

Newsletter
April 2003

Intellectual property

In this issue

Major items of interest

- 1 Internet Cafe's CD burning service infringes copyright
- 3 Who owns a trade mark when a partnership dissolves?
- 4 Further guidance on repackaging of parallel imported goods
- 6 At last - a Community Patent on the horizon
- 9 The Netherlands Court of Appeal interprets Database Act widely

Special focuses

- 12 EU enlargement and the Community Trade Mark
- 15 Protection of spare parts as Community Designs

Lovells' Intellectual Property practice advises, in the context of European Union, English, German, French, Italian, Dutch, Polish, Czech, Slovak, Croatian, Russian, Chinese (PRC mainland and Hong Kong), Singaporean, Vietnamese and international law (including WTO issues), in relation to all areas of intellectual property: trade marks, patents, design rights, copyright, and rights arising from IT, new technologies and the media such as the press and Internet. We also advise our clients in the fields of entertainment and the arts. Many of our lawyers have a scientific background, enhancing their understanding of the technical and commercial issues involved.

We can help with litigation and alternative dispute resolution and with the negotiation and formation of commercial agreements. We carry out audits of technology and intellectual property rights for the purposes of investment and company flotations.

In protecting the intellectual property rights of our clients we act at all levels, from advising on, applying for, registering and enforcing rights through to devising strategies and the investigation of infringement and counterfeiting activities. In addition, we act in structuring, negotiating and drafting licences and technology transfer transactions and have considerable experience in IP disputes before the Industrial Property Offices and in IP litigation before the courts, especially in cross-border or multi-jurisdictional disputes.

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

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

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

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

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

Robert Anderson (London)
Burkhart Goebel (Hamburg)
Winfried Tilmann (Dusseldorf)
Matthias Koch (Munich)
Milan Chromecek (Paris)
Francesca Rolla (Milan)
Bert Oosting (Amsterdam)
Verena Von Bomhard (Alicante)
Olga Bezroukova (Moscow)
Henry Wheare (Hong Kong)
Douglas Clark (Beijing)

With internationalisation of the world's market place, intellectual property proprietors increasingly require advice on legal matters that involve many jurisdictions. With our global spread and close relationships with law firms and intellectual specialism in all jurisdictions Lovells provides a fully integrated and seamless service on questions affecting intellectual property in a cost effective and efficient manner.

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

Copyright

Internet Cafe's CD burning service infringes copyright

In *Sony Music Entertainment (UK) Ltd v Easyinternet Cafe Ltd*¹, the High Court concluded that a CD burning service offered by an Internet cafe infringed the copyright in the material burned onto the CD, if the owner of that copyright had not licensed the cafe to make a CD recording of its work.

The case involved an Internet cafe operator, Easyinternetcafe, which offered a service enabling customers to download material from the Internet into a private file and then ask the Internet cafe staff (for a fee) to download the material from their file onto a recordable CD. Easyinternet's staff were prohibited from looking at the contents of the files unless the customer consented.

The claimants, Sony and others, claimed that Easyinternet's customers were, without their permission, downloading sound recordings from the Internet and that, in burning these recordings on to a CD, Easyinternet was infringing their copyright. Easyinternet agreed that their customers would infringe copyright if they downloaded material in an unauthorised way and copied it, but denied that Easyinternet, by burning the CDs, infringed any copyright. It argued that the CD burning service was not necessarily used for unauthorised copying of material and that as its staff could not look at the contents of a customer's file when burning its contents onto the CD, Easyinternet could not know whether they were infringing copyright.

The judge, Peter Smith J, ruled that, on the balance of probabilities, Easyinternet's customers were downloading material from the Internet in an

unauthorised way, and since liability for infringement under the relevant copyright infringement legislation was strict, it was no defence for Easyinternet to claim that they did not know what they were burning on to the CDs. Furthermore, even if Easyinternet had been able to show that they were copying authorised material for the purpose of private or domestic use so as to provide a defence, the cafe's commercial gain (through charging a fee for the CD burning service) in copying the material ruled out this defence.

Richard Dickinson, London

Court of Appeal rejects appeal over joint authorship

In our August 2002 issue, we reported on Bobby Valentino's successful claim to joint authorship in the song "Young at Heart". He had claimed to have written the violin part for the 1984 recording by *The Bluebells* of the song and to be entitled to a share of royalties from 1993. The trial judge held that he had a 50% interest in the music copyright and that in 1993 he had successfully revoked the initial implied licence granted to the defendants to exploit his work. He was therefore entitled to royalties from 1993.

The first defendant, a singer with *The Bluebells*, appealed and the Court of Appeal has recently dismissed the appeal². On the defendant's first argument, namely that the claimant was estopped from revoking the licence as it was harmful to the defendant's reputation as a songwriter and that the claimant had delayed in asserting his copyright, the

1. The Times 6 February 2003.

2. *Beckingham (aka Valentino) v Hodgens*, unreported, 19 February 2003.

