



# THE EUROPEAN IP BULLETIN

*Issue 12, May 2004*

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## **INTELLECTUAL PROPERTY**

### **1. NEW EC TECHNOLOGY TRANSFER REGIME**

On 1 May, 2004, the revised EC Technology Transfer Block Exemption Regulation ("TTBE") came into force, together with accompanying guidelines. The TTBE is the European Commission's "safe harbour" from the application of Article 81 EC for certain technology licences (patent/know how licences).

The old TTBE provided a roadmap which, if followed carefully by licensing parties, ensured that patent/know how licences were automatically competition law compliant and therefore legal and enforceable. Anti-competitive provisions such as price-fixing clauses were black-listed, and acceptable provisions (e.g. exclusivity grants, minimum royalties and minimum quality specifications) were white-listed. The old TTBE was often criticised, however, for its prescriptive format.

The new TTBE adopts a more economics-based approach. The new TTBE brings with it good and bad news for industry. Key changes that may negatively affect parties involved in technology licensing are:

- Stricter treatment for licences between competitors. In particular, certain restrictions commonly found in reciprocal cross-licensing arrangements between competing companies do not fall within the new TTBE (e.g. restrictions on field of use in reciprocal cross-licences which may have the effect of restricting activities to technical fields/territories/products reserved to the other licensee). Licences containing such provisions will need to be analysed under Article 81(3) EC from first principles.
- The introduction of the concept of a "technology market". This means that more licensing arrangements could be considered to be licences between competitors and therefore subject to the harsher regime. For example, a licence between a pure technology company and a company that produces competing technology as well as goods produced using that technology would be considered to be a licence between competitors.
- The inclusion of market share thresholds. Competitors will only benefit from the new TTBE if their combined market share does not exceed 20%. Non-competitors' market shares each need to be 30% or less in order to fall within the safe harbour. Companies and their legal advisers will now need to define the relevant product and technology markets, and calculate market shares, which may be very difficult in certain dynamic technological markets. Further, the low thresholds mean that many companies will no longer be able to benefit from the TTBE. Even those companies that do fall within the thresholds will need to monitor their market shares over the life of the licence agreement in order to ensure that they do not "move" out of the safe harbour.

Looking on the bright side, positive changes include:

- A more liberal approach to grant-backs of intellectual property. Imposing an exclusive licence/assignment of improvements on the licensee will not take the whole agreement outside the safe harbour,

just that individual provision. Further, an obligation on the licensor to license its improvements to the licensee is not excluded from the new TTBE.

- An extension to software. