



## INTELLECTUAL PROPERTY

### **IPO Drops Proposals for Format Shifting and Parody Exceptions**

As part of a consultation process, the United Kingdom (UK) Intellectual Property Office has published *Taking forward the Gowers Review of Intellectual Property: Second stage consultation on copyright exceptions*. The document is notable more for what it does not take forward than for what it does.

#### **FORMAT SHIFTING**

The recommendation in the Gowers Review was to introduce a limited private copying exception for format shifting works with no accompanying levy for consumers. In its first stage consultation, the IPO was not concerned that Article 5(2) of the Copyright Directive (2001/29/EC), which allows Member States on a voluntary basis to introduce a private copying exception provided “fair compensation” is available, posed any problem for the introduction of a format shifting exception. The reasoning given was the exception was so narrow that there would be no significant harm to the rights holder which would need to be compensated and therefore no obligation for payment under the Directive would arise. Currently, the UK Government is not prepared to consider a UK specific exception of broader and more practical scope until the European Commission has brought some harmony to the way in which Member States implement fair compensation levies across the European Union.

#### **PARODY**

Gowers’ recommendation was to create an exception for the purpose of caricature, parody or pastiche. The UK Government, however, appears to have adopted an “if it ain’t broke don’t fix it” approach which ignores some of its own concerns about lack of clarity in this area. The subtext to the latest consultation, therefore, appears to be that the “vibrancy of the current parody scene in the UK”, to which rights holders referred in order to support the contention that a parody exception is not warranted, can be sustained not by clarifying the law but by rights holders’ continued acceptance of this aspect of British culture.

#### **RESEARCH AND PRIVATE STUDY**

Gowers’ recommendation in relation to research and private study was to extend the existing exception to cover all forms of content. This would enable the use of sound recordings, films

and broadcasts, which are not covered by the existing exception, but would not permit further distribution. While acknowledging concerns of rights holders, the Government has decided to extend this exception to cover these additional forms of content for both research and private study under Section 29 of the Copyright, Designs and Patents Act 1988 (CPDA). Mindful of the potential for misuse, however, the intention is to allow such copying only if the individual is a member of an educational establishment and copying is for the purposes of a course of private study or for research at that establishment.

Librarians and archivers will also be allowed to copy sound recordings and films on behalf of individuals for the purposes of non-commercial research or private study, subject to certain conditions.

#### **THE DRAFT REGULATIONS**

With format shifting and parody exceptions falling by the wayside, the draft Regulations are confined to the introduction of legislation implementing the Gowers Report recommendations relating to the educational exceptions, research and private study, and libraries. As such, the draft Regulations take forward the recommendation to extend the educational exceptions under Sections 35 and 36 CDPA to enable distance learning and the use of interactive whiteboards and to permit access to a broader range of works. The recording of on-demand works is not included in the proposed amendments.

The Regulations also take forward the Report’s recommendation to amend Section 42 CDPA to permit libraries to copy the master copy of all classes of work in permanent collections for archival purposes and to allow further copies to be made from the archived copy to mitigate against subsequent wear and tear.

#### **DIGITAL RIGHTS MANAGEMENT SYSTEMS**

In relation to the recommendations that are being taken forward, it is interesting to note that the UK Government did not feel it appropriate to consider the more general issue of whether the current provisions under Section 296ZE allow Digital Rights Management Systems (DRMS) to impede the exercise of certain copyright exceptions, for example in relation to research and private study, notwithstanding considerable comment about and interest in DRMS following the first stage consultation. The one exception is in making the necessary

amendments to those provisions of the CDPA that are designed to ensure that digital rights management technologies do not interfere with the rights of those entitled to exercise copyright exceptions. The Government has not therefore been lured into any consideration of whether it should legislate for a “DRM work around” other than to say that views on the issue are “polarised”, not unlike the opinions of stakeholders on most aspects of copyright “in the digital age”.

The consultation is open until 31 March 2010 for those wishing to comment or respond.

### **European and EU Patents Court and The EU Patent**

The Council of the European Union has released its Conclusions on an enhanced patent system in Europe as part of ongoing efforts towards a unified European patent system, although a number of obstacles to the establishment of such a system remain.

#### **BACKGROUND**

Efforts dating back to the 1970s to introduce an EU patent have been unsuccessful. This is despite widespread support for the general principle of a Community wide patent, a recognition that a system for obtaining an EU patent could be significantly cheaper than the present system provided by the European Patent Convention, and that a unified jurisdiction for litigation of EU patents would reduce costs and improve certainty as compared to litigation of a European patent in several national courts.

The Conclusions, which were adopted on 4 December 2009, consist of two parts: one dealing with a proposed European and EU Patents Court (EEUPC) and the other with the EU Patent.

#### **THE EEUPC**

The proposed EEUPC consists of a Court of First Instance, which would be divided into a central division plus local or regional courts, and a central Court of Appeal. Both Courts would be able to refer points of European law to the European Court of Justice (ECJ).

To ensure quality, the panel of judges for a local or regional court in a Member State that sees relatively little patent litigation will include judges from States in which there is a greater amount of patent litigation.

The proposed EEUPC is to have exclusive jurisdiction in respect of litigation relating to validity and infringement of EU and European patents. The proposals allow for a transitional period of five years, during which time proceedings may still be initiated before the national courts and holders of European patents or patent applications granted or applied for prior to the new Agreement coming into force can opt out of the exclusive jurisdiction of the EEUPC.

#### **THE EU PATENT**

The proposals unfortunately duck the major issue of translations, stating merely that a separate regulation should govern the translation arrangements for the EU patent.

On the matter of fees, the proposals suggest that a Select Committee should decide on both the level of fees and the extent to which those fees are distributed to national patent offices.

#### **ENHANCED PARTNERSHIP**

The proposals suggest “enhanced partnership” between the European Patent Office and industrial property offices of Member States, including the sharing of searches to avoid duplication of work. The proposals also envisage a role for national offices in disseminating patent information and acting as receiving offices for EU patent applications.

#### **COMMENT**

These proposals represent a step forward. However, the Conclusions recognise that some Member States have fundamental legal concerns concerning the creation of the EEUPC. In view of this, and the need for separate Regulation on translations, it appears that an EU patent system is still a distant prospect.