Court of Appeal emphasised that estoppel could only be allowed where "it would be unconscionable for the other party to be permitted to deny that which he has allowed or encouraged the first party to assume to his detriment". On the facts there was no such detriment to the defendant.

On the second contention in the appeal, that for joint authorship of a work under the relevant Act here had to be a joint "intention" by the authors, it was held that there was only a requirement for a "common design" between authors to give rise to joint authorship of a work, which did not necessarily require an intention for there to be joint authorship.

Richard Dickinson, London

Trade marks

Who owns a trade mark when a partnership dissolves?

In *Byford v Oliver*³, the High Court had to decide who had the right to use the name "SAXON" for their heavy metal band. In the late 1970s, the applicant (Peter Byford) and the respondents (Graham Oliver and Steven Dawson) set up (with others) a heavy metal band called "SAXON". The respondents left the band in 1985 and 1995 respectively and were replaced by other musicians. The band continued to perform and issue records under the SAXON name and the applicant continued to be a member of its various manifestations. The respondents continued to perform as heavy metal musicians in another band which incorporated "SAXON" in its name.

In 1997, the respondents applied for and obtained a trade mark registration for the SAXON mark for a wide range of products and services, including "records, the presentation of live performances, musician services and the production of live shows". They then wrote to the applicant, telling him that he was not entitled to use the SAXON name for his band and threatening to sue if he did so.

He responded by seeking a declaration of invalidity of the registration on the grounds of Sections 3(6) and 5(4)(a) of the Trade Marks Act 1994. Section 3(6) precludes registration of marks applied for "in bad faith", while Section 5(4) precludes registration of marks whose use could be prevented by virtue of:

- (i) any rule of law (in particular passing off) or
- (ii) an earlier right (in particular copyright, design right or registered designs).

The Trade Marks Registrar dismissed the application and the applicant appealed. At the appeal, the respondents contended that they had registered the mark "in good faith on behalf of the original partnership".

Laddie J allowed the appeal. In the absence of a special provision in a partnership agreement, the partners had an interest in the realised value of the partnership assets. On dissolution of the original partnership in 1985 when the first respondent left, he and all the other partners were entitled to ask for the partnership assets to be realised and divided between them in accordance with their respective partnership shares. However none of them owned the name SAXON or the goodwill built up in it. The situation was the same when the second respondent left in 1995.

For the purposes of Section 5(4), the applicant had to show that, at the time of the application to register, the normal use of the mark by the proprietor would be liable to be prevented by passing off proceedings brought by someone else. On the facts of this case, he was entitled to rely on this provision. Furthermore, he had established "bad faith" for the purpose of Section 3(6): the respondents had obtained registration of SAXON even though they had no existing title to it and had done so in order to interfere with the rights of others who had consistently used the mark.

Doris Myles, London

3. Unreported, 25 February 2003

Further guidance on repackaging of parallel imported goods

In our June 2002 issue, we reported on a ruling by the European Court of Justice on the legality of repackaging and relabelling of pharmaceutical products by parallel importers. Laddie J had referred a number of questions to the ECJ in the course of trade mark proceedings brought by a number of pharmaceutical companies. The defendants had bought pharmaceutical products marketed by the claimants (or with their authority) in various EU Member States. Before reselling them in the UK, they had relabelled them with stickers placed over the original packaging or repackaged them in new packaging bearing the claimants' respective trade marks.

To recap, these are the main points from the ECJ's ruling:

- (a) Any repackaging or relabelling carries the risk of damage to the trade mark, but the trade mark proprietor can only oppose this if it partitions the market.
- (b) Repackaging and relabelling will only be allowed where "necessary". This could be the case, for example, where national rules on packaging require it or also if "there exists in the market or a substantial part of it "...such strong resistance from a significant proportion of consumers to relabelled pharmaceutical products that there must be held to be a hindrance to effective market access...". Repackaging to overcome consumer resistance to use of the original non-UK packaging or over-stickered packaging can therefore be acceptable.
- (c) The parallel importers must give sufficient prior notice of their intentions to the trade mark owner to allow it a reasonable time to react.

Laddie J has now applied that guidance to the facts of the cases⁴. It was, he said, still the case that a trade mark owner could only interfere with the parallel importation of his own goods if necessary to protect the subject matter of his trade mark rights. However, there was a presumption that repackaging the goods

in replacement boxes *would* prejudice that subject matter. Even if the repackaging did not adversely affect the quality of the goods or the trade mark's function as an indication of origin, prejudice or damage to the subject matter of the mark would be presumed. Any repackaging would therefore only be acceptable if it inflicted minimum collateral damage on the mark and was as unobtrusive as possible.

This presumption did not, however, apply to products whose original packaging had simply been over-stickered or relabelled by the importer. In this case, the proprietor could only object where he could prove that this had caused his trade mark rights real harm.

In relation to the repackaging of some of the products in the present case, the defendants had gone too far. For example, they had included their own trade marks on the new packaging more prominently than the claimants', which reduced or even eliminated the claimants' connection with the product and emphasised (in a way which was not necessary either to meet market acceptance or to meet any regulatory requirements) the importer's association with the product. The judge therefore held that the defendants had infringed various of the claimants' trademarks.

Stephen Bennett, London

When is a trade mark "identical" to another sign or mark?

Article 5(1)(a) of the Trade Mark Harmonisation Directive⁵ entitles the proprietor of a registered trade mark to prevent third parties without his consent from using in the course of trade "any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered".

In *LTJ Diffusion SA v Sadas Vertbaudet SA*⁶, the ECJ had to define "identical" in Article 5(1)(a). The claimant was the registered owner of a trade mark

4. *Glaxo Group Ltd v Dowelhurst*, The Times, 28 February 2003.

5. 89/104 EEC, (OJ L40, 11.2.89 p1).

6. The Times, 26 March 2003.

depicting the word "ARTHUR" as a handwritten signature with a dot between the two sloping sides of the letter A. The defendant had registered the mark "ARTHUR ET FELICIE". Both marks were registered for clothing and footwear in class 25.

The claimant sued the defendant for trade mark infringement. It was accepted that the claimant and defendant sold "identical" goods for the purposes of Article 5(1)(a), but the defendants argued that their sign was not "identical" to the claimant's.

The ECJ said that, under Article 5(1)(a), the claimant did not have to show any confusion between the marks. A sign would be "identical" with the registered mark where it reproduced, without any modification or addition, all the elements constituting a trade mark or where, viewed as a whole, it contained differences so insignificant that an average consumer might not notice them.

It is now up to the national court (in Paris) to decide whether, on this basis, the defendant's sign infringed the claimant's registered mark.

Doris Myles, London

WWF dispute limps on

In previous issues we have reported on the dispute between the World Wide Fund for Nature and the World Wrestling Federation. This culminated in an injunction preventing the Federation (and its agents and licensees) from using the initials "WWF" to describe its business. Since then a peripheral issue has been before the courts, involving one of the defendant's licensees.

THQ/Jakks Pacific LLC was licensed by the Federation to use the WWF logo in video games. The logo was embedded into the computer programming code of the games, and it was impossible for practical purposes to reprogramme the games so as to eliminate all references to the logo from the game. Anxious not to be held liable for contempt under the injunction against the defendant, the licensee sought a declaration that the continued marketing of its video games neither

breached the earlier order of the court, nor constituted a contempt of court.

The judge held that the injunction imposed an absolute obligation on the defendant to discontinue all use of the logo by licensees, or that the agreement on use of the mark empowered it to require its licensees to do so. On either view, he ruled, the applicant's continued use of the logo would involve a breach of the order by the defendant, which would be aided and abetted by the acts of the licensee. The licensee appealed.

On 27 February, the Court of Appeal allowed the licensee's appeal⁷. It held that the injunction imposed obligations on the defendant, but no-one else. Its effect was to restrain the defendant from authorising or causing the doing of the prohibited acts by licensees *in the future*; but not to make it absolutely liable for actions of licensees under existing agreements.

The court continued that this did not mean that the defendant had no responsibility in terms of its licensees' acts. The injunction contained an implied term requiring the defendant to take whatever steps were in its power to prevent its independent contractors from performing acts which, if they had been performed by the party enjoined, would breach the injunction. However, there was no evidence that the defendant had failed to exercise such powers as it had.

Caroline Clarke-Jervoise, London

⁷. Unreported.

Patents

At last - a Community Patent on the horizon

It appears that finally, nearly 30 years after it was first proposed, the Community Patent system is to become a reality. The idea of a single patent, valid throughout the European Union, was first proposed in 1975, although it was not until August 2000 that the European Commission adopted a proposed Regulation on the subject. Since then, progress has been hampered by arguments between EU Member States over two main issues: the appropriate language of applications and the court(s) with jurisdiction to deal with infringement and validity of Community Patents.

At last, in March 2003 at the Competitiveness Council, EU Ministers agreed on the main principles of a Community Patent regime, the most important of which are as follows:

1. The new right will extend to any new countries joining the EU in the future (see focus below on enlargement).
2. If a Community Patent is successfully challenged and found invalid in one EU jurisdiction, it will be invalid across all EU Member States.
3. The initial application must be made in English, French or German. Once granted, the Community Patent will have to be translated into the other two languages. The claims must (at the applicant's expense) be translated into all Member States' languages, although the granted patent will be valid irrespective of the availability of translations of the claims. (It is estimated that translation costs will increase the cost of obtaining a Community Patent from around €10,000 to €25,000).

4. The initial novelty search will be undertaken either by national patent offices or the European Patent Office. However, the EPO alone will be responsible for examination of applications and the grant of the patents.
5. Litigation over the patent will be conducted in the language of the defendant.
6. The European Court of Justice will have exclusive jurisdiction in actions in relation to the patent. A new court for the Community Patent will be established in Luxembourg in 2010, which will hear cases at first instance - the Community Patent Court, and at second instance as part of the Court of First Instance of European Communities. The judges will be appointed on the basis of their expertise.
7. Interim measures will be adopted whereby cases will be heard in national patent courts before the establishment of the Community Patent Court. (This is proving to be a particularly difficult area on which to reach political agreement and negotiations are ongoing).

