling them with inventors and patent attorneys.

Robert Anderson, London

Commission acts over failures to implement Biotech Directive

The EU Directive on the patenting of biotechnological inventions⁵ should have been implemented into the various national laws of the European Union by 30 July 2000. However, to date, only Denmark, Finland, Greece, Ireland, Spain the UK have complied with this obligation. The European Commission has now issued "reasoned opinions", requiring the recalcitrant countries (Austria, Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Portugal and Sweden) to implement the Directive.

This is the second stage of formal infringement proceeding under EC Treaty Art 226; the Commission sent all offending countries a letter of formal notice in November 2000. Any country which fails to respond to the Commission satisfactorily within two months may find itself before the European Court of Justice.

Caroline Clarke-Jervoise, London

5. Directive 98/44

Patent office consults on changes to the Patents Act 1977

The UK Patent Office has issued a consultation paper, setting out proposals to amend the Patents Act 1977 ("the Act") to reflect the recently revised European Patent Convention, "EPC 2000", which was adopted by the European Patent Office's Administrative Council on 28 June 2001. The Patent Office is also using this opportunity to consult about other changes and clarifications to the Act which do not directly flow from the EPC.

Many of the changes will have no significant effect on the operation of the Act, for example the conditions for patentability will be amplified to stress that patents will be available for inventions "in all fields of technology". Others have wider implications. For example, Article 54(4) EPC currently states that European applications published after the date of filing of a later application would only anticipate that later application in respect of Contracting States which were designated on both applications. After the revisions applications will be deemed to designate all states even if subsequently registrations in certain states are not maintained. The "state of the art" will therefore now include all prior European applications.

The Government seeks views on a number of other issues, including the following:

(a) Litigation

At present, the Comptroller has jurisdiction to hear infringement proceedings although he does not have the power to grant injunctions or orders for delivery up/destruction or accounts of profits and he is limited to awarding damages and declarations that the patent is in force and infringed. In addition a proprietor can only launch infringement proceedings before the Comptroller if the alleged infringer agrees.

The procedure is similar to that before the courts in that it involves the exchange of witness statements and cross examination of witnesses in the hearing. The procedure should take about 9

months and is much less formal than court processes and there appears to be no requirement for expert evidence, disclosure or lengthy documentation. Despite the lower costs and less formal nature of an action before the Comptroller, infringement proceedings have never come before the comptroller.

The Patent Office considers that infringement proceedings will normally be brought before the Patents Court or the Patents County Court due to the complexity of issues. Should the requirement that both sides agree that proceedings should go before the Comptroller be removed, in order to increase access to the Comptroller?

(b) Threats

If a Patentee makes a threat of infringement proceedings for selling or stocking a product which turns out to be groundless the defendant can currently bring a Threats action for damages. The Patentee only has a defence if infringement is actually proven. Consequently even if the Patentee reasonably believes there is infringement he is limited to simple notification in order to avoid the risk of threats.

These provisions may restrict a Patentee from fully engaging in pre-action discussion aimed at resolving the issue without litigation and as such are at odds with Woolf's attitude to litigation. The Patent Office is consulting on whether the provisions in the Act dealing with "threats" of infringement proceedings discourage or restrict genuine and meaningful attempts at pre-litigation settlement.

(c) Inventor/ Employer

Are the rules under which an employee, whose invention has been of "outstanding benefit" to the employer, can seek compensation from the employer, weighted too heavily in favour of the employer?

(d) Co-owners

Do the rules dealing with co-ownership of a patent require clarification?

(e) Amendment

Should it be possible to amend a patent in any proceedings in which validity may be put in issue rather than only where validity "is put in issue" as at present?

(f) Re-examination

Should the Patent Office be allowed to re-examine a patent post-grant?

(g) Inventors' names

Should inventors be allowed to request that their names be kept out of the public domain?

The consultation paper is available on the Patent Office's website (<http://www.patent.gov.uk>).

Responses are required by 21 February 2003.