## **ENTERTAINMENT AND MEDIA**

### **Allegedly Libellous Comments on Bulletin Boards: The Hosting Defence**

In *Imran Karim v Newsquest Media Group Ltd* [2009] EWHC 3205 (QB), Mr Justice Eady granted an application to strike out a libel claim brought by an ex-solicitor against Newsquest. He held that an article published online was absolutely privileged as a fair, accurate and contemporaneous report of legal proceedings, namely Law Society disciplinary proceedings. He also held that Newsquest had a defence based on the hosting safe harbour in the E-commerce Regulations in relation to user comments posted to bulletin boards on the website.

#### **BACKGROUND**

The Claimant, Imran Karim, brought an action complaining of an article and related comments, entitled “Crooked solicitors spent client money on a Rolex, loose women and drink”, published on the *Croydon Guardian* website in June 2008. The article reported on a hearing held in June 2008 before the Disciplinary Tribunal of the Law Society at which Mr Karim stood accused alongside his mother and sister of mishandling client funds.

The Tribunal gave detailed reasons for its decision in a judgment handed down in September 2008, although the fact that Mr Karim was to be struck off was announced at the end of the hearing in June. The judgment revealed that the Karims were found to have stolen around £860,000 of clients’ money

that they had used to fund “lavish lifestyles”. Although the reasons were handed down in September, some three months after the offending article was published, as Eady J acknowledged, their content tended to confirm the accuracy of the report of the proceedings as published on the websites.

Without making prior contact with Newsquest, Mr Karim issued proceedings on 29 January 2009. As soon as Newsquest received the claim on 5 February 2009 it removed both the articles complained of and the related user comments.

#### **APPLICATION TO STRIKE OUT**

Newsquest applied to strike out the claim and/or to obtain summary judgment. First it contended that the article itself was absolutely privileged being a fair and accurate report of legal proceedings that was published contemporaneously, within the meaning of Section 14 of the Defamation Act 1996. Secondly, it argued that it had a defence under Regulation 19 of the E-commerce Regulations 2002 which provides as follows:

*Where an information society service is provided which consists of the storage of information provided by a recipient of the service, the service provider, if he otherwise would, shall not be liable for damages or for any other pecuniary remedy or for any criminal sanction as a result of that storage where (a) the service provider (i) does not have actual knowledge of unlawful activity or information and where a claim for damages is made is not aware of facts or circumstances from which it would have been apparent to the service provider that the activity or information was unlawful or (ii) upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information and (b) the recipient of the service was not acting under the authority or the control of the service provider.*

#### **DECISION**

Eady J was satisfied that the article was substantially accurate in its coverage of the Tribunal proceedings. The article was first published on 6 June 2008 on the *Croydon Guardian* website and was copied automatically onto a number of other websites. In those circumstances the publication clearly qualified as contemporaneous. Newsquest had also satisfied, for the purposes of the defence, the requirement that the article was “substantially accurate” (see for example *Kimber v Press Association* [1893] 1 QB 65). Whilst the evidence was rather one sided, this was inevitable in view of the fact that neither Mr Karim nor his co-accused took part in the proceedings.

As regards the user comments, Eady J was satisfied from the evidence that Newsquest was entitled to avail itself of the defence under Regulation 19 because it did not have actual knowledge of unlawful activity or information until it was pointed out by Mr Karim in January 2009 and whilst Newsquest did not necessarily accept that the activity was unlawful in publishing the article, it was not aware of any complaint until that time. In any event, the material was taken

down as soon as the nature of the complaint reached Newsquest. It was also clear that the recipient of the service was not acting under the authority or control of the service provider within the meaning of Regulation 19.

In conclusion, both in relation to the original article itself and in relation to the user comments, Mr Karim was unlikely to succeed with his claim. Applying the test in *Alexander v Arts Council of Wales* [2001] 1 WLR 1840, Mr Karim had no realistic prospect of succeeding on either of his claims and a jury would be perverse if they were to uphold either of them.

#### **COMMENT**

Newsquest's head of legal, Simon Westrop, is quoted in various quarters as expressing his gratitude to Mr Justice Eady for a very clear judgment that is “supportive of free expression on the internet”. The decision will indeed provide comfort for the media in its application of the hosting defence to unmoderated bulletin boards, as long as the service provider acts expeditiously to remove offending content when alerted to its presence.

## **COPYRIGHT**

### **Ainsworth Strikes Back: U.S. Copyright Not Directly Enforceable in the United Kingdom**

In *Lucasfilm Ltd v Ainsworth* [2009] EWCA Civ 1328, the Court of Appeal of England and Wales ruled that claims under U.S. copyright law cannot be determined by an English court, thereby reversing a decision of the High Court. The Court of Appeal agreed with the trial judge that the items in question were not sculptures for the purposes of the Copyright Designs and Patents Act 1988 (CDPA).

#### **BACKGROUND**

In 1976 the Claimants, Lucasfilm, commissioned Andrew Ainsworth to make helmets and armour to be worn by the stormtrooper characters in the first *Star Wars* film. Lucasfilm provided Mr Ainsworth with two drawings and a clay model of a prototype helmet. Mr Ainsworth then made his own moulds, incorporating refinements to the facial elements shown in the drawings and prototypes.

In 2004, Mr Ainsworth set up a website selling helmets and armour made from those moulds. Lucasfilm brought proceedings against Mr Ainsworth in California, alleging copyright and trade mark infringement. Lucasfilm obtained default judgment for a total of U.S.\$20 million, which included U.S.\$10 million compensatory damages.

#### **ENGLISH PROCEEDINGS**

Lucasfilm then brought a claim in the High Court on a number of bases, including copyright infringement under UK law, enforcement of the compensatory element of the U.S. judgment and, to the extent that the High Court refused to enforce that

judgment, determination of its claims under U.S. copyright law. Mr Ainsworth contended that the clay model he was given was not a copyright work, on the basis that it was not a “sculpture”, and further that he had two separate defences under Sections 51 and 52 Copyright, Designs and Patents Act 1988 (CPDA) to the allegation of infringement of copyright in the drawings.