It seems that the new system for of the Community Patent will make enforcement simpler and cheaper. The same will apply to revocation actions where a potentially infringing company will be able to conduct a single European action. However, if a Community-wide patent is revoked, the protection is lost across the entire European Community and until the Community Patent Court establishes a track record, users may be sceptical about placing "all their eggs in one basket". On the other hand, the costs of obtaining a Community Patent with its broad territorial protection are likely to be less than the cost of applying for a European patent designating eight countries or more Applicants for patents are likely to use the Community Patent system as soon as it is available where broad

territorial protection is required and/or in industries where enforcement is not common place.

Under EU procedure, the next stage is for the Council to agree and adopt the text of the proposed Regulation. It remains to be seen what the procedural rules of the Community Patent Court will be.

All being well, the Community Patent system should be up and running in 2006. We have considered the pros and cons of the new regime in a number of previous issues and will report on future developments as they take place.

Alexandra Shield, London

Irish Sea Ferry does not infringe patent

The Court of Appeal⁸ has affirmed the Patents Court decision in *Stena Rederi Aktiebolag v Irish Ferries Ltd* that a ship entering UK territorial waters on a daily basis is exempted from infringement because of the "temporary" nature of its entry into the UK.

As we reported in our June 2002 issue, the Patent Court ruled that a UK patent for the structure of a high speed catamaran would not be infringed by a ferry made to that design travelling between Ireland and the UK. The high speed ferry in question, owned by the defendant, operated on a route between Ireland and Holyhead. The ship's regular journey meant that it would enter the United Kingdom's territorial waters and remain there for about three hours on each journey before returning to Dublin.

The court had to decide whether this could be said to come within the exception to infringement in Section 60(5)(d) of the Patents Act 1977. This provides that the use, *exclusively for the needs of a relevant ship, of a product or process in the body of such a ship ... in the case where the ship has temporarily or accidentally entered into the internal or territorial waters of the United Kingdom* does not

amount to infringement. Although the ship was intended regularly to enter into UK territorial waters and to be there for a period of several hours on each trip with three-four trips each day, the court in the first instance held that this was a "temporary" entry into the UK territorial waters - the regular and scheduled nature of the entry into the territorial waters did not detract from the fact that each instance was temporary (as opposed to "permanent").

The Court of Appeal agreed. In support of its decision, it relied extensively on extracts from the *travaux preparatoires* for the Paris Convention (on which section 60(5)(d) is based) and on a US case⁹, where the court interpreted the same provision of the Paris Convention in relation to regular scheduled entry into the US by Japanese airliners and came to the same conclusion on the meaning of "temporary". The Court of Appeal also agreed that the patent was valid and would have been infringed but for Section 60(5)(d).

Stephen Bennet, London

Smithkline Beecham plc v Apotex Europe Ltd

The High Court has given another ruling¹⁰ in a long-running patent dispute between Synthon BV and SmithKline Beecham ("SKB"). In the underlying claim, Synthon sought to revoke SKB's existing patents for the chemical composition, process and application of paroxetine methanesulphonate ("PMS"). PMS has important medicinal uses in countering depression and Parkinson's disease.

The High Court had earlier revoked one of SKB's UK patents for PMS (the "patent in suit"), for lack of novelty. The court held that an earlier patent application, by Synthon, which related to the preparation and use of a wide class of compounds including PMS, which had been filed, but not published, before the priority date of the patent in suit had anticipated the invention of PMS and gave sufficient information on how to make it. The court

8. Unreported, 13 February 2003.

9. *Cali v Japan Airlines Inc* 380 F.Supp 1120 (1974).

10. Unreported, 14 February 2003.

however stayed the revocation order pending the determination of any appeal to the Court of Appeal.

In the current application, SKB sought to amend the patent in suit by removing claims relating to pharmaceutical compositions and processes of PMS that were not tied to a crystalline form, as well as "swiss-style" claims on the use of PMS in the preparation of medicines.

SKB had earlier applied for a second UK patent on PMS (the "second patent"), which contained claims covering pharmaceutical compositions that contained either PMS or crystalline PMS. The Patent Office had objected to the second patent on the ground that it overlapped with the patent in suit-double patenting. One of the effects of allowing the amendment to the patent in suit might be that it would result in the Patent Office withdrawing its objection to the grant of the second patent. However SKB failed to mention this in its reasons for the amendment.

Synthon objected to the proposed amendment on the grounds that there had been material non-disclosure by SKB, as the overall effect of the proposed amendment would be to transfer the second group of claims to another patent (the second patent). SKB denied that there had been any suppressed or undisclosed reason for making the amendment, but that even if there had been, that would not in law justify the refusal of the amendment sought.

