

Newsletter
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Intellectual property

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Lovells' intellectual property services include advice on the protection and exploitation of rights, drafting and negotiation of licences and assignments (often as part of a corporate acquisition or restructuring) and advice on the subsistence, ownership, validity and infringement of rights. The firm offers a trade mark filing service in France, the Czech Republic, Hong Kong, China, Vietnam, Laos, Myanmar (Burma) and Cambodia, and through its associates in countries around the world.

This newsletter is written in general terms and its application in specific circumstances will depend on the particular facts. If you would like to follow up any of the issues which it raises, please contact Robert Anderson, Quentin Archer, Michael Golding, Nicholas Macfarlane or Lindy Golding in London (UK and EC), David Latham in New York (USA), Milan Chromecek in Paris (France and EC), Tomas Bettelheim in Prague (Central and Eastern Europe) or Henry Wheare or Stephen Hayward in Hong Kong (Hong Kong, China and Indo-China).

The firm's New York office does not practise US intellectual property law nor does its Tokyo office practise Japanese law. We do however have close connections with firms of US and Japanese lawyers enabling us to obtain advice quickly on questions affecting intellectual property in those countries.

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

Copyright and designs

New Copyright and Trade Marks Bill

Lord McNally, a Liberal Democrat peer, has put before the House of Lords a Private Members' Bill, designed to strengthen the rights of trade mark and copyright owners. Given the pressure on Parliamentary time, Private Members' Bills rarely become law. However, if this Bill proves to be an exception to the rule, it will make a number of amendments to the Copyright, Designs and Patents Act 1988 and the Trade Marks Act 1994.

The Bill sets out to create a new range of torts and criminal offences in relation to the sale of illicit recordings and other infringing goods at "occasional sales". An "occasional sale" is defined as "a concourse of buyers and sellers of articles" held otherwise than on a highway, comprising not less than five stalls or vehicles, from which articles are sold. Presumably this is designed to cover gatherings like car boot sales. The Bill also proposes strengthening the powers of search, seizure and forfeiture of infringing goods etc at such events. Similarly, it would dramatically increase the penalties available for criminal offences under the two Acts, making the maximum jail sentence seven years, rather than two as it is at present.

The Bill also attempts to deal with the problem of "lookalike" goods. Supermarkets are sometimes accused of producing lookalike goods, ie of selling their own, unbranded, versions of well-known trade-marked goods under a get-up deliberately designed to resemble as closely as possible the get-up of the branded goods without infringing any of the intellectual property rights in them. To counter this, the Bill would impose a duty not to use "features of packaging, labelling" etc in such a way

that the public would be likely to attribute the reputation in one person's goods to another's.

It would also be an offence under the new Act to make, import, sell etc devices designed to circumvent copy-protection, eg decoding equipment.

The Bill can be found at www.publications.parliament.uk/pa/pabills.htm.

Caroline Clarke-Jervoise

Is there a public interest defence to copyright infringement?

We reported on the first instance decision in *Hyde Park Residence Ltd v Yelland* in our June 1999 issue. The case concerned the publication of copies of photographs in *The Sun*, which had been produced from stills of a video made by the claimant (the security services provider to Mohamed Al Fayed's home in Paris) and supplied without permission to *The Sun* by its employee. The stills showed the arrival and departure of the Princess of Wales and Dodi Al Fayed. Contrary to the evidence of the stills, Mr Al Fayed claimed that the couple spent two hours there with a view to making it their matrimonial home.

The claimant sued *The Sun*, inter alia, for copyright infringement. It applied for summary judgment (ie a speedy judgment on the basis that the defendant had no arguable defence). In its defence, the defendants submitted that (i) the publication had constituted "fair dealing" within s 30(2) Copyright, Designs and Patents Act 1988, and (ii) the publication had been

justified in the public interest to expose the falsity of Mr Al Fayed's statements. The judge upheld both defences and dismissed the application for summary judgment.