Section 51 provides that making an article to a design does not amount to infringement of the copyright in the design documents or models embodying that design, if that article is not an artistic work. Secondly, under Section 52, where the owner of copyright in an artistic work has marketed copies of that work made under an industrial process, the duration of copyright protection in that work is shortened from the usual term of 70 years after the death of the author, in this case to either 15 or 25 years, depending on whether the transitional provisions to the CDPA applied.

#### **FIRST INSTANCE**

Mr Justice Mann rejected all of Lucasfilm’s copyright infringement claims under UK law. He held that the models for the helmets did not have an independent copyright as being “sculptures” or “works of artistic craftsmanship” and that Mr Ainsworth had defences under both Sections 51 and 52 of the CDPA. He upheld Lucasfilm’s claim to enforce U.S. copyright, granting an injunction restraining Mr Ainsworth from selling or marketing his helmets in the United States.

Lucasfilm appealed the findings that the prototypes were not “sculptures”, and that Mr Ainsworth had defences under Sections 51 and 52 CDPA. Mr Ainsworth cross-appealed the decision to enforce the U.S. copyright.

#### **COURT OF APPEAL DECISION**

The Court of Appeal agreed that there was no copyright in the helmets as sculptures. In the view of the Court, the issue was not the purpose of what an object is actually used for, but depended on the purposive nature of the object. The Court of Appeal also agreed that Mr Ainsworth had defences under both Sections 51 and 52 CDPA.

The Court of Appeal disagreed with Mann J on the question of enforceability of U.S. copyright in the English courts. It concluded that for sound policy reasons, international jurisdiction over copyright infringement claims does not exist.

#### **COMMENT**

The Court of Appeal pointed out that, were the High Court judgment to stand, it could lead to problems of forum shopping and several disputes running concurrently in different jurisdictions, with no clear indication as to whether the cases should proceed in parallel, or whether one or more should proceed at the expense of others.

The distinction drawn by the trial judge between any artistic merit of an object and the nature of its intended use (which was

endorsed by the Court of Appeal) is also a useful clarification of the law, although it will not always be straightforward to apply. The Court of Appeal did not attempt to devise a comprehensive or exclusive definition of “sculpture” sufficient to determine the issue in any given case, which seems prudent in the light of what is recognised in the judgment as the “heavily subjective realms of definition in the artistic field”.

## **TRADE MARKS**

#### **Colour Marks: Evidence of Acquired Distinctiveness**

In *Andreas Stihl AG & Co KG R 355/2007-4*, the Board of Appeal at The Office of Harmonization for the Internal Market (OHIM) confirmed the examiner’s decision that the colour mark was not inherently distinctive but held that the mark had acquired distinctive character under Article 7(3) of the Community Trade Mark Regulation, taking into account the Applicant’s evidence, including two market surveys. The evidence showed that the Applicant was the market leader for the goods in question and, further, that it was recognised by the relevant public by reference solely to the colour combination.

#### **BACKGROUND**

The mark applied for consisted of the colour combination orange—applied to the top of the housing of power-operated cut-off machines (chainsaws)—and the colour grey, applied to the bottom of the housing.

The application was for “power tools, namely power-operated cut-off machines” in Class 7.

In 2007, OHIM refused protection of the mark in the European Community for all the goods in question on the grounds that the mark was devoid of any distinctive character within the meaning of Article 7(1)(b) of the Community Trade Mark Regulation. The trade mark owner, Andreas Stihl AG, appealed the decision and submitted various arguments supported by evidence. These included

- The mark did not claim the colours orange and grey *per se*, but for the colours as applied to the housing of the goods in question. This, they said, was clear from the description of the claimed colours.
- Even a colour *per se* can be inherently distinctive where the category of goods or services is restricted and the market is very specific and not the general public.
- The colours orange and grey are not common warning colours.
- The mark has acquired distinctiveness through extensive use since 1972 throughout all Member States of the European Union. Evidence of turnover, advertising spend and distribution throughout the Community was submitted.

- Statements from the Austrian Forestry Association, the German Federal Association of power operated tools and various companies in Spain, stating that the colour combination is associated with Andreas Stihl.
- Two market surveys in Germany and France showing that the relevant consumers associated the orange and grey colour combination with Andreas Stihl.

## DECISION

### *Inherent distinctiveness*

If the mark was granted protection, it would, under Article 7(1) of the Community Trade Mark Regulation, confer on the owner rights over those colours per se, irrespective of to which parts of the goods the colours were applied.

Distinctive character must be assessed by reference to the goods or services in question and by reference to the perception of the relevant public. The Board accepted that the goods for which protection was sought were specific and specialised. As for the relevant public, it accepted that, here, it consisted of a professional public such as skilled forestry workers and professional gardeners.

Perception by this category of consumers is, however, not the same for colour marks as it is for word or device marks. With colour marks, the public will not instantly perceive the colours as an indicator of their commercial origin. Although colours are capable of conveying ideas, they do not necessarily communicate specific information. Further, there is a public interest in keeping colours available for other competitors.

The orange part of the housing could serve to draw users' attention to the dangerous parts of the machine and would not, therefore, be perceived as an indicator of origin. Further, orange is used as a warning or safety colour, for example, on traffic cones.

The shade of the orange used was also irrelevant. Even if the shades were different, such difference was not perceptible to the relevant public. Consumers, even specialists, do not retain a perfect image of a mark in their mind and would not, therefore, differentiate between various nuances or shades of orange. Further, grey is commonly associated with metallic or plastic materials similar to those of which the goods in question are comprised.

The combination of orange and grey could not, therefore, perform the function of a trade mark in itself. Such distinctiveness would have to have been acquired and the relevant public would have to have become accustomed to the colours as a result of intense use.

### *Acquired distinctiveness*

The Board noted that Article 7(3) of the Community Trade Mark Regulation on acquired distinctiveness requires that the

result of intensive use must render the mark capable of functioning as an indicator of origin.