Jacobs J allowed the amendment. He held that:

1. the court would not usually refuse an application in a patent action for a deleting amendment, unless it would result in an abuse of monopoly in the case of a claim which was known to be invalid
2. the court in this case had to consider whether SKB had done anything blameworthy
3. on the evidence SKB was only trying to obtain the best patent position that it could get and had not done anything blameworthy.

This latest decision gives an insight into the court's interpretation of the overriding objective in the Civil Procedure Rules of "dealing with cases justly" when

dealing with deleting amendments for patent claims. Essentially it now seems that the major factors that the court will consider are whether an abuse of monopoly would result or if the applicant has done anything sufficiently blameworthy to justify refusal of the application. The judge's approach also seems to indicate that the onus to prove that such application, once it is made out, should be refused, is on the respondent.

Simon Harper, London

Overseas developments

The Netherlands Court of Appeal interprets Database Act widely

The Leeuwarden Court of Appeal recently had to decide whether a newspaper, or more particularly a particular section of a newspaper, could be regarded as a database within the meaning of the Netherlands Database Act. If so, then the newspaper's publisher (as its "producer" within the meaning of the Act) would be entitled to prevent third parties from reusing all or substantial parts of it without consent.

Hunter Select BV owned the website *www.nationalevacaturebank.nl*. Wegener was a newspaper publisher. On its website, Hunter offered a large number of advertisements for job vacancies, some of which were copied from Wegener's newspapers without giving the source of its data. Hunter copied the essential parts of the advertisements, that is, the position being offered, parts of the job description, salary, employer and the name and telephone number of the contact person. Wegener took the view that this infringed its database rights, and so it brought summary proceedings against Hunter, asking the court to enjoin it from further copying these data.

The Groningen District Court ruled that only data collections which could be considered as *works of reference* qualified as databases within the meaning of the Act. According to the Act, databases consist of data which are individually accessible and which are systematically or methodically arranged. The court decided that a newspaper did not meet this requirement, since the way in which the information was arranged was primarily meant to make the newspaper clear and easily readable to its readers. The various articles or ads were not arranged in

such a way that the newspaper could easily be used as a work of reference. Scanning the entire newspaper therefore did not, the court ruled, infringe the Act.

Wegener appealed and on 27 November 2002, the Leeuwarden Court of Appeal reversed the earlier court's decision and granted an injunction. In its view, the requirement that the data had to be individually accessible could already be met by the insertion in the newspaper of an index to the ads (as Wegener had indeed done) since the Act did not require that the data also had to be accessible *quickly and efficiently*, and that some modest form of arrangement or structuring (as is the case with newspapers) would do.

Some commentators have welcomed this decision, although others feel that the court has extended the legal concept of what may be considered a database beyond the scope envisaged by the Database Directive.

Bettine Meijer, Amsterdam

Italy - protocol to protect quality foods and agricultural products

On 29 January 2003 a joint protocol was adopted by the Italian Ministry for Agricultural Policies and the Chairman of Unioncamere (the Union of Italian Chambers of Commerce), aimed at improving the promotion and protection of Italian quality foodstuffs and agricultural products.

The protocol requires the Chambers of Commerce to co-operate with the Ministry to take adequate

action to assist companies in the food and agriculture field.

Key actions envisaged are the following:

- the selection of products eligible for Community protection as designation of origin (PDO) and geographical indication (PGI) under Council Regulation 2081/92 and the assistance to companies in pursuing the relevant procedures
- the identification of products which should be protected through national collective trade marks, under Article 2 of the Italian Trade Mark Act¹¹
- the adoption of other types of quality certifications for those products which, due to their features or to commercial reasons, are not eligible for other forms of protection.

At present, Italy, with more than 121 Italian foodstuffs and agricultural products protected as PDOs or PGIs, comes second only to France (with 132 registrations). Hundreds of products are protected through national collective trade marks, which are granted to associations entrusted with the task of guaranteeing the origin, nature and quality of certain products and are then licensed to producers and traders complying with the quality standards set by the association.

The number of PDOs, PGIs and collective trademarks is likely to increase considerably as a result of the actions of the Chambers of Commerce: indeed, it is expected that more than 200 products will obtain Community or national protection in 2003.

Francesca Rolla, Milan

Challenge to US copyright term extension fails

In our December 2002 issue, we reported that the US Supreme Court was to hear a challenge to the constitutionality of the 1998 Copyright Term Extension Act. A cyber-publisher, Eric Eldred, was contending that Congress had exceeded its

authority when it extended the term of federal copyright protection from the author's life plus 50 years to the author's life plus 70 years.

In a seven-two ruling, the Supreme Court has ruled that the legislature *did* have the power to extend the duration of copyright protection. It held that Congress had a wide discretion when allowing repeated delays on the point at which copyright works entered the public domain.

Importantly, the ruling will have retrospective effect, with the result that material in which copyright has expired may now be protected by copyright again.