Nicholas Macfarlane, London

Copyright and designs

When is a copyright work "incidentally included"?

A recent decision has given the High Court a rare chance to consider the meaning of "incidental inclusion" of copyright material. The Football Association Premier League had granted an exclusive licence to a company (Topps Ltd) to produce stickers and an album of pictures of Premier League players. A rival sticker producer, Panini UK Ltd, brought out an album containing stickers of football players in their current kit. The Premier League, with Topps and various Premier League clubs, sued for copyright infringement and sought an injunction restraining it from reproducing all or a substantial part of the Premier League's lion logo, or any club badge logo.

In its defence, Panini argued that the inclusion of the various logos in its sticker album was incidental and that, pursuant to s 31(1) of the Copyright, Designs and Patents Act 1988, copyright in the logos was not infringed.

The court held that⁶, in some cases, the test for whether or not the inclusion of a copyright work in another artistic work was "incidental" would involve an element of subjectivity. In this case it was accepted by both parties that what consumers valued in an annual sticker album was current photographs of the players (in action if possible) wearing their current kit. The judge held that the inclusion of the logos was self-evidently not incidental, but was an integral part of the artistic work comprised of the photograph of the footballer in his present-day kit. The intent behind Panini's use of the logos was to show footballers as they played now. There had therefore been copyright infringement and the

claimant was entitled to a final injunction restraining Panini.

Jake Marshall, London

Copyright (Visually Impaired Persons) Act 2002

In November, the Copyright (Visually Impaired Persons) Act 2002 received Royal Assent. The Act inserts into the Copyright Designs and Patents Act 1988 provisions by which certain works covered by copyright can be converted into formats accessible to blind and partially sighted people without infringing that copyright. Such individuals will be able to make a single copy of the work for their personal use. Certain approved bodies, for example educational establishments, will be able to make multiple copies for the visually impaired, provided that they do not profit financially by so doing.

Certain conditions apply to the exercise of the right, for example that the copy of the work from which an accessible version is made is a lawful copy and that there are not already on the market copies of a work in a format accessible to the visually impaired. The right does not apply to all types of works covered by copyright; for example it does not apply to databases.

Current expectations are that the Act will be brought into force this Spring.

Caroline Clarke-Jervoise, London

6. unreported, 15 December 2002

ECJ to decide questions on database rights

The EU Database Directive⁷ (which was implemented in the UK on 1 January 1998) introduced "database rights" to protect the investment involved in creating and maintaining computerised collections of data. As we explained in our September 2001 issue, in *British Horseracing Board Ltd v William Hill*⁸, the UK Court of Appeal asked the European Court of Justice ("ECJ") for a preliminary ruling on a number of issues involving the interpretation of the Directive. The case concerned the extent to which the claimants could prevent the defendants from using, in a new part of their business on the Internet, data which had been derived indirectly from the claimants' database. In the High Court, Laddie J had ruled that the database right protected against unlicensed taking and use of information.

The questions addressed to the ECJ have now been published⁹ and are as follows:

1. May either of the expressions:
 - (a) 'substantial part of the contents of the database'; or
 - (b) 'insubstantial parts of the contents of the database'in Article 7 of the Directive include works, data or other materials derived from the database, but which do not have the same systematic or methodical arrangement of and individual accessibility to be found in the database?
2. What is meant by 'obtaining' in Article 7(l)?
3. Is 'verification' in Article 7(1) limited to ensuring from time to time that information contained in a database is or remains correct?
4. What is meant in Article 7(1), by the expressions:
 - (a) 'a substantial part, evaluated qualitatively of the contents of that database', and
 - (b) 'a substantial part, evaluated quantitatively of the contents of that database'?
5. What is meant in Article 7(5) by the expression 'insubstantial parts of the database'? In particular, in each case:
 - (a) does 'substantial' mean something more than 'insignificant' and, if so, what?
 - (b) does 'insubstantial' part simply mean that it is not 'substantial'?
6. Is 'extraction' in Article 7 limited to the transfer of the contents of the database directly from the database to another medium, or does it include the transfer of works, data or other materials derived indirectly from the database, without there being any direct access to the database?
7. Is 'reutilisation' in Article 7 limited to the making available to the public of the contents of the database directly from the database, or does it also include the making available to the public of works, data or other materials derived indirectly from the database, without there being any direct access to the database?
8. Is 'reutilisation' in Article 7 limited to the first making available to the public of the contents of the database?
9. In Article 7(5), what is meant by 'acts which conflict with a normal exploitation of that database or unreasonably prejudice the legitimate interests of the maker of the database'? (and could the activities in *BHB v William Hill* (above) amount to such acts?)
10. Does Article 10(3) mean that, whenever there is a 'substantial change' to the contents of a database, qualifying the resulting database for its own term of protection, the resulting database must be considered to be a new, separate database, including for the purposes of Article 7(5)?