The advertising evidence, sales figures, market share evidence and statements from various companies and associations in Austria, Germany and Spain demonstrated clearly that Andreas Stihl was the market leader in the specific market of power driven cut-off saws and that the colours were used consistently on the goods in question throughout the territory. However, mere use did not mean that the relevant public perceived the mark as an indicator of commercial origin.

The surveys submitted did, however, show that a significant number of the relevant public did, in fact, see the colour combination orange and grey as identifying the trade mark owner's company. The Board was impressed by the figures from the surveys. In the German survey, 72 per cent of interviewees stated that the orange and grey colour combination indicated a specific company when they were shown a card of the colour combination and asked the question, [do you]...think, in conjunction with petrol engine driven cut-off saws, that the colour combination is from a specific company, various companies or no company at all?

68.4 per cent of the interviewees then went on to correctly name the company as Andreas Stihl.

These figures were confirmed by the French survey and, due to the intense use already proved across the whole of the European Union, the figures from the surveys could be extrapolated to the other Member States.

The Board decided that the surveys had all been done in line with scientific principles of demoscropy.

Andreas Stihl was, therefore, a market leader in the specialised field concerned and was instantly recognised by the relevant public by reference to the orange and grey colour combination. The mark had, therefore, acquired distinctiveness within the meaning of Article 7(3) of the Community Trade Mark Regulation.

## **Identical Goods but Low Degree of Similarity Between Signs**

In *Peek & Cloppenburg v OHIM* [2009] T-386/07, the Court of First Instance (renamed the General Court when the Treaty of Lisbon entered into force on 1 December 2009) has overturned a decision of the Second Board of Appeal of The Office of Harmonization for the Internal Market (OHIM) that rejected an opposition finding no likelihood of confusion between the stylised mark AGILE and the earlier Community trade mark (CTM), AYGILL'S, registered for the same goods.

Redfil filed a figurative CTM application for the stylised mark for bags, sports clothing and golfing products.

The word "Agile" is written in a highly stylized, cursive script. The letters are interconnected, with a large, sweeping 'A' and a 'y' that loops back under the 'e'. The overall appearance is fluid and handwritten.

Peek & Cloppenburg opposed the registration based on its earlier Community and national registrations for AYGILL'S, alleging a likelihood of confusion between the two marks. The Opposition Division upheld the opposition. OHIM's Second Board of Appeal annulled that decision on the basis that the conditions of Article 8(1)(b) of the Community Trade Mark Regulation (40/94/EC) were not met. Although there was a phonetic similarity between the marks in French, there was no such similarity in English and AYGILL'S had no meaning in any Community language. The Board found no likelihood of confusion because the visual similarity was of a low degree and the phonetic similarity only applied to the French public. Peek & Cloppenburg appealed.

Based on established case law, the Court confirmed that two marks are similar even where there is only a partial similarity between them. The Court considered the visual, phonetic and conceptual similarities between the marks. Since the marks were for sporting goods, the relevant public was deemed to be the average consumer.

Finding at least an average degree of visual similarity between the marks, the Court took account of the length of the words and the fact that consumers generally pay greater attention to the beginnings of words. The use of a different font was irrelevant as Peek & Cloppenburg had the right to use its mark in any typeface. The Court applied the doctrine of imperfect recollection finding that the existence of the letter "y" was insignificant in the determination of similarity, concluding that it would only be relevant if the consumer were afforded the opportunity to compare the marks side by side.

Applying phonetic rules in the English and French languages, the Court upheld the Board of Appeal's finding that Redfil's mark might confuse the average French consumer and that it was phonetically similar to the earlier mark. The Court accepted that the average French speaking consumer was likely to associate the use of the apostrophe followed by the letter "s" in the earlier mark with the English language. However, it did not follow that he would be able to pronounce the earlier mark

in accordance with the rules of English pronunciation. Therefore, the Board was correct to compare the two marks by applying the rules of French pronunciation.

The Court considered the literal meaning of Redfil's mark, concluding that in several Community languages agile means "physically or mentally quick". This differed from Peek & Cloppenburg's mark which would be understood, even by a French consumer, as a family name or a place name due to the apostrophe. Although the Court acknowledged the conceptual differences between the signs based on the meaning of the words in several languages of the Community, it did not consider those differences sufficient to neutralise the visual and phonetic similarities.

Ultimately, the Court held that the fact that the goods in question were identical offset the low degree of similarity between the signs and, as such, the Board of Appeal was wrong to exclude a likelihood of confusion within the meaning of Article 8(1)(b).

This case serves as a reminder that word marks registered without stylisation gain wide protection covering any form in which their proprietors choose to use them. Although registering a stylised mark can provide distinctiveness to a commonplace word, it will not assist to differentiate the proprietor's application from an earlier pure word mark.

### **CANNABIS Descriptive of Beer?**

In *Giampietro Torresan v OHIM* [2009] T 234/06 (unreported), the Court of First Instance (renamed the General Court when the Treaty of Lisbon entered into force on 1 December 2009) upheld a declaration made by the Second Board of Appeal of The Office of Harmonization for the Internal Market (OHIM) that the registration of CANNABIS as a Community trade mark (CTM) for beer was descriptive.

### **BACKGROUND**

Giampietro Torresan filed an application for a CTM for the word CANNABIS in Class 32 (beers), Class 33 (wine, spirits and sparkling beverages) and Class 42 (restaurant services). Shortly after the mark was registered, a declaration of invalidity as regards Classes 32 and 33 was sought by a third party. The declaration was granted and Mr Torresan appealed. OHIM's Second Board of Appeal dismissed the appeal, finding that the word "cannabis" was, for the average consumer, a clear and direct indication of the characteristics of goods in Classes 32 and 33.

Mr Torresan appealed to the Court, arguing that "cannabis" was not a normal way of designating beers or alcoholic beverages, not least because cannabis should not be regarded as a foodstuff, but as a narcotic and psychotropic, which precluded any lawful use of the substance in the Community. Since alcoholic beverages may not contain drugs, the relevant

public could not establish a direct and specific relationship between alcoholic drinks and the sign CANNABIS.