The claimant appealed and the appeal was heard on 10 February (*The Times*, 16 February 2000). The Court of Appeal identified three considerations relevant to the defence of fair dealing: the motives of the alleged infringer; the extent and purpose of the use; and whether that extent was necessary for the purpose of reporting the events in question. Another indication of whether the dealing had been "fair" was whether the work had already been published or circulated to the public.

The Court adopted an objective stance by considering whether a fair minded and honest person would have dealt with the copyright work in the manner that *The Sun* did for the purpose of reporting the relevant current events.

The Court held that the defence of fair dealing could not succeed in this case. The decision was based on the fact that the photographs did not serve to show, as claimed, that Mr Al Fayed's statements were false. Accordingly, a fair minded and honest person would not pay for the dishonestly supplied stills and publish them knowing that they had not been published or circulated and when they were only relevant to facts which were already known. In view of the fact that the information could have been given in the text, the use of the stills was excessive. The Court commented that "to describe what *The Sun* did as fair dealing is to give honour to dishonour".

The Court went on to consider whether a court might restrict enforcement of copyright on grounds of public interest. Although the Act does not provide for a public interest defence as such, it does provide that the Act should not affect any rule of law restricting the enforcement of copyright on the grounds of public interest. The Court held that the court had an inherent jurisdiction to refuse to enforce copyright in circumstances where enforcement of the copyright would offend against the policy of the law. Those circumstances must derive from the work itself and not the ownership of the work.

The Court could not define precisely when those circumstances would arise. It drew a comparison

with the circumstances in which a public interest defence was available in actions for breach of confidence. In such actions the court weighs the public interest in knowing the truth against the public interest in maintaining the confidence. In copyright actions, however, the test is not one of balance: it is a question whether enforcement of copyright would offend against the policy of law. A court would not be able to enforce copyright if the work was, or incited others to act in a way which was, immoral, scandalous, contrary to family life, injurious to public health and safety or the administration of justice.

In this case the Court found that there was "no basis in law or logic" for the argument that the stills needed to be published in the public interest. *The Sun* could easily have made the information available without infringing copyright.

Lisa Cfas

Decision on the validity of unregistered design right

Disputes involving unregistered design rights rarely reach the High Court. A recent example is *Spraymiser Ltd v Wrightway Marketing Ltd* (unreported, 20 December 1999), although it is fair to say that this decision depended heavily on findings of fact and does not make particularly startling inroads into this area of law.

The claimants designed, marketed and sold household products. The defendants were a mail order company. They met in 1993 to discuss a joint venture to produce and sell a wood figure. The claimants subsequently developed a reconfigurable wood figure, "Mr Woody", and for a while the defendant bought these figures from them and sold them on by mail order. However, the defendants then approached another manufacturer, which they asked to produce Mr Woody figures for them.

The claimants sued for infringement of their unregistered design right. The defendants claimed that, at the 1993 meeting, they had brought with them an American model of a wooden figure, and that the

claimants had copied this and did not therefore own any design right in the figure. The claimants contended instead that the defendants had merely described a wooden figure to them in general terms.

Peter Leaver QC, sitting as a deputy High Court judge, allowed the claim. He held that the unregistered design right vested in the claimants. He was satisfied that the claimants had not had the American figure with them when they designed Mr Woody and that the design was "original" for these purposes.

The deputy judge also rejected the defendant's other contention that the design was "commonplace" and therefore unprotectable. The only evidence of similar models was the American model, and, since both models were designed to depict the human body, it was inevitable that similarities would exist between them. However, these similarities did not mean that the claimant's design was commonplace. If this had been the case, said the deputy judge, a large number of designs which were the result of original work would not be entitled to design right protection. In any event, he held, there were significant differences between the American model and that of the claimants.

Graham Burnett-Hall

Trade marks and passing off

Assessing the relevant audience for a passing off action

In *Topps Co Inc v Tom Hannah (Agencies) Ltd* (*The Times*, 14 February 2000), the Outer House of the Scottish House of Session stressed the importance of defining the relevant audience in a passing off action.

