

# MACFARLANES

## LOGOS AND NO-GOS

2011 ROUND-UP



In this briefing, we provide our round-up of the key IP developments of the past 12 months, focusing on trade marks, copyright, patents and general practice points.

### TRADE MARKS

#### eBay's use of L'Oréal's trade marks may infringe

The Court of Justice of the European Union (CJEU), following a referral from the English High Court, confirmed its brand owner friendly reputation in its decision in [L'Oréal v eBay](#) that operators of internet marketplaces such as eBay can be liable for trade mark infringement as a result of the postings of their users.

L'Oréal had brought proceedings against eBay for its involvement in trade mark infringements committed by users of its auction website relating to its role in the sales of counterfeits, free samples, unboxed products and products intended for non-EEA jurisdictions. The High Court, finding no infringement by eBay in relation to the sale of infringing products by its users, referred the question to the CJEU of whether eBay may be infringing as a result of its use of sponsored links on third party search engines and its own site, insofar as they lead people to postings for infringing products.

The CJEU held that infringement may exist where the operator:

- ◆ uses sponsored links that do not clarify from whom the goods that bear the trade mark originate;
- ◆ plays an "active role" which gives it knowledge relating to the unlawful offers for sale on its marketplace (for example, enhancing the presentation of the offers for sale); or
- ◆ has gained knowledge of facts or circumstances which should have put it on notice that offers for sale were unlawful and failed to act promptly.

The message for marketplace operators is clear: they will need to implement more robust systems to tackle infringing activities by users.

#### Use of a competitor's mark as a Google AdWord may not infringe

Following another referral by the English High Court, the CJEU held in [Interflora v M & S](#) that use by a competitor of another's trade mark as a Google AdWord is not necessarily trade mark infringement, and that a trade mark proprietor must prove that the competitor's use of its own mark has had an adverse effect on one of the functions of the mark.

Marks & Spencer had selected "INTERFLORA" and other variants as an AdWord for the Google referencing service. The advertisement did not itself display the sign "INTERFLORA", although the intention was plainly to offer Interflora customers a competing alternative and to divert them away from the Interflora website. Interflora brought proceedings against Marks & Spencer for trade mark infringement under ss10(1) and 10(3) of the Trade Marks Act 1994.

The case is set to return to the High Court this year. It will be interesting to see what evidence both sides put before the High Court in relation to whether or not the "investment function" (the new trade mark function coined by the CJEU and one to add to the growing list) of Interflora's trade mark has been adversely affected.

#### Battle of the Buds

In the latest development in the long-running trade mark litigation between Anheuser-Busch (AB) and Budejovický Budvar, the CJEU, in response to a reference by the English Court of Appeal, has provided some guidance on the meaning of "acquiescence" and on the effect of "honest concurrent use" by two parties of the same mark.

The CJEU confirmed, in support of AB's case, that a party can only be said to have acquiesced to use of a later mark where it was legally and factually possible for it to have opposed such use. Moreover the five year period for acquiescence would only begin where the following conditions had all been fulfilled:

- ◆ the later mark must be registered;
- ◆ application for registration of the second mark must be made in good faith;
- ◆ the later mark must be used in the member state in which it is registered; and
- ◆ the owner of the earlier mark must be aware of the registration and use of the later mark.

The CJEU further confirmed that honest concurrent use could constitute an exception to the protection provided by Art 4(1)(a) of the Trade Marks Directive and that the later registered trade mark can be declared invalid only if it has or is liable to have an adverse effect on the functions (and in particular the essential function of guaranteeing origin) of the earlier trade mark. The case is due to return to the Court of Appeal this year.

### CONTENTS

- 2 COPYRIGHT
- 4 PATENTS
- 5 PRACTICE POINTS

### **CJEU rules CTM injunctions to have pan-European effect**

In [\*DHL Express \(France\) SAS v Chronopost SA\*](#) the CJEU ruled that:

- ♦ an injunction granted by a national CTM court under the CTM Regulation in one member state extends, as a rule, to the entire area of the EU; and
- ♦ a coercive measure, ordered by a CTM Court by application of its national law, has effect in the member states in which the prohibition order itself has effect. If the national laws of a member state do not specifically provide for the coercive measure, the objectives and enforcement of that measure must be achieved in accordance with its own national laws.