#### **DECISION**

The Court noted that two scientific studies submitted by OHIM stated that cannabis was also referred to as “hemp”, which was used in food and beverages. Accordingly, the Court rejected Mr Torresan’s argument that his beer could not lawfully contain cannabis, as hemp was commonly used as a flavouring, provided that its content of the psychotropic ingredient tetrahydrocannabinol was below the acceptable threshold.

The Court upheld the Board’s finding that those who purchased a beer called CANNABIS would probably do so because they believed that it contained cannabis. Consequently, the fact that cannabis was one of the components of the beer constituted a characteristic that determined the decision the consumer made. The Court held that the sign CANNABIS may designate one of the ingredients used in the manufacture of the goods for which the mark was registered.

The Court’s finding of descriptiveness was unaffected by Mr Torresan’s argument that the beer contained no cannabis; in fact, the Court held that this argument was paradoxical. Either the beer contained hemp and the mark CANNABIS was descriptive, or it did not and the mark was deceptive.

#### **COMMENT**

One cannot help but wonder whether the average consumer would really believe that beer called CANNABIS actually contained cannabis, since it is widely known that cannabis is an illegal narcotic in most of the Community. Still, once Mr Torresan had begun to argue that the mark could not be descriptive because it contained no cannabis, he was heading inevitably towards a finding that the mark was either descriptive or deceptive.

#### **Pending Opposition and Admissibility of Revocation Proceedings**

In *Stella Kunststofftechnik GmbH v OHIM* [2009] T-27/09 (unreported), the General Court (formerly the Court of First Instance) held that the revocation proceedings of The Office of Harmonization for the Internal Market (OHIM), which were based on an earlier mark, were not inadmissible simply because the earlier mark was being opposed.

#### **BACKGROUND**

Stella Kunststofftechnik held a Community trade mark (CTM) for the word STELLA in respect of containers and hand tools. Stella Pack SA subsequently applied to register a figurative mark containing the words STELLA PACK in respect of candles (Class 4), packaging (Classes 6 and 16) and certain “household” items such as rubber gloves, plastic cutlery *etc.*, in Class 21. Kunststofftechnik opposed the application in respect of packaging and most of the goods in Class 21. Stella Pack

then applied for Kunststofftechnik’s mark to be revoked for non-use.

The Cancellation Division found that STELLA had not been used for all the goods for which it was registered and ordered a partial revocation. Kunststofftechnik appealed to OHIM’s Fourth Board of Appeal, claiming that the application for revocation should have been dismissed as inadmissible, since there was already an opposition based on that mark that was still pending.

The Board of Appeal dismissed Kunststofftechnik’s appeal, finding *inter alia* that the opposition proceedings could at most be suspended, but that this would not affect the revocation proceedings. Kunststofftechnik appealed to the General Court.

#### **DECISION**

The Court refused to accept that the opposition proceedings could influence in any way the admissibility or even the progress of revocation proceedings brought against the earlier mark, and consequently rejected Kunststofftechnik’s appeal.

The Court agreed that revocation proceedings initiated after opposition could give rise to suspension of the opposition proceedings. In the Court’s opinion, if the earlier mark was revoked, the opposition proceedings would be devoid of purpose. However, bringing opposition proceedings without awaiting the outcome of the revocation proceedings would not be of any advantage to the proprietor of the earlier mark cited in the opposition proceedings because, even if the opposition proceedings resulted in dismissal of the CTM application, there would be nothing to prevent the same application from being filed again once the earlier mark had been revoked.

#### **COMMENT**

Whilst it is difficult to argue with the outcome of this appeal, issue can be taken with the Court’s observation that there would be no advantage to a would-be opponent of a mark to bring an opposition without awaiting the outcome of revocation proceedings. This observation presupposes that the mark will be revoked: if it were not, the would-be opponent could have missed his opportunity, as an application can only be opposed during the period of three months following its advertisement in the official journal.

## **PARALLEL IMPORTS**

#### **Failure to Prove Exhaustion of Trade Mark Rights**

In *Sun Microsystems Inc v M-Tech Data Ltd* [2009] EWHC 2992 (Pat), Mr Justice Kitchin held that Sun Microsystems Inc was entitled to summary judgment in respect of the parallel import of computer equipment by M-Tech Data Ltd. He rejected M-Tech’s defences that the products were first put on the market within the European Economic Area (EEA) by Sun

and that Sun's exploitation of its marks were contrary to European Community competition law.

M-Tech purchased Sun disk drives from a broker in the United States and imported them into the United Kingdom. It sold them to a company called KSS Associates. Sun contended that the disk drives were put on the market by M-Tech in the United Kingdom without its consent. Sun sued M-Tech for trade mark infringement and sought summary judgment.

The Judge accepted Sun's evidence that the drives were first placed on the market in China, Chile and the United States and noted that M-Tech had not put forward any evidence that they had subsequently been imported into the European Economic Area by Sun or with its consent, prior to their importation by M-Tech.

He held that Articles 5 to 7 of the Trade Marks Directive (89/104/EEC) (now Directive 2008/95) setting out the scope of the concept of Community exhaustion, as interpreted by the European Court of Justice in *Zino Davidoff SA v A & G Imports* [2002] joined cases C-414 to 416/99 Ch 109, made it clear that the placing of goods bearing a registered trade mark on the market outside the European Economic Area did not exhaust the proprietor's right to oppose the importation of those goods without his consent; and the proprietor retained the right to control the initial marketing of those goods in the EEA. Consent to the marketing of the goods in the European Economic Area could not be inferred from mere silence, or from the fact that the goods carried no warning of a prohibition against importation into and sale in the EEA.

In relation to Article 81 of the EC Treaty, the Judge held that the disappearance of the independent secondary market in Sun hardware was not attributable to the offending network of agreements between Sun and its authorised distributors but to the inability of the traders to ascertain the provenance of the Sun hardware in which they were dealing. Furthermore, there was no connection between the enforcement by Sun of its rights and the requirement to buy hardware from within the network wherever possible.