The pursuers (claimants) sold lollipops in over 60 countries, including Scotland. Their lollipops were housed in plastic containers, which could be clipped to pockets, with a removable lid which enabled the lollipop to be kept fresh and eaten in stages.

The defenders began distributing a lollipop in a clippable plastic container, which bore a removable lid. Both containers were almost identical in size and sold for the same price. However, there were differences: the pursuers' product had an opaque top, whilst the defenders' was transparent. Furthermore, at the bottom of the defenders' lollipop there was a concealed space containing a small toy. The labels and packaging of the two products also differed in some respects. There were no other similar products on the market in Britain.

The pursuers sued for passing off (and trade mark infringement) and were granted an interim interdict (injunction). The defenders now sought to have this lifted.

Lord Nimmo Smith said that, in order to ascertain whether the products were likely to be confused with one another, the court had to consider what impression the two products would make on a small child, faced with an array of confectionery before him. It was not appropriate for the court to make a minute, detailed, lengthy comparison of the two

products in the artificial setting of the court-room, in isolation of any other products. On this basis, there was a prima facie case of passing off, and the interdict should remain.

David Latham

Meaning of use of a mark "without due cause"

In *Premier Brands UK Ltd v Typhoon Europe Ltd* (*The Times*, 22 February 2000), Neuberger J had to construe the phrase "without due cause" in s 10(3) Trade Marks Act 1994.

Section 10(3) provides that:

"a person infringes a registered trade mark if he uses in the course of trade a sign which (a) is similar to the trade mark and (b) is used in relation to goods which are not similar to those for which the mark is registered, where the trade mark has a reputation in the United Kingdom, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character of the trade mark".

The claimant imported and sold tea under the trade mark "Typhoo" (described by the judge as one of the best known brands of tea in the UK). When the defendant began marketing a range of kitchen items under the mark "Typhoon", the claimant brought an action under s 10(3). The court had to decide, *inter alia*, the meaning of the words "without due cause". The defendant, which claimed it had chosen the name entirely on its merits, rather than because it was similar to the word *Typhoo*, argued that the words meant "good faith" or "for good and honest commercial reasons".

Neuberger J rejected the defendant's interpretation. The purpose of s 10(3) was to protect the value and goodwill of trade marks. It could not be right that the use of a sign for goods, which could in practice very seriously devalue the registered mark, could be immune from attack simply because the sign had been chosen innocently, ie with no intention of confusion. Such a construction, the judge continued, would encourage those choosing new brand names to do as little research into their chosen market as possible.

Rather, the alleged infringer had to discharge the burden of proving that he was using his sign "with good cause". The defendant had not done so in this case.

Caroline Clarke-Jervoise

"Companyline" rejected as Community trade mark

In *DKV Deutsche Krankenversicherung AG v OHIM* (Case T-19/99), the European Court of First Instance held that the sign "Companyline" was devoid of any distinctive character and should be refused registration under Article 7(1)(b) of the Community Trade Mark Regulation. The applicant had applied to register the sign in respect of insurance and financial affairs.

The Court commented that the sign was composed of two generic words, denoting a line of goods or services for undertakings. The mere coupling of the two words together, without any graphic or semantic modification, did not provide the minimum degree of distinctive character necessary to permit registration. As the sign was not capable of distinguishing the applicant's services from those of other undertakings, it was not capable of constituting a Community trade mark.

The Court confirmed that under Article 7(2), in order for the grounds for refusal to register to apply, it was sufficient that those grounds obtained in only part of the Community. In this case, the refusal to register was justified as the word "Companyline" was not eligible for protection in the English-speaking world.

Louise Zafer

CFI allows registration of shape of soap as CTM

On the subject of Community trade marks, the Court of First Instance has just (unreported, 16 February 2000) annulled a decision of the Community Trade Mark's Board of Appeal, which had rejected an application for registration of a three-dimensional mark.