The outcome of this case will be of great interest as it will be the first time the ECJ has clarified the nature and extent of the new sui generis right created by the Database Directive. The Directive itself requires the Commission to produce a report on the way that the right is being applied, every three years after the coming into force of the Directive.

Marina Lanfranconi, London

7. (96/9/EC)

8. (Case 203/02)

9. Official Journal, 27 July 2002

Trade marks

A surprising set-back for Arsenal in the High Court?

In our previous issue, we reported on the answers of the European Court of Justice to the questions referred to it by Laddie J in the long-running dispute between Arsenal Football Club and Matthew Reed, a trader in football souvenirs branded with signs identical to Arsenal marks.

The questions related to the issue of trade mark use and the judge had asked first, whether it would be a defence to trade mark infringement if the use of the identical sign did not indicate trade origin. Secondly, if the use did not establish any such connection in trade between the trade mark proprietor and the goods, would the fact that use of the sign on the goods could be seen as badges of support, loyalty or affiliation to the proprietor, Arsenal, be sufficient to establish such a connection?

The ECJ in its judgment indicated that Mr Reed's use of the "Arsenal" sign had established a connection in trade between the goods and the trade mark proprietor and that this affected the guarantee of origin. As such, whether they could also be viewed as badges of support, loyalty or affiliation was immaterial. On that basis, when the judgment was handed down, it was widely assumed that Mr Reed's goods must have infringed Arsenal's trade marks and that, when the matter was referred back to Laddie J in the English High Court, he would apply the law according to the interpretation presented by the ECJ and rule in favour of Arsenal.

Not so. In the hearing before Laddie J, Mr Reed submitted that the ECJ, in advising on the correct interpretation of the EC Trade Marks Directive¹⁰,

had made findings of fact and had therefore not only exceeded its jurisdiction but had also come to a conclusion which was inconsistent with the findings of the national court.

Laddie J pointed out that it was established law that, in considering references from a national court, unlike when it is considering appeals from lower courts, the ECJ has no jurisdiction to make findings of fact, as it is not exercising a normal appellate function. He then considered the ECJ's judgment and concluded that not only had the Court made findings of fact, but that they were inconsistent with those that were reached at trial. As such, he did not consider himself bound by the ECJ's decision and decided that he had to apply the law to the facts as found at trial.

The judge commented that, despite appearances to the contrary, this was a very unattractive outcome for all the parties. However, the court could not cede to the ECJ a jurisdiction that it did not have. Although the judge could, as suggested by Arsenal's counsel, make another reference to the ECJ, this did not seem to solve the problem. In the circumstances, Laddie J decided that the best course would be to apply the ECJ's guidance on the law to the findings of fact made by the High Court. He reviewed the ECJ's judgment and stated that it had held that, where the defendant's use of a mark was not intended by him, or by the public, to be a designation of origin, there could be no infringement, as the essential function of the trade mark was not affected. On that basis, he found for the defendant, Mr Reed.

As we pointed out previously, and as the judge concluded in the final paragraph of his judgment, there will undoubtedly be further appeals.