## PATENTS

### Employee Compensation: The Hypothetical Transaction

In *Ian Alexander Shanks v Unilever plc* [2009] EWHC 3164 (Ch), Mr Justice Mann allowed an appeal from a decision of the UK Patent Office. Mr Justice Mann held that the hypothetical transaction contemplated in Section 41(2) of the Patents Act 1977 in calculating compensation due to an employee to compensate him for making an invention of outstanding benefit to his employer, should be between the employer and an arm's length buyer and not a party with all the

same attributes as the actual buyer, minus its connection to the inventor's employer.

### BACKGROUND

In 1984, Professor Shanks made an invention that was patented by his employer, Unilever UK Central Resources Ltd (CRL). Later that year, the patent was transferred to Unilever. Unilever licensed it to a number of different licensees, which led to its widespread use, achieving around £23 million in royalties for Unilever (not CRL).

Professor Shanks brought an action against Unilever to claim compensation under Section 40 of the Patents Act 1977, which entitles an employee to compensation where that employee has invented something that is of outstanding benefit to his employer. Section 41 sets out the mechanism by which the compensation is calculated and essentially provides as follows:

*41(1) An award of compensation to an employee... shall... secure for the employee a fair share...of the benefit which the employer has derived... from the assignment, assignation or grant to a person connected with the employer of the property....*

*41(2) For the purposes of subsection (1) above the amount of any benefit derived... by an employer from the assignment, assignation or grant of –*

*a) ... any right in... a patent for the invention...to a person connected with him shall be taken to be the amount which could reasonably be expected to be so derived by the employer if that person had not been connected with him.*

Unilever did not dispute the fact that CRL was connected to Unilever. However, it attempted to minimise its liability by arguing that the notional counterparty to the hypothetical transaction in Section 41(2) should be the same person, with the same characteristics, as the actual counterparty to the transaction, minus the connection. Professor Shanks argued that the section referred to a "generic assignee", without all the characteristics of the actual assignee.

Professor Shanks applied to the Patent Office to amend his Statement of Case to include the argument that any benefit derived from the patent by any company in the Unilever Group should be taken to be the amount that CRL could reasonably be expected to have derived from the patent if the assignment had been to an unconnected person.

The hearing officer in the Patent Office held that the division between the two parties boiled down to what was meant by "that person" in Section 41(2). He found in favour of Unilever, that it referred to "a person connected with [CRL]... modified only by considering what that specific person would have done if they were not connected with the employer." The hearing officer based this conclusion on the use of "that" person,

holding that if a hypothetical person had been intended, the legislator could have said “a person” instead of “that person”. Therefore, Professor Shank’s amendment to his Statement of Case was not allowed because it relied upon an unsustainable interpretation of the statute.

Professor Shanks appealed to the High Court.

#### **DECISION**

Mr Justice Mann held Professor Shanks was entitled to rely on the principle that if it could be demonstrated that the literal construction of the statute led to an absurdity, then one was entitled to consider whether there was an alternative, less than literal, meaning that could be given to the words.

Mann J found that the literal meaning, which Unilever pursued, gave rise to a very uncommercial result, which was capable of leaving in place the price depressing factor that the subsection seemed intended to remove.

He held that his view that Parliament may not have intended the literal meaning was supported by the judgment in *Kelly v GE Healthcare Ltd* [2009] EWHC 181 (Pat) in which Floyd J had noted that during the passage of the Bill through the House of Lords, one of the Law Lords had observed that he had “never seen such a collection of vague terms in his life”.

Accordingly, Mann J allowed the appeal, finding that the Hearing Officer was wrong to strike out Professor Shanks’ amended Statement of Case.

#### **COMMENT**

Although the Patents Act is over 40 years old, the 2008 decision in *Kelly*, referred to in Mann J’s judgment, was the first ever case in which an employee had successfully claimed compensation under Sections 40 and 41. This judgment from Mann J paves the way for Professor Shanks to pursue his claim under the same section.

## **BROADCASTING**

### **Broadcast Sponsorship: The Distinction from Advertising**

Issue 146 of the *Ofcom Broadcast Bulletin* (23 November 2009) published findings from the Office of Communications’ monitoring of sponsorship credits. The monitoring exercise assessed levels of compliance with Code Rule 9.13, which is derived directly from European legislation, the Television Without Frontiers Directive (89/552/EEC, now amended by 2007/65/EC) and states

*Sponsorship must be clearly separated from advertising, must not contain advertising messages or calls to action and must not encourage the purchase or rental of the products or services of the sponsor or a third party.*

It was conducted following an apparent increase in the amount of information about sponsors’ products/services included in some sponsorship credits.

The findings in the bulletin reflect a range of compliance issues in this area but in general, Ofcom was encouraged by examples of good practice, particularly since the European Commission is concerned about maintaining the distinction between sponsorship and advertising.

#### **FACTORS AFFECTING SUFFICIENT DISTINCTION FROM ADVERTISING**

Ofcom states in the sponsorship credit findings report that it recognises that when judging whether the various components of a sponsorship credit amount to the credit being sufficiently distinct from advertising, fine editorial judgements are often required. It says that it is likely to take into account a number of factors including, but not limited to

- Claims about the sponsor’s products/services.
- Calls to action.
- Focus of the credit.

#### *Claims about the sponsor’s products/services*

Such claims (in particular those that are capable of objective substantiation) are likely to be considered as advertising messages and therefore should not be included in sponsorship credits. Examples include, but are not limited to

- Claims about market leadership, health benefits, efficacy.
- Use of promotional language and/or superlatives to describe the sponsor and/or its products and services (*e.g.*, referring to the breadth of range of products a sponsor provides or how easy a sponsor’s product is to use).

#### *Calls to action*

Credits that contain direct invitations to the audience to contact the sponsor are likely to breach the Code. However, it is possible to include basic contact details (*e.g.*, websites or telephone numbers) in credits, but these should not be accompanied by language that is likely to be viewed as an invitation to the audience to contact the sponsor.

#### *Focus of the credit*

Credits that focus predominantly on the sponsorship arrangement, rather than the sponsor or its products/services, are less likely to be found in breach of the Code. In particular

- Using a creative approach that links the sponsor to the programme thematically (*e.g.*, by genre or using characters who have similar characteristics to the people/characters in the programme). Such links, when used effectively, highlight the fundamental difference between sponsorship and advertising, *i.e.*, sponsorship is about the sponsor’s

association with the programme, not selling the sponsor's products/services.