Chronopost had brought proceedings against DHL in France for infringement of its French and Community trade marks. The French court imposed an injunction and a periodic penalty payment, but refused to extend the measures beyond France to the whole of the EU. However, the French court questioned the extent of the CTM Regulation sanctions and simultaneously sent a reference to the CJEU.

CTM owners have welcomed the decision. The ruling upholds the CJEU's position in support of a uniform policy to govern the infringement of CTMs. A contrary ruling would have resulted in CTM owners pursuing infringers in multiple member states, thereby defeating one of the key benefits of a CTM over multiple national marks.

## **COPYRIGHT**

### **The Hargreaves Review**

Professor Ian Hargreaves published his review ([\*Digital Opportunity: A Review of Intellectual Property and Growth\*](#)) in May 2011, in which he assessed the extent to which the UK's IP framework (and specifically UK copyright law) supports economic growth and innovation.

The review made a number of key recommendations including:

- ♦ the need for a Digital Copyright Exchange (to show who owns the copyright in a work and whether a work has been "orphaned");
- ♦ the need to protect small and medium-sized enterprises (SMEs) from the existing over-zealous and costly IP registration framework;
- ♦ the need to assess the relationship between design rights and innovation; and
- ♦ the need to address the existence of patent "thickets" (overlapping IP rights that a company must "hack" its way through in order to commercialise new technology).

The Government's initial [response to the Review](#) was published in August 2011, with further specific actions plans, including a Digital Copyright Exchange feasibility study, following towards the end of last year. A white paper is due in Spring 2012. Click [here](#) for further information.

### **Stormtrooper helmets are not sculptures**

The Supreme Court in [\*Lucasfilm Limited and others v Ainsworth and another\*](#) upheld the Court of Appeal decision that the Star Wars stormtrooper helmets are not sculptures but "utilitarian in the sense that [they are] an element in the process of production of the film" and therefore are not artistic works that can be protected by copyright under the Copyright, Designs and Patents Act 1988. Only the film itself can be classified as art and therefore protectable under the Act.

Ainsworth, who was commissioned in the 1970s to make the helmets and armour and had started selling replicas in 2004, successfully argued that section 51 of the Copyright Act applied: making the replica helmets to the original design did not amount to infringement of copyright in the design documents and clay model because the replica helmets themselves were not sculptures and, therefore, not artistic works for the purposes of the Act.

Separately, overturning the Court of Appeal's ruling, the Supreme Court held that the English Courts do have jurisdiction to decide allegations of foreign copyright infringement claims, provided that there is a basis for in personam jurisdiction by means of the defendant being based in the UK. Previously, copyright owners had to bring separate claims in each jurisdiction in which their rights had been infringed. This decision opens the door to foreign copyright infringement claims being brought in the English courts against UK businesses and individuals.

### **National laws that prevent distribution of foreign TV decoders are anti-competitive**

In the landmark ruling of [\*FA Premier League and Others v QC Leisure and Murphy v Media Protection Services\*](#) the CJEU held that national legislation preventing the distribution and use of foreign satellite TV decoders in the UK constituted an unjustified restriction on the free movement of services within the EU. Furthermore, licensing restrictions which had the intended effect of strictly partitioning the internal market for the broadcast of Premier League football matches between exclusive national broadcasters amounted to an infringement of EU competition law.

Nevertheless (and, presumably, much to the relief of the FA Premier League), the Court held that broadcasts of Premier League games do contain certain copyright-protected elements, the unauthorised public communication of which (including screenings in pubs) can legitimately be restricted by a broadcaster.

### **Text extracts may infringe copyright**

Meltwater managed an online news clipping service which supplied end users with newspaper headlines and brief text extracts to show what was being said about the user in the press. The NLA (responsible for selling licences for the copying of newspaper material) alleged that Meltwater and its end users had to buy licences in order to provide/use the service or they would be infringing the newspapers' copyright in the articles.

The Court of Appeal held in [\*The Newspaper Licensing Agency Limited & ors v Meltwater Holding BV & ors\*](#) that, despite the relatively small amounts of text taken, Meltwater and the end user infringed the underlying article's copyright where the extract taken demonstrated the article author's own intellectual creation: in a number of cases the extracts taken by Meltwater gave the user the tone of the article (and its subject matter). Accordingly both Meltwater and the user had to buy licences to continue this practice.

The Courts are therefore willing to afford copyright protection to much smaller extracts of text than was previously thought to be possible. The Court's decision also has potentially wide implications for those who copy and share small extracts of literary works for commercial gain.

### **ISP knowledge of 3rd party infringement leads to injunction**

In the case of [\*Twentieth Century Fox Film Corporation & ors v British Telecommunications plc\*](#), the High Court clarified when an injunction may be granted against an internet service provider (ISP) and what the ISP will be required to do.

BT was the ISP of the "Newzbin2" website, a members-only website which enabled the indexing and searching of illegally copied content, including films and television programmes, which had been posted on Usenet online bulletin boards. The High Court held that, because BT had "actual knowledge of other persons using its service to infringe" and that it knew "that the users of Newzbin2 include BT subscribers, and [that] those users use its service to receive infringing copies of copyright works made available to them by Newzbin2", it fell within section 97a of the Copyright, Designs and Patents Act 1988.

The High Court therefore had the power to grant an injunction against BT as an ISP since it had actual knowledge of another person using its service to infringe copyright. The High Court ordered BT to adopt technical measures to block access to the infringing Newzbin2 website and also any other IP address or URL whose sole or predominant purpose was to enable or facilitate access to the Newzbin2 website.

This is the first time a Court has made such an order against an ISP and, whilst of concern to ISPs, it is a welcome ruling to rights holders who view it as a positive development in protecting online copyright in the digital age as part of the major crackdown on piracy.

### **Advocate General follows High Court decision that software functionality cannot be protected by copyright**

SAS developed a computer programme which replicated the functionality of a programme previously produced by WPL, which produced advanced statistical calculations. SAS reviewed the WPL programme's user manual and wrote a new programme which could: (i) perform identical statistical calculations and (ii) recognise user commands written in the same language as that used by the WPL programme.

Following its earlier decision ([\*Navitaire v Easyjet\*](#)), the High Court in 2010 held in [\*SAS Institute Inc v World Programming Limited\*](#) that SAS had not infringed WPL's copyright since the copyright protected a programme's code as well as the code's structure, sequence and organisation but not the functionality produced by the programme or the language and key commands recognised by the programme.

The case was referred to the CJEU and the Advocate General gave his [opinion](#) in 2011 that the CJEU should follow the High Court's decision. AG Bot reasoned that to do otherwise would make it possible to monopolise the ideas behind computer programmes. AG Bot did however leave it open to national courts to determine whether a competitor had infringed another's copyright by copying the expression of the programme's functionality (for example, the onscreen layout).

Judgment is due from the CJEU this year. If the CJEU follows this decision it will leave the owners of copyright in computer software exposed: competitors can replicate their programme's functionality and ideas provided that they have not copied the programme's source code.

## PATENTS

### Big steps towards a unified patent system in Europe

Having been on the cards in various forms on and off for almost 50 years, a unified patent system in Europe now looks imminent, having been pushed forward by the Polish presidency of the EU Council. In December 2011 the EU Parliament's Legal Affairs Committee voted in favour of the proposed "EU patent package" that relates to the creation of unitary EU patent protection, translation arrangements and a unified patent court whose decisions will have effect throughout the EU. Whether the draft regulation ultimately comes into force depends on the position of the European Council and European Parliament, who are scheduled to vote in February 2012, and on the outcome of actions brought by Spain and Italy challenging the legality of the process. Representatives from all Member States, other than Spain and Italy who did not take part in the discussions, seem to have backed the proposal though a number of key issues, including the location of the Central Division, are yet to be resolved.

The new system is intended to allow unitary patent protection in the 25 EU Member States concerned and cut costs for EU patentees. However, strong concerns continue to be expressed by industry groups and lawyers about a number of features of the new system and, in particular, the role that the CJEU will play. There are criticisms that the new system is in danger of being implemented too quickly and that not enough time has been given in recent months to resolving a number of important practical issues, such as the establishment of clear procedural rules, the costs of litigation and the procedure for appointing the judges.

The current plan is for the Unified Patent Court to begin hearing cases on 1 January 2014 with a five year transition period (during which time litigants will have the option of trying matters before the national courts instead of the UPC).

### Successful reforms to the Patents County Court

2011 has seen the bedding-in of substantial changes introduced to the rules and procedure in the Patents County Court (PCC) on 1 October 2010 which were aimed at providing a low cost forum to litigate intellectual property cases (and not just patent cases) which are not overly complex.