10. 89/104

Presumably, Arsenal will now appeal to the Court of Appeal which, unlike the ECJ, will be in a position to consider both submissions as to the High Court judge's findings of fact and on the correct construction of the law. The Court is unlikely to be in a position to hear the matter before the middle of next year so, for the moment, the apparent inconsistency between Laddie J's interpretation of the law and that of the ECJ will stand.

Sahira Khwaja, London

Can a smell be registered as a trade mark?

The EU Trade Marks Directive (see above) extended the range of things potentially capable of being registered as trade marks. The Directive specifically mentioned designs and shapes. Many people also thought it would allow smells and sounds to be registered. However, as a recent decision of the ECJ illustrates, theory cannot always easily be put into practice.

The applicant, Ralf Sieckmann, applied to register with the German patent and trade mark office an "olfactory mark". The mark was described as "the pure chemical substance methyl cinnamate" with formula " $C_6H_5-CH = CHCOOCH_3$ ". The applicant provided a sample in a container, also describing the scent as "balsamically fruity with a slight hint of cinnamon". Registration was refused and the applicant appealed to the Bundespatentgericht.

The Bundespatentgericht sought guidance from the European Court on whether such a sign could constitute a trade mark. The ECJ has now given its decision. While the court accepted that a smell could, in legal theory, be registered as a trade mark, it went on to hold that the key registration requirement of "graphic representability" was not met by attempts to define the mark by chemical formulae, written descriptions, depositing a physical example of the smell at a trade mark office or any combination of these.

Given this decision, it is difficult to see how one could in practice file a successful application to register a "smell" mark in any EU Member State. Until a sufficiently objective means of representing a smell and a method of accessing a public register containing that representation are devised this is likely to remain the position.

Alastair Shaw, London

Viennetta 3D trade mark decision

UK law on the registrability of shape marks continues to develop, in the light of a recent judgment¹¹ of Jacob J in *Société de Produits Nestlé SA v Unilever plc*. The judge held that the shape marks for Viennetta ice cream could not be registered as UK trade marks because they lacked any "distinctive character".

Viennetta is a layered ice cream dessert product, sold by Unilever under the Walls brand. Viennetta was launched in 1982 and became a huge success and different variants of the original product were subsequently introduced, using different flavours of ice cream and types of chocolate. In 1994 Unilever applied in the UK to register the 3D shape of Viennetta. Two trade mark applications were filed, one for the original Viennetta ice-cream product with a dark chocolate topping ("dark mark") and a second with a white chocolate topping ("white mark"). Nestlé opposed these applications.

Nestlé argued that the Viennetta shape marks should not be registered because they fell within some of the absolute grounds for refusal of registration in Article 3 of the EU Trade Marks Directive (whose equivalent in the UK is section 3 Trade Marks Act, 1994). The main point at issue was whether the marks were "devoid of distinctive character" (Art 3(1)(b)). If a mark is devoid of distinctive character then it cannot be registered. However, this exception can be overcome if the applicant can show that, prior to the application for the trade mark, the mark has acquired "distinctiveness" through use. (Art 3(3)).

11. 89/104

Unilever conducted a poll of the "dark mark" product to see if people recognised the shape of the Viennetta ice cream as being a Viennetta product. From the results of the poll, Jacob J decided that the ice cream product appearance had achieved considerable recognition on its own, thus denoting Walls Viennetta. The question was whether that was enough to give the mark a "distinctive character". The judge did not believe that it had been proved that any member of the public would rely on the appearance alone to identify the goods; they recognised it but did treat it as a trade mark.

Jacob J went on to say that

"it must be proved that consumers regard the shape as a badge of trade origin in the sense that they would rely on the shape alone as an indication of the trade origin, particularly to buy the goods. If that cannot be proved, then the shape is not properly a trade mark, it does not have "distinctive character" for the purposes of trade mark law."