Lindy Golding, London

Software to sanitise movies enrages US film directors

A software program which permits the digital alteration of movies has provoked a flurry of legal actions in the US. "MovieMask", designed by Breck Rice, enables users to make movies more family-friendly, for example, by superimposing clothing over naked actors, or replacing swearing with innocuous words. MovieMask staff scan films frame by frame, and then create templates, or "masks," which skip certain frames as the viewer wishes. These masks can be downloaded from the Internet and run on a desktop or laptop computer while the movie plays.

The program has pitched film studios and directors, who argue that they alone have the right to edit their works, against video stores and parents, who welcome the development. The owner of "CleanFlicks" video store in Colorado, which rents out and sells sanitised DVDs and videos, kicked off in August 2002 by launching proceedings for a declaration that the editing practices are protected under federal copyright law. This prompted a countersuit based on copyright by the Directors Guild of America against video stores which stock the edited films and software companies that do the editing. Since then other software designers (some of whose products do not alter the underlying film but merely produce the facility to skip or mute

11. Royal Decree 929/42 as amended.

"offensive" content) have joined the fray, as have the main Hollywood studios, which allege that the practice also infringes their trade marks.

Caroline Clarke-Jervoise, London

Special focuses

EU Enlargement and the Community Trade Mark

Enlargement of the European Union will very soon become a reality. Signature of the Accession Treaty by 10 candidate countries is scheduled to take place in Athens on 16 April 2003, and its entry into force envisaged for 1 May 2004, provided that no problems arise in the ratification process.

The 10 countries acceding at this stage of the enlargement process are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. As of the date of accession, new applications for Community Trade Marks ("CTM"s) will cover the entire - enlarged - European Union, and all current provisions relating to CTMs will apply equally throughout the European Union. In other words, CTM applications filed after the date of accession will be examined taking into account all EU languages, and oppositions can then be brought on the basis of earlier rights existing in any of the 25 Member States.

In relation to the impact of EU enlargement on existing CTM registrations, pending applications and applications yet to be filed, the draft Accession Treaty deals with this by inserting a new Article 142a into the Community Trade Mark Regulation¹² (CTMR). Below, we explain the practical consequences of this new (albeit still in draft) Article, which is likely to become law.

1. EXISTING CTMS AND PENDING CTM APPLICATIONS: AUTOMATIC EXTENSION

For owners of registered CTMs and CTM applications currently pending, EU enlargement

brings first of all good news; their CTMs will automatically extend to the new Member States as from the date of accession. No action or payment of any additional fee will be required. CTM owners will be able to claim seniority for identical national registrations which they might possess in an acceding country dating from before accession. In other words, CTM owners will then have protection in 25 rather than 15 countries at no additional cost.

2. EXTENDED COMMUNITY TRADE MARKS AND EARLIER NATIONAL RIGHTS

Conflicts with confusingly similar earlier national trade marks, trade names or other rights protected under the national laws may of course arise. Article 142(a) solves these by providing that the CTM owner can be prohibited from using the CTM in the country in question. However, the owner of the conflicting right cannot request cancellation of the CTM. This means that an important exception to the "all-or-nothing" rule otherwise applying to the CTM is being introduced, although this is not quite as revolutionary as it might appear at first sight. Owners of earlier national rights can already choose to prohibit only the use of the CTM in the country where the right exists, and not to opt for cancellation of the CTM altogether. The compromise found in the Accession Treaty between the interests of the owners of IP rights in the acceding countries on the one hand and CTM owners on the other therefore has a precedent in the current CTM system. The difference is that the owners of rights in the acceding countries do not have a choice between cancellation and "only" prohibiting the use.

With regard to pending CTM applications, the owners of earlier rights in the acceding countries can oppose these only if they were filed during

12. 40/94 (OJ L 11, 14.1.94 p1).

the last six months prior to accession, that is, on or after 1 November 2003. This is therefore an important deadline to note, and CTM applications that are being considered should be filed before this date, so as to avoid oppositions from the additional 10 EU Member States. An earlier priority date will not help; the filing date is decisive.

3. BAD FAITH APPLICATIONS

One of the issues discussed throughout the accession process has been and still is the risk of bad faith applications made to prevent market access into the accession countries, often with the ultimate aim of obtaining payment in return for market access. The current draft of the Accession Treaty provides that an earlier national right can only be invoked in oppositions against CTM applications filed during the six months before the date of accession, or held against the use of the CTM in the acceding country in question, if it was acquired in good faith. The important questions will be how the national courts in the acceding countries and the OHIM will interpret the concept of "bad faith", and who bears the burden of proof. The national courts will have to deal with this in the event of infringement actions brought in an acceding country against the use of an extended CTM, and the oppositions mentioned above will be heard by OHIM.

There is as yet little guidance on the interpretation of "bad faith", a concept that exists also as a ground for cancellation of trade marks under the European Harmonisation Directive¹³ and under the CTMR. The formula applied by OHIM to define bad faith in cancellation cases is vague: bad faith is said to be the opposite of good faith and generally implies some "sinister motive" or "dishonest intention".