The applicant (Procter and Gamble) had applied to register as a CTM a mark consisting of a 3D drawing of a bar of soap. The Board of Appeal had upheld the CTMO's rejection of the mark, on the ground that it consisted of the "form imposed by the nature of the product itself" and thus fell foul of the 1993 Community Trade Mark Regulation. The CFI disagreed, holding that the particular shape and grooves of the applicant's soap were not imposed by the nature of the product. This was borne out by the fact that there were other bars of soap on the market with different shapes and characteristics.

David Latham

VIAGRA trade mark dispute

At the end of 1999, an interesting (unreported) case involving the *VIAGRA* trade mark reached the High Court. *VIAGRA* is the trade mark used for the well-publicised, prescription-only drug used to treat impotence. Its active ingredient is sildenafil and the tablets are a distinctive blue diamond shape.

The second claimant (Pfizer Inc) is the registered proprietor of a UK trade mark and a Community trade mark for *VIAGRA*, in respect of pharmaceutical and veterinary preparations and substances. The first claimant (Pfizer Ltd) is a licensee under the UK registration, and is responsible for marketing the drug in the UK.

The defendant (Eurofood Link (UK)) is a UK company which apparently operate from Finland. It announced that it was to market in the UK and elsewhere a drink under the mark "Viagrene". The drink was blue, and was sold in a blue bottle,

whose label bore the word "Viagrene", together with a diamond device. It was to be marketed as an aphrodisiac.

The claimants sued for trade mark infringement and passing off, and obtained an interim injunction in early 1999.

At trial, Simon Thorley QC, sitting as a deputy High Court judge, dealt first with s 10(2) Trade Marks Act 1994. This makes it an infringement for someone to use in the course of trade a sign *identical or similar* to the registered mark in relation to goods or services identical or similar to those for which the mark is registered, provided there exists a *likelihood of confusion* by the public, *which includes the likelihood of association* with the registered mark.

The deputy judge held that s 10(2) required the court to consider the interdependence of the similarity of the marks and of the goods/services involved, together with the distinctiveness of the registered mark and its reputation, when determining whether the similarity was enough to give rise to a likelihood of confusion. The fact that, as in this case, the goods were relatively dissimilar did not alone remove the case from the ambit of s 10(2).

On the facts, the deputy judge held that the claims under s 10(2) and for passing off were made out. Furthermore, he made clear that he would, had he needed to, have found in favour of the claimants in relation to infringement under s 10(3). This makes it an infringement for a *similar* mark to be used for *dissimilar* goods, if the mark has a *reputation* in the UK and the use of the sign without due cause *takes unfair advantage of or is detrimental to, the distinctive character or repute* of the mark. Finally the deputy judge said that he would also have found in favour of the claimant in relation to the Community trade mark.

Caroline Clarke-Jervoise

Montblanc trade mark protected

On 1 December 1999, well-known pen manufacturer, Montblanc Simplo GmbH, succeeded in preventing a Taiwanese company from producing cheap copies of its luxury pens.

Montblanc's pens (which sell for between £65 and several thousand pounds) have a white six-point star emblem at one end, which they have registered as a trade mark in the UK. The defendant, Sepia Products Inc, planned to launch a visually identical range of pens in the UK with a five petal flower logo at the end, to be sold for between 50 pence and £100.

Montblanc sued for trade mark infringement and passing off, and obtained an injunction, and then undertakings, to the effect that the defendant would not sell their pens until trial.

At trial, the claimant produced no evidence of customer confusion, because the defendant's products were not on sale in the UK. It did, however, put in evidence from pen retailers who testified that they considered customer confusion likely.

There is always a problem proving a likelihood of confusion for trade mark infringement or passing-off where an allegedly infringing product is not yet on sale. Claimants sometimes prepare market surveys in an attempt to prove confusion, but judges are habitually suspicious of the possible "loading" of questions in such surveys and of the status of any expert analysis of the results. If a survey produces a result which varies with the judge's own perception, he is likely to disregard it.

As a general rule, it will be easier to prove confusion if the logos, markets and trade channels involved are identical or very similar. The defendant argued that the markets in which the pens were being sold (ie one luxury, one cheap) were so different that there was no possibility that anyone could be misled. As against this, the claimant argued that the public would believe that they, Montblanc, had launched a cheaper range.