Jacob J therefore refused registration on two grounds:

1. The shape lacked distinctive character because although public recognition of the shape as that of a particular trader had been established, it had not been shown that the trader had used the shape to denote trade origin or that the public relied upon the shape to denote trade origin; and
2. As some of the people polled (15%) misattributed or did not recognise the product, the shape had not acquired a distinctive character through use, because a minor but nonetheless significant proportion of the public would take other shapes in use by other traders as the shape mark applied for.

In addition, the judge held that, if one mark had acquired distinctiveness through use, a variant of that mark could not piggy-back its way to distinctiveness. On that basis, the results of the poll for Unilever's "dark mark" could not be applied to Unilever's "white mark". However, if there was a case where the difference between the mark as used and that sought to be registered was so trivial that

one could assume virtually identical public reaction to the mark, then one could assume that a poll about one mark was as good as a poll about the other mark.

Doris Myles, London

No Registration for the Colour Orange per se

On 12 November 2003, Advocate General Leger delivered his opinion in *Libertel Groep BV v Benelux-Merkenbureau*¹². The case involves the registration of a colour per se as a trade mark.

Essentially, the Advocate General found that colours per se (without shape or borders) do not qualify for registration under Article 2 of the Trade Marks Directive (see above) as they are neither (i) capable of being graphically represented, nor (ii) capable of distinguishing the goods or services of one undertaking from another for the following reasons.

- (i) Colours with neither shape nor border are not capable of being represented graphically as:
 - the examiner cannot ascertain whether the mark is to be used as a trade mark or in an ornamental way - he cannot evaluate an application until he knows how the sign will be used, and
 - other operators would not be able to determine the way in which and the shades of which they would be free to use the colour concerned for identical or similar goods or services.
- (ii) Colours are not distinctive because:
 - the application for a single colour mark does not indicate how the sign will in fact appear on products - the examiner needs this information to evaluate distinctiveness;
 - a colour may not have per se the function of indicating the origin of products or services, as it should "guarantee the origin of a product enabling the consumer to distinguish it, without confusion, from a product having

12. Case C-104/01

a different origin¹³. A single colour may therefore not clearly indicate origin without confusion.

Advocate General Leger accepted that the Community Trade Marks Office had registered a number of colours per se as trade marks (eg lilac for chocolate, magenta for telecoms) on the basis that they had acquired a secondary meaning. However, such registrations were questionable as it was not the colour per se which had acquired distinctiveness but the combination of the colour with other elements as logos or words. If such other elements were omitted, consumers would not be able to recognise with certainty the product's origin.

Finally, the Advocate General concluded that the limitation on the use of colours, which would follow from their being monopolised by trade mark rights, would have a negative impact on free competition within the EU.¹⁴ In any event, there were other laws, eg unfair competition, which could protect against unfair conduct without creating monopolies over single colours.

On 9 October 2002 the Court of First Instance of the ECJ, in another judgment involving orange, said that colours per se could in theory be registered, provided the sign was distinctive under Article 7(1)(b) Community Trade Mark Regulation¹⁵. In *KWS Saat AG v OHIM*¹⁶, a shade of orange was held to be devoid of distinctive character in relation to agricultural products and machinery as being commonplace and not unusual in that field. Rather than enabling the relevant public to distinguish immediately and with certainty the applicant's products from ones with a different commercial origin, the colour would be regarded as a mere finish on the goods.

Curiously, the Court found that, as regards services, a colour did not attach to a service itself, nor did it give it any substantive value. Therefore, the relevant public could distinguish between use of a shade of orange as a mere decoration and its use as an indication of origin of the service, even in the absence of any words. In relation to services,

therefore, the trade mark was not to be considered devoid of distinctive character.

These two cases (see also *Viking-Umwelttechnik GmbH v OHIM* in our October 2002 issue) indicate a move towards a restrictive interpretation over the registration of colours per se as trade marks, except in very rare cases. It will be interesting to see if the ECJ confirms this restrictive interpretation.

Marina Lanfranconi, London

Trade Marks - Taking Unfair Advantage ?