The European Court of Justice has not yet interpreted bad faith in a trade mark context. The *Gorgonzola* decision of 14 July 1992¹⁴ contains some deliberations on "good faith" under Council Regulation 2081/92, but this deals with the conflict between geographical

indications and trade marks, which is different in nature. It is, however, likely that the mere existence of the CTM prior to accession and possible knowledge of this by the owner of the younger national right in an accession country alone will not suffice. Bad faith requires something more, such as an intention to take unfair advantage of the goodwill attached to the CTM, or to obtain unjustified financial advantages. This additional element is what OHIM means by "dishonest intention".

In Article 142(a) (draft), acquisition in good faith is a positive requirement for prohibiting the use of extended CTMs in an acceding country or opposing CTM applications under the special circumstances commented on above. One could therefore be led to assume that the burden of proof that bad faith is not involved falls on the person holding a right in the acceding country. However, this is not the general understanding. In fact, OHIM, in its bad faith case study of 31 January 2003¹⁵, states that the burden of proof will usually be on the party asserting bad faith. A compromise solution that is likely to find some approval would be to put the initial burden of proof on the CTM owner, but once prima facie evidence has been submitted that the other party may have had knowledge of the CTM, the burden shifts to that party who should then prove that the national right was actually acquired in good faith.

In any event, given the uncertainties involved with bad faith, trade mark owners are recommended to revisit their trade mark portfolio with a view to identifying whether they have protection for their marks in the acceding states and if not, secure protection prior to accession either through national filings or international registrations, where available.

4. ABSOLUTE GROUNDS FOR REFUSAL

Absolute grounds for refusal applicable in an acceding country cannot affect existing CTM registrations and applications filed before the date of accession. After accession, however, and as stated earlier, all CTM applications will be examined with a view to the entire EU territory

13. 89/104/CEE.

14. (Case C-87/97 *Consorzio per la Tutela del Formaggio Gorgonzola/Käserei Champignon Hofmeister GmbH & Co. KG*).

15. (Published on the OHIM website at <http://oami.eu.int>).

including the new Member States. While examination on the basis of additional languages may result in a slight delay, at least initially, we do not believe that refusals issued on the grounds of CTMs being descriptive in, say, Polish or Slovakian, will be of much practical relevance. However, the stakes to overcome absolute grounds for refusal will become noticeably higher in the event of non-traditional trade marks, in particular shape and colour marks, which would only be accepted on the basis of acquired distinctiveness under Article 7(3) CTMR. In such cases, applicants will have to deliver conclusive evidence proving extensive use of the trade mark in 25 instead of the current 15 Member States. Potential applicants for marks whose inherent distinctiveness might not be accepted by OHIM are therefore well-advised to file their applications before accession, that is, before 1 May 2004.

5. CTMS AND CONVERSION

From the date of accession, the provisions on conversion (Articles 108-110 CTMR) will also apply in relation to the acceding countries. These allow the conversion of rejected or withdrawn CTM applications or CTMs that have lost their effect into national applications. The acceding countries must adopt provisions in their national laws allowing for such conversion claims. Generally, conversion of a former CTM or CTM application into a national application will confer on the latter the filing or priority date of the CTM application, see Article 108(3) CTMR. Yet for the acceding countries, these provisions have to be interpreted in accordance with Article 142a(1) CTMR: as the relevant date for the automatic extension of CTMs and CTM applications is the date of accession, this will be the effective date given to national applications resulting from conversion of extended CTMs in the acceding countries.

6. LANGUAGE REGIME

OHIM's official languages - English, French, German, Italian and Spanish - will remain unchanged. Applications can be made in all official languages of the European Union, which are currently 11 and will be 20 or 21 after accession. The additional languages will be

Czech, Estonian, Hungarian, Latvian, Lithuanian, Maltese, Polish, Slovak, Slovenian, and possibly Turkish as the second official language of Cyprus. Moreover, as CTM applications must be published into all EU official languages, all publications of CTM applications made after accession will require translation into all languages. This may lead to a considerable delay in the application process, as all translations are prepared centrally in Luxembourg. The birth of the CTM in 1996 was somewhat marked by major delays caused by the translation service, and the same can be expected now, bearing in mind, in addition, that Luxembourg has much less experienced and trained personnel for the languages of the acceding countries than it had for the "old" Member States in 1996. We should, however, mention that translation also has its good sides for the CTM owner, as it will much facilitate later enforcement in all Member States if the registration certificate is available in the language of all of these.

7. THE CHALLENGE FOR OHIM

Enlargement will result in substantial additional costs for OHIM, resulting in particular from translations and national searches. In fact, quite clearly the current costs will double. At the same time, significant additional revenue through accession is not expected, as filings from the states of accession up to date have been rather negligible, and the CTM does not become that much more attractive because of the EU covering a larger territory. The Office is making substantial efforts to increase efficiency, and the EU Commission has proposed to abolish the search system, which would go a long way to solving the problem. As this, however, seems politically difficult to achieve, it is possible that eventually the OHIM will be compelled to raise its fees.