The defendant's argument cut little ice with the judge (Boggis QC). He was unconcerned about the lack of evidence from prospective customers, and quite happy to reach his own conclusion that the Montblanc logo was distinctive and had a reputation in the UK, that the two logos were confusingly similar, and that confusion was likely to occur. Consequently, he found (*The Times*, 2 February 2000) that the claimant had established its claims in trade mark infringement and passing off.

The judge was unusually categorical, particularly on liability for passing off. However, this case is unlikely to establish a precedent to make it any easier for claimants to prove a likelihood of confusion, since each case is decided on its own unique facts.

Patrick Wheeler

Metro Wars

Jacob J had recently to adjudicate in two disputes between newspapers which wanted to use the name "Metro".

In the first dispute, the judge found in favour of Guardian Media Group, holding that it had the exclusive right to publish and distribute a newspaper in Manchester under the "Metro" masthead. The judge granted an interim injunction on the ground of passing off against Associated Newspapers using the name "Metro Northwest" for its free paper, notwithstanding that the latter owned a registered trade mark for METRO. Guardian's success rested on the fact that, for over 12 years, it had published a weekly newspaper in Manchester entitled "The Manchester Metro News". The word "Metro" was the most prominent word in the title.

The judge found that Guardian's newspaper had acquired a significant reputation. In so finding, he held that such goodwill could be localised in a way that Associated's trade mark was not. Even though the titles and mastheads of the rival newspapers differed, Jacob J considered that both newspapers would be referred to as "Metro", which was likely to cause substantial confusion amongst the public and advertisers.

In the second action, Associated sued a Swedish company (Modern Times Group) for trade mark infringement and passing off, following Modern's launch of a free newspaper entitled "Metro" in Newcastle. In reaching his decision, Jacob J placed great emphasis upon Associated's Metro trade mark. Associated had been distributing a free newspaper in London under this title since March 1999. He acknowledged that the idea of launching a free daily newspaper entitled "Metro" had in fact derived from Modern, which had launched the concept in Sweden in 1995. It had extended this concept in several European cities since then. Nevertheless, the judge considered that Modern had no protectable reputation in the United Kingdom.

The judge held that Modern had no defence to either claim and granted an interim injunction against the company. He accepted Modern's evidence that there was confusion amongst advertisers: this, he said, demonstrated why it was impossible to have two "Metro" newspapers. He considered that any damage which might be suffered was likely to be greater for Associated than Modern as Modern merely had to change its title. In fact there was evidence they were already contemplating doing this.

Diane Hamer

Patents

Court rules on scope of patent protection and insufficiency

American Home Products v Novartis (unreported, 10 December 1999) is an important decision on the law of the scope of patent protection and insufficiency.

AHP was the exclusive licensee of a patent for the discovery and use of rapamycin (a known antibiotic) as an immunosuppressant after transplant surgery. AHP claimed that Novartis' drug, which was a derivative of rapamycin, infringed the patent.

Laddie J looked in great detail at the scope of protection given by a patent. In this case the question was whether the patent was limited to rapamycin alone or whether it included derivatives which worked in the same way? Although the patent claims were expressed only in terms of the use of rapamycin, the judge did not believe that any reasonable, objective, person, skilled in the art, would have interpreted the patent as a whole as limiting the inventive contribution to rapamycin alone. Nor, he went on, had the patentee intended to restrict his monopoly to the use of a single chemical. To have done so would have rendered the patent virtually valueless.

Novartis argued that, if the patent were construed in this way, it would be invalid for insufficiency. This was on the ground that: (a) the claims covered a class, the scope of which was indeterminable; or (b) the patent did not identify any derivatives which fell within the class; or (c) the patent imposed a prolonged research programme on its addressee.