- Detailed descriptions of products/services are likely to result in the focus of the credit failing to be on the sponsorship arrangement. For example, excessive use of footage from DVDs or computer games in cases where a DVD or computer game sponsors a programme.
- Ofcom's published guidance on Rule 9.13 states that it may be possible for some sponsor's slogans and straplines to be used within a credit, for the purpose of helping to identify the sponsor and/or the sponsorship arrangement, provided they do not encourage the purchase or rental of the sponsor's products/services. However, broadcasters should take extra care when using such straplines—particularly in combination with footage from a sponsor's advertising campaign—that the primary focus of the credit is clearly on the sponsorship arrangement.

## COMMENT

Ofcom states that it believes Rule 9.13 affords broadcasters the freedom permissible to identify sponsorship in a way that both informs the audience of the sponsorship arrangements and benefits the sponsor. Broadcaster sponsorship should take care not to make claims about the sponsor's products/services, should avoid calls to action and should focus predominantly on the sponsorship arrangement rather than the sponsor. Ofcom's findings report warns broadcasters that the European Commission has been taking a very active interest in the issue recently and is known to be monitoring the compliance of sponsorship credits in some Member States. With that in mind, Ofcom has stated that it will continue to conduct monitoring exercises on sponsorship credits on an *ad hoc* basis. The Report ends on a cautionary note to broadcasters that credits found to be in breach of Rule 9.13 may also be considered for further regulatory action.

## DOMAIN NAMES

### Vulnerability of Insufficiently Well-Known Trade Marks

In *Office Holdings Ltd v Hocu To d.o.o. and Office Shoes d.o.o.* [2009] D2009-1277 WIPO, it was concluded that a proprietor of trade marks in central and eastern Europe had a legitimate interest in a corresponding domain name even though it was apparent that the trade marks and domain name had been chosen in order to mimic an earlier trade mark registered elsewhere in Europe.

### BACKGROUND

Office Holdings has operated shops under the name OFFICE LONDON since 1981 and operates an online business via the website [www.office.co.uk](http://www.office.co.uk). It is also the proprietor of three Community trade marks (CTMs) in respect of OFFICE

LONDON and OFFICE for clothing, footwear and retail services.

Office Shoes d.o.o. is a Serbian company. It has been operating retail shops under that name since 1999. It also has trade mark protection in several European countries in respect of OFFICE SHOES.

The dispute arises over Office Shoes' registration of the domain name [officeshoesonline.com](http://officeshoesonline.com). The website provided locations and contact details for Office Shoes' locations throughout central and Eastern Europe, where it operated over 100 shops.

### THE COMPLAINT

Office London contended

1. [officeshoesonline.com](http://officeshoesonline.com) was confusingly similar to its trade marks.
2. Office Shoes had no legitimate interest in the name. The sole purpose of the website was to reference the Complainant's shops.
3. Office Shoes' use of the domain name was in bad faith as Office Shoes had actual knowledge of Office London's trade.

Office Shoes defended its position:

1. The OFFICE trade mark was too generic to be confused with the domain name.
2. Office Shoes was the lawful owner of OFFICE SHOES marks in jurisdictions in which Office London did not have earlier rights, and Office London had no registrations in several of the jurisdictions in which Office Shoes operated.
3. There was no bad faith because there was no likelihood of confusion.

### DECISION

It was held that Office London had discharged the burden of proof with regard to confusing similarity between the marks, since the argument that OFFICE was generic was frivolous and without merit.

It was found that the use by Office Shoes of the mark OFFICE SHOES was a blatant effort to mimic Office London's mark, but this was not enough.

Office Shoes had given evidence of its own registrations of OFFICE SHOES in a number of countries and its use in connection with over 100 retail locations. *BECA Inc v CanAm Health Source Inc* 2004-0298 WIPO shows that trade mark rights are territorial in nature and national trade mark laws may

permit the registration of a mark in that jurisdiction even where it was clear that the party had deliberately chosen the mark to mimic its use by a third party in another jurisdiction. Since Office London had not taken steps to secure trade mark rights in certain countries and its rights were not sufficient to benefit from Article 2 *bis* of the Paris Convention, it could not complain that Office Shoes had established rights in these territories.

As Office London had failed to establish that Office Shoes lacked rights or legitimate interest in the domain name, the panel found that it was not necessary to consider bad faith.

#### **COMMENT**

This decision highlights once the dissonance between the territorial nature of a trade mark against the international nature of a domain name. In this case it seems that Office London has been unlucky as it is well known enough to be mimicked, but not to the degree that benefits from Paris Convention protection.

## **SPORT**

### **The Alcohol Industry Advertising and Sponsorship**

On 8 January 2010, the House of Commons Health Committee published a cross-party Report on alcohol, addressing concerns over the rising level in recent years of alcohol consumption and its consequences. The overall position of the report is that the current system of controls on alcohol advertising and promotion is failing the young people it is intended to protect.

#### **MARKETING AND THE DRINKS INDUSTRY**

The Report states that current controls do not cover adequately sponsorship or new media, which are becoming increasingly important in alcohol promotion: the amount companies spend on internet marketing is now greater than traditional print advertising. Tighter controls are therefore needed and regulation must be extended to address better sponsorship. The Report states that new media presents particular regulatory challenges, including the inadequacy of age controls and the problems presented by user generated content.

#### **REGULATORY CODES**

The Health Committee considered that even if the regulatory codes, in particular the Committee of Advertising Practice and Broadcast Committee of Advertising Practice Codes and the Portman Group Code of Practice, were followed, it does not mean necessarily that advertising does not encourage people to drink, especially young people.

The regulatory bodies stated that guidelines on alcohol marketing are robust and content, scheduling and placements rules, strict. The Advertising Standards Authority, however, did concede that the regulations on “new marketing” (*e.g.*, text

messaging, social network sites *etc.*) are lax and need tightening.

In relation to sponsorship, the report’s specific focus is football. In its submissions to the Committee, the Premiership defends its involvement with alcohol sponsors and claims to operate in a socially responsible manner, stressing that it complies with the Portman Group Code and does not test the boundaries of the related codes or lobby for change.