The ECJ has recently handed down an important decision on the protection of well-known marks. Under Article 5(1)(b) Trade Marks Directive, a trade mark proprietor can prevent a third party from using (without his consent) any sign identical or similar to his registered trade mark, for identical or similar goods to those covered in the registration, if there exists a likelihood of confusion on the part of the public.

Article 5(2) deals with trade marks with a "reputation" in an EU Member State, ie "well-known" marks. It enables a proprietor of a well-known mark to attack a sign that is identical or similar to its mark, even though the goods or services of the later mark are not similar. There is no need to show any confusion between the two marks (Article 5(2)).

But what if the later mark is identical or similar but the goods/services it covers are similar to those covered by a well-known mark? The ECJ has now confirmed in *Davidoff et Cle SA v Gofkid Ltd*¹⁷ that Article 5(2) also applies in that situation. Were it not so, well-known marks would have less protection if the later mark was used for similar goods or services than if it was being used for non-similar goods or services.

Davidoff is the registered proprietor of the trade mark DAVIDOFF, which is registered internationally (including in Germany) and used for luxury

13. Para. 14 Hag GF decision, C-10/89; PARA. 28 Canon decision.

14. cf Art. 16 of Italian Trade mark law (n.929/1942), which expressly includes only chromatic combinations or particular shadings as registrable trade marks.

15. (40/94)

16. (T-173/00)

17. The Times, 22 Jan 2003

cosmetics, tobacco, leather and other goods. Gofkid owns the word and device mark DURFFEE which is registered in Germany. The DURFFEE mark was registered after the DAVIDOFF mark. Gofkid distributes goods made from precious metals, including ashtrays and cigar/cigarette cases and holders.

Davidoff bought proceedings against Gofkid in Germany, seeking (i) an order that it stop using the DURFFEE mark and (ii) annulment of the mark. Davidoff argued that there was a likelihood of confusion between the DURFFEE mark and the DAVIDOFF mark because Gofkid used the same script and the letters "D" and "ff" in the same distinctive manner as the DAVIDOFF mark. Davidoff alleged that the DURFFEE mark was deliberately designed to take advantage of the high prestige value of the DAVIDOFF mark and that use of the DURFFEE mark was detrimental to the good reputation of the DAVIDOFF mark.

Gofkid asked for the action to be dismissed arguing that there was no likelihood of confusion between the two marks, or a possibility of appropriation of reputation.

The ECJ held that Article 5(2) gives stronger protection to well-known marks than that conferred on marks under Article 5(1), since the proprietor can prevent the use of an identical or similar sign for goods or services which are not similar to those in respect of which the mark is registered. This stronger protection is given when the use of a sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character of a well-known mark. There is thus specific protection against impairment of the distinctive character or repute of the marks in question.

The question therefore arose whether the wording of Article 5(2) precluded its application also where a sign was used for identical or similar goods or services, given that Article 5(2) refers expressly only to the use of a sign for non-similar goods or services. Could protection of a well-known mark against the use of a sign for identical or similar goods or services which is detrimental to the distinctive character or repute of the mark be

obtained under Article 5(1) of the Directive so that it was not necessary to seek it under Article 5(2)?

The protection conferred under Article 5(1)(a) is an absolute right but the application of Article 5(1)(b) depends on there being a likelihood of confusion. Accordingly, where there is no likelihood of confusion, Article 5(1)(b) cannot be relied upon by the proprietor of a well-known mark to protect himself against impairment of the distinctive character or repute of the mark. In those circumstances the answer must be that Article 5(2) of the Directive is to be interpreted as entitling the Member States to provide specific protection for well-known registered trade marks in cases where a later identical or similar mark or sign was used for goods or services identical with or similar to those covered by the registered mark.

Doris Myles, London

Are MIXERY and MYSTERY marks likely to be confused?