Verena von Bomhard, Constanze Schulte, Alicante

Protection of spare parts as Community Designs

In this "Special Focus", we explain how spare parts can be protected as "Community Designs" (CDs) under the recent Council Regulation on Community Designs¹⁶.

"Spare parts" are referred to in the Regulation as component parts of "complex" products, a complex product being defined as one which is composed of multiple components which can be replaced, permitting disassembly and reassembly of the product. Examples of such complex products are printers, photocopiers, cars, aeroplanes and computers.

In principle, designs for component parts of complex products can be registered and enforced under the Regulation. However, in practice some types of components can be neither registered nor protected, while others are registrable but can only be enforced in limited circumstances.

The first important distinction is between visible and non-visible component parts:

- Non-visible component parts of a complex product are not eligible for protection or registration as a CD.
- Visible component parts of complex products are eligible for protection and registration, unless the design is solely dictated by technical function or by the need to fit together with another product to enable either product to perform its function.
- Even where a visible component part is eligible for protection and registration under the above rules, the rights cannot be enforced against third parties who are using the design in relation to the repair of the complex product so as to restore its original appearance.

1. NON-VISIBLE COMPONENT PARTS

Article 4 of the Regulation sets out the requirements for protection, the key requirements being that the design must be new and have "individual character".

However, paragraph 4.2 provides that designs for component parts of complex products will only be considered to be new and to have individual character:

- (a) if the component part, once it has been incorporated into the complex product, remains visible during normal use of the latter
- (b) to the extent that those visible features of the component part fulfil in themselves the requirements as to novelty and individual character.

The effect is to exclude from protection and registration component parts which are not visible during normal use.

What is meant by normal use? Article 4(3) defines this as use by the end-user excluding maintenance, servicing or repair work. This suggests that the engine of a car which is not usually seen when the bonnet is closed, but is only visible during maintenance or repair, is excluded from protection as a CD. The engine of a FERRARI® or a NISSAN® which is designed in a very unusual way may therefore not be protected as a CD. An interesting question is what happens if the bonnet is made out of glass? The same applies to the toner kit of a printer or a photocopying machine. The toner kit - although often quite fancifully designed - may not be protected as it is usually not visible during daily use, but only seen during maintenance or repair work.

It is important to notice that only the visible features of the part are taken into account in judging novelty and individual character. Examples of visible component parts could be a rear light of a car, a door striker for a vehicle (as the latter can be seen during normal use when opening and closing the door), the specific shape of a gear changer or brakes for bicycles (as all these parts are seen during normal use of the bicycle).

2. FUNCTIONAL PARTS

Even where a part is visible during normal use, it will not be protected if the design is solely dictated by technical function¹⁷. For example, the door striker might not be protected if its shape was purely

16. Of 12 December 2001, EC 6/2002.

17. Article 8(1).

the result of technical considerations. Moreover, under Article 8(2), a CD is not protected to the extent that the design must necessarily be reproduced in its exact form and dimensions in order to permit the product to be mechanically connected to or placed in, around or against another product so that either product may perform its function. This is the so called "must-fit" exception (which has its origin in English law). One of the best examples is the socket of light bulb where any (new and unusual) features of the upper part could be protected as a CD, while the socket could not, given the fact that it must fit into the bulb hole of any lamp. This exception does not apply to modular systems (the so called LEGO® exception)¹⁸.

3. NO ENFORCEMENT IN RELATION TO REPAIR

Visible component parts which do not fall within the exceptions for functional and "must fit" designs may be protected and registered provided they qualify in other respects - for example, they are novel and have individual character. However, for the time being these rights cannot be enforced to prevent third parties using the design to repair the complex product or to prevent the manufacture and supply of spare parts for the complex product¹⁹. So, for example, the owner of the design for the shape of a car door could enforce the design against a person making a key fob or paperweight to the design or against another car manufacturer who incorporated the design into a new type of car. However, he could not act against a garage using the design to repair the car or a spare parts manufacturer making spare doors.

To take a more specific example, the mirror of a NISSAN Z® car with its special design might be registered as it is a visible component part of a complex product. Moreover, the outside part of this mirror does not fall within the "must-fit" provisions, unlike the special clips in the part to be connected with the car. However, NISSAN® would not be able to stop a third party from reproducing the same mirror design when the mirror is incorporated into the same NISSAN Z®. On the other hand, use of the design on any other make of

car would probably infringe NISSAN®'s CD, and NISSAN® should be able to stop the third party from using the design for such purposes.

Given these exceptions, is there any point in registering designs for spare parts? The answer is of course yes, not only to obtain protection against others incorporating such parts into their own products but also because the provisions on spare parts in Article 110(1) are transitional and are intended to be reviewed in the medium-term by the EU Commission. If the position of the design owner in relation to spare parts is improved by this review, it is likely that all designs registered at that time will benefit. It will, however, then be too late to register designs in relation to parts on the market at that time because they will no longer satisfy the novelty requirements.

Andreas Renck, Alicante

18. Article 8(3).
19. Article 110(1).