A patent specification must disclose the invention clearly and completely enough for it to be

performed by persons skilled in the art. However, Laddie J did not accept that precision in the scope of patent protection was always necessary. In this case, the technology involved made precision impossible. In pharmaceutical cases generally there was no way of predicting accurately which derivatives would work. This did not mean that a monopoly covering all rapamycin derivatives which did work would extend beyond the technical contribution of the patent.

The discovery of the use of rapamycin in this way had provided the key to a new class of immunosuppressants. The patent was not intending to cover all new immunosuppressants, but only those molecules which could be reached by virtue of the fact that rapamycin had shown the way. Finding all the working derivatives would be a lengthy process, but this alone did not render the patent invalid. The fact that the programme would take time was not an indication of insufficiency in the teaching of the patent. There was no inventiveness involved in finding useful derivatives nor did the amount of work impose an undue burden on those working in the field. The patent was valid and infringed.

Sarah Turner

Criteria on which foreign party may be joined to claim

In Allergan Inc v Sauflon Pharmaceuticals Ltd (unreported 2 February 2000), Pumfrey J had to consider whether a company outside the jurisdiction should be joined to an action in the English High Court.

The claimant owned patents relating to contact lens-cleaning materials. It sued the defendant, an English company, for patent infringement. The allegedly infringing products (lens cleaning tablets) were made by a company based in Spain and imported by the defendant into the UK. The claimant then applied to amend its claim so as to join the Spanish company as second defendant, on the basis that the parties were joint tortfeasors.

Pumfrey J dismissed the application. There had to be proper grounds for doing so before the court would expose foreign parties to the expense and inconvenience of litigation in England. The claimant had to show a good arguable case against the foreign party. In the instant case, there was nothing in the pleaded or underlying correspondence that went beyond an ordinary commercial relationship of seller and buyer so far as the tablets were concerned.

Furthermore, the judge went on, in order to show that there had been a common design, the claimant had to show not only that there had been an agreement between the defendant and foreign party, but also that they had taken a positive step in furtherance of it.

Caroline Clarke-Jervoise

Research and development

Draft Bill to encourage corporate venturing

The Government has published draft legislation to encourage "corporate venturing." This term is used to describe a range of mutually beneficial arrangements established between companies, one of which is usually much larger than the other. Under such an arrangement, the larger company (which may or may not be part of the same group as the smaller one) offers it financial or other assistance in return, for example, for a share of future profits or royalties.

Corporate venturing is particularly beneficial to high-risk start-up businesses or research companies which do not have the financial wherewithal to develop the findings of their research. It is common practice in the United States, and the Government believes that it could bring similar benefits to the United Kingdom.

The Government acknowledges, however, that a cultural change will have to take place for corporate venturing to become an accepted practice in the UK. Its draft legislation therefore contains tax incentives to "kickstart" this change. Companies which invest in growing companies for a specified period (probably three years) will receive corporation tax relief of 20%. In addition, they will be able to defer tax on any gain made on a corporate venturing investment which is reinvested in another new venture.

In order to benefit from these incentives, the gross assets of the company in which the investment is being made must not exceed £15 million immediately before investment (and £16 million immediately thereafter). Furthermore, the investing company will be limited to a maximum holding of 30% in the company in which it is investing.

The measures, which will apply to shares issued after 1 April, will be introduced in this year's Finance Bill. The draft legislation can be found at www.inlandrevenue.gov.uk/drafts/cvdraft.pdf.

Caroline Clarke-Jervoise

Miscellaneous

Lovells publications

In addition to its quarterly Intellectual Property newsletter, Lovells currently produces for clients a newsletter on computers, communications and media developments. We have also recently started sending electronically a monthly bulletin, which reports on issues relating to e-commerce and the Internet.

From April, we shall be replacing the Computers, Communications and Media newsletter with two separate publications. One will cover exclusively media and press developments (for example libel, contempt and misuse of confidential information). This will be sent out in hard copy every two months. The other will cover telecommunications and will be sent electronically every month.

If you would like to see a copy of any of these existing or forthcoming publications, please contact Paul Grgic in our Business Development department, either by telephone (0171 236 0066) or by e-mail (paul.grgic@lovells.com).