Mystery Drinks GmbH applied to register as a Community Trade Mark the word "MYSTERY" for goods including snacks, sugar products and non-alcoholic drinks. The application was opposed by Carlsberg Brauerei KG Weber, which owns an earlier German trade mark registration for MIXERY for beers and drinks containing beer. The opposition was based on the likelihood of confusion between the CTM application and KB's earlier registration.

The applicant argued that the trade mark MIXERY should only enjoy limited protection as it was hardly distinctive for the class of goods. It submitted that the relevant public associated the trade mark MIXERY with words like mixing, to mix, mixture, which indicated that the beverage was a mixture or a cocktail.

The applicant contended that the marks were strikingly different, when compared phonetically. Equally, it argued, they differed visually: the central letters "IX" and "YST" differed and the initial "M" of

MYSTERY was in a very stylised form. Furthermore, the relevant products differed: non-alcoholic drinks were not manufactured at the same sites as beer and were sold in separate areas in a shop. Another crucial distinction for consumers, particularly drivers and minors, was whether a drink contained alcohol. In conclusion the applicant maintained that there was no likelihood of confusion between the MYSTERY and MIXERY trade marks.

The court held that the relevant public by reference to which the likelihood of confusion must be assessed comprised average consumers in Germany. On this basis, the court had to compare first the goods and then the signs when deciding whether registration of the sign MYSTERY could give rise to the likelihood of confusion with the mark MIXERY.

The court concluded that the goods covered by the mark and sign were similar. However, visually, the two could be readily distinguished by their graphic form, even though orally, they were phonetically similar. The differences submitted by the applicant in relation to the pronunciation of the word only worked on a fragmented analysis, syllable by syllable as opposed to comparing the pronunciation of the word as a whole. As regards the conceptual comparison, the court held that the relevant public would not carry out a detailed analysis to find conceptual differences between the signs.

The court did not accept the applicant's argument that the relevant German public would immediately associate "MIXERY" with "mixed beverages". The applicant had argued that the scope of protection of the earlier right was substantially reduced due to its rather descriptive and allusive character, which had to be taken into account when judging the likelihood of confusion between the marks. The court pointed out that a likelihood of confusion could be established in this case irrespective of the degree of inherent distinctiveness of the opposing mark "MIXERY". According to the court, that conclusion could not be invalidated by the applicant's argument that the visual impression was of primary importance with regard to those beverages. The court emphasised that the goods at issue were also consumed after being ordered orally and that the phonetical similarity between the signs

was sufficient to give rise to a likelihood of confusion.

Doris Myles, London

Victoria Beckham caves in over Posh trade mark

Victoria Beckham has abandoned her fight to monopolise the "Posh" nickname. Peterborough United football club had applied to register as a trade mark "The Posh", a nickname which the club had used since the 1920s. Ms Beckham, whose nickname has been "Posh Spice" or simply "Posh" since the time she sang with the Spice Girls, lodged an opposition. She contended that the name Posh was "inexorably associated with Victoria Beckham in the public's mind" throughout the world. However, she has now withdrawn her opposition.

Caroline Clarke-Jervoise, London

No registration for "Have a break" trade mark

Nestlé has lost its attempt to register the phrase "Have a Break" as a trade mark in the UK for chocolate and related products.

Nestlé already has a registered trade mark for "Have a Break, Have a Kit Kat". However, Rimer J upheld an opposition by rival giant, Mars, against registration of "Have a Break". He ruled that the phrase was "devoid of any distinctive character" and therefore lacked inherent distinctiveness for the purposes of section 3(1) of the Trade Marks Act 1994. He rejected Nestlé's argument that the mark had acquired a distinctive character through pre-application use.

Caroline Clarke-Jervoise, London

International developments

Proposed EU Regulation to tackle counterfeiting and piracy

On 20 January 2003, the European Commission published its proposed Council Regulation setting out new rules concerning the actions of customs authorities against counterfeit and pirated goods and goods infringing certain intellectual property rights. According to the Commission, between 1998 and 2001 the number of items infringing an intellectual property right intercepted by customs at the EU's external frontiers increased from 10 million to 100 million items. In particular, there have been large increases in seizures of counterfeit foodstuffs, which were up almost 75% on the year before, and seizures of pirated or counterfeit CDs, which were up 15,300% on 1999. With this new Regulation the Commission is seeking to improve and harmonise customs action in tackling such intellectual property offences more effectively.