Previously little used, as the costs involved were equivalent to those of litigating in High Court, the PCC has been successful in 2011 in attracting litigants by providing a revamped procedure. The PCC offers a streamlined, largely paper-based procedure with no, or very limited, opportunity for disclosure, experiments, expert and witness statements and with strict limits on the costs that can be recovered (no more than £50,000 on an inquiry to liability and £25,000 on an inquiry as to damages). The rationale behind these rule changes was to increase access to justice in intellectual property matters for individuals and small and medium size enterprises.

Further, the PCC can only award financial remedies up to a maximum of £500,000 making it suitable for lower value, simpler claims (with trials lasting no longer than 2 days) and for litigants who may not have the resources to litigate in the High Court.

### Supreme Court rules on the "industrial application" requirement to obtain a patent

2011 has proved a relatively quiet year for patents cases. However, in the case of [\*Human Genome Sciences Inc v Eli Lilly & Co\*](#), the Supreme Court provided some useful clarification on the law on patentability and industrial application, in particular as it applies to the biotechnology sector.

The case was concerned with the level of specification to which an application for a patent for a new invention (in this case a protein) needs to demonstrate its possible uses. This question addresses the tension that exists between filing a patent application early without data showing the efficacy (and risking not obtaining a patent), or waiting a couple of years before filing and running the risk that a competitor might file first. In his judgment, Lord Neuberger reversed the decision of the Court of Appeal (which had been regarded as potentially raising the bar for industrial application in the UK) in holding the patent in suit as valid, meaning that originator companies can now be more confident in applying for patents at an early stage of the research and development process.

## PRACTICE POINTS

### The Bribery Act

On 1 July 2011 the Bribery Act came into force. Why, you might ask, is that relevant to brand owners? Well, the new corporate offence of failure of commercial organisations to prevent bribery is very widely drafted and includes failure by an "associated person". In turn, an associated person includes people or agents who perform services on behalf of IP proprietors, so it covers not only employees and subsidiaries but also licensees, agents and distributors. The net effect is that brand owners need to assess, on an ongoing basis and lead from the top down, the risks of bribery throughout their supply network to ensure that they have adequate and proportionate procedures in place to avoid the use of bribery. For example, turning a blind eye to how your Chinese local agent manages to secure the hasty release of goods from difficult customs officials will not be acceptable.

### Goods genuinely in transit may not qualify for seizure

The CJEU, in *Philips v. Lucheng Meijing and R. v. HMRC, ex parte Nokia*, was asked to interpret the EU rules on the powers of customs authorities in EU member states to seize goods that (i) potentially infringe a third party's intellectual property rights and (ii) are in transit from one non-EU country to another non-EU country. The CJEU held that customs authorities may only seize such goods where there has been a "commercial act" in an EU member state. However, the CJEU found that where there is proof that the goods are to be used for a "commercial act" soon, or that the goods are not genuinely in transit, the customs authorities may seize the goods temporarily.

The CJEU rejected the "manufacturing fiction", namely the notion that the very fact that the goods are being stored in a country can mean that they are deemed to be manufactured there.

The CJEU's decision is undoubtedly a set back for intellectual property rights owners, who will now have to present customs officials with proof that the goods are destined for the EU market and not genuinely in transit from one non-EU country to another non-EU country.

### CONTACT DETAILS

If you would like further information or specific advice please contact:

#### GEOFF STEWARD

DD: +44 (0)20 7849 2341

geoff.steward@macfarlanes.com

**JANUARY 2012**

#### MACFARLANES LLP

20 CURSITOR STREET LONDON EC4A 1LT

T: +44 (0)20 7831 9222 F: +44 (0)20 7831 9607 DX 138 Chancery Lane [www.macfarlanes.com](http://www.macfarlanes.com)

This note is intended to provide general information about some recent and anticipated developments which may be of interest. It is not intended to be comprehensive nor to provide any specific legal advice and should not be acted or relied upon as doing so. Professional advice appropriate to the specific situation should always be obtained.

Macfarlanes LLP is a limited liability partnership registered in England with number OC334406. Its registered office and principal place of business are at 20 Cursitor Street, London EC4A 1LT. The firm is not authorised under the Financial Services and Markets Act 2000, but is able in certain circumstances to offer a limited range of investment services to clients because it is authorised and regulated by the Solicitors Regulation Authority. It can provide these investment services if they are an incidental part of the professional services it has been engaged to provide. © Macfarlanes January 2012