#### **CONCLUSIONS AND RECOMMENDATIONS**

The Report recommends that the regulation of alcohol promotion should be completely independent of the alcohol and advertising industries. The Committee adds that it thinks that young people should themselves be formally involved in the process of regulation since the best people to judge what a particular communication is saying are those in the target audience.

The Report states that because current controls do not adequately cover sponsorship the codes must be extended to fill this gap. It also suggests that expert guidance should be sought on how to improve the protection offered to young people in the increasingly dominant area of new media.

Finally, the report underlines a “pressing need” to restrict alcohol advertising and promotion in places where children are likely to be affected by it:

- Billboards and posters should not be located within 100 metres of any school.
- A 9.00 pm watershed should be introduced for television advertising.
- Cinema advertising for alcohol should be restricted to films classified as 18.
- No medium should be used to advertise alcoholic drinks if more than 10 per cent of its audience/readership is under 18 years of age.
- No event should be sponsored if more than 10 per cent of those attending are under 18 years of age.
- There must be more effective ways of restricting young people’s access to new media that promote alcohol.
- Alcohol promotion should not be permitted on social networking sites.
- Notwithstanding the inadequacies of age restrictions on websites, they should be required on any site which includes alcohol promotion.
- Alcohol advertising should be balanced by public health messaging.

## COMMENT

The Report has attracted criticism from, amongst others, members of Parliament, economic commentators and the European Sponsorship Association (ESA). The ESA argues that propositions made in the report are unworkable, in particular the 10 per cent recommendation, which it considers

*...will be tantamount to a blanket ban on alcohol sponsorship, as it is inconceivable to accurately assess which events count less than 10% of children amongst their audience. As a result, and in order to maintain the essential funding provided by their alcohol sponsors, clubs could seek to restrict access to anyone under the age of 18, thereby having significant negative social impact.*

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### **CALLEJA CONSULTING**

**LEGAL KNOW-HOW AND INFORMATION  
MARKETING CONSULTANTS**

**rico@callejaconsulting.com**

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## MCDERMOTT CONTACT DETAILS

### LONDON

Gary Moss, Partner  
Direct Line: +44 20 7570 6940  
Email: gmoss@mwe.com

Justin Hill, Director of IP Prosecution  
Direct Line: +44 20 7577 6943  
Email: juhill@mwe.com

Hiroshi Sheraton, Partner  
Direct Line: +44 20 7575 0324  
Email: sheraton@mwe.com

Rohan Massey, Partner  
Direct Line: +44 20 7575 0329  
Email: rmassey@mwe.com

### MUNICH

Boris Uphoff, Partner  
Direct Line: +49 89 12712 170  
Email: buphoff@mwe.com

### DÜSSELDORF

Thomas Hauss, Partner  
Direct Line: +49 211 3003 210  
Email: thauss@mwe.com

### ROME

Francesco Mattina, Partner  
Direct Line: +39 06 462024 60  
Email: fmattina@mwe.com

For more information about McDermott Will & Emery visit [www.mwe.com](http://www.mwe.com).

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## Office Locations

### **Boston**

28 State Street  
Boston, MA 02109  
USA  
Tel: +1 617 535 4000  
Fax: +1 617 535 3800

### **Düsseldorf**

Stadttor 1  
40219 Düsseldorf  
Germany  
Tel: +49 211 30211 0  
Fax: +49 211 30211 555

### **Los Angeles**

2049 Century Park East  
38th Floor  
Los Angeles, CA 90067  
U.S.A.  
Tel: +1 310 277 4110  
Fax: +1 310 277 4730

### **Munich**

Nymphenburger Str. 3  
80335 Munich  
Germany  
Tel: +49 89 12 7 12 0  
Fax: +49 89 12 7 12 111

### **Rome**

Via A. Ristori, 38  
00197 Rome  
Italy  
Tel: +39 06 4620241  
Fax: +39 0648906285

### **Silicon Valley**

275 Middlefield Road, Suite 100  
Menlo Park, CA  
94025  
Tel: +1 650 813 5000  
Fax: +1 650 813 5100

### **Brussels**

Rue Père Eudore Devroye 245  
1150 Brussels  
Belgium  
Tel: +32 2 230 50 59  
Fax: +32 2 230 57 13

### **Houston**

1000 Louisiana Street, Suite 1300  
Houston, TX 77002  
USA  
Tel: +1 713 653 1700  
Fax: +1 713 739 7592

### **Miami**

201 South Biscayne Blvd.  
12th Floor  
Miami, FL 33131  
USA  
Tel: +1 305 358 3500  
Fax: +1 305 347 6500

### **New York**

340 Madison Avenue  
New York, NY 10173  
USA  
Tel: +1 212 547 5400  
Fax: +1 212 547 5444

### **San Diego**

11682 El Camino Real, Ste. 400  
San Diego, CA 92130  
USA  
Tel: +1 858 720 3300  
Fax: +1 858 720 7800

### **Washington, D.C.**

600 Thirteenth Street, N.W.  
Washington, D.C. 20005  
USA  
Tel: +1 202 756 8000  
Fax: +1 202 756 8087

### **Chicago**

227 West Monroe Street  
Chicago, IL 60606  
USA  
Tel: +1 312 372 2000  
Fax: +1 312 984 7700

### **London**

7 Bishopsgate  
London EC2N 3AR  
United Kingdom  
Tel: +44 20 7577 6900  
Fax: +44 20 7577 6950

### **Milan**

Via A. Albricci, 9  
20122 Milan  
Italy  
Tel: +39 02 89096073  
Fax: +39 02 72095111

### **Orange County**

18191 Von Karman Avenue  
Suite 500  
Irvine, CA 92612  
USA  
Tel: +1 949 851 0633  
Fax: +1 949 851 9348

### **Shanghai**

MWE China Law Offices  
Strategic alliance with MWE China Law  
Offices  
Suite 2806 Jin Mao Building  
88 Century Boulevard  
Shanghai Pudong New Area  
P.R.China 200121  
Tel: +86 21 6105 0500  
Fax: +86 21 6105 0501