Under the present legislation¹⁸, where fraudulent goods are suspected, rights holders are able to apply directly to the competent customs authority to prevent the goods from being released or to have them detained. The customs authority decides whether the application is admissible and, if so, suspends the release of the goods or detains them. The applicant must then successfully apply for a ruling that the goods are illegal before they can be destroyed.

The proposed Regulation would harmonise the means of enforcing IP rights across the European Union and set up a new framework for administrative cooperation and the exchange of information between the various authorities across

the EU. All Member States would, for example, have to grant competent authorities the power to impose interim injunctions and other measures to prevent unlawful goods from crossing EU borders. Anyone involved, even innocently, in the manufacture, distribution or use of infringing items would be obliged to provide certain information to help the rights holders identify the source of the infringing goods.

Under the proposal, collecting societies, in addition to the rights holders or their licensees, would have the right to take enforcement action.

The basic principles of the existing legislation will remain, but the proposed Regulation sets out a number of new measures, in particular:

1. the types of goods that can be seized will be increased to cover goods which infringe plant variety rights, geographical designations or indications of origin (for example, "Parma ham");
2. rights holders will no longer be charged a fee to make an application for action by a customs authority to seize infringing goods (but the rights holders will have to give an undertaking assuming liability in the event that there is found to be no infringement);
3. customs authorities will have more scope to seize goods of their own accord (that is, without the need for a prior application for action from a rights holder);
4. rights holders will have the option of having fraudulent goods destroyed with the agreement of the person holding or declaring the goods, without the need to await the outcome of substantive legal proceedings; and

18. (Regulation (EC) No 3295/94)

5. goods found in a traveller's personal baggage within the limits of the duty-free allowance will be covered by the new Regulation where such goods are suspected to be part of a larger-scale traffic.

Richard Dickinson, Jake Marshall,
London

Imminent registration in China of second level domain names

A circular issued by the China Internet Network Information Center on 12 December 2002 has confirmed that second level domain names (that is, "domainname.cn") will become available for registration in China from March 2003.

A 'sunrise period', when owners of third level .cn domain names (<domainname.com.cn>) and owners of well-known trade marks can pre-book second level domain names corresponding to their current third level domains or their well-known trade marks, started on 6 January 2003. The sunrise period ends on 28 February 2003. In practice, it is most likely that the sunrise period will be of use only to current holders of third level .cn domains, since trade marks can be declared to be 'well-known' only as a result of a dispute brought before the People's Courts.

Second level domain names will become generally available to the public for registration from 17 March 2003 (by which time the CNIC will have processed all priority applications). For further information regarding .cn domain names, please contact Gabriela Kennedy in our Hong Kong office (gabriela.kennedy@lovells.com)

Gabriela Kennedy, Hong Kong

New Russian trade mark law

On 17 December, 2002, the Federal Law on "Amendments to the Federal Law of the Russian Federation on Trade marks, Service Marks and Names of the Points (Countries) of Origin of the Goods" was published in the "Rossiskaya Gazeta", after being approved by President Putin. The Law came into force on 27 December 2002.

The array of changes, which include legal definitions of what constitutes a counterfeit to provisions that require pirates to compensate trade mark owners and to destroy counterfeit goods at their own expense, are expected to become key to Russia's war on piracy and its bid to join the World Trade Organisation. The recent reforms also outline new protections to reduce unfair competition and trade mark registrations made in bad faith, as well as detailing punishments for violating the law. The Law is being brought into compliance with the Constitution, Civil and Criminal Codes of the Russian Federation, as well as international treaties and agreements with Russia.

Marti Whelan, Moscow

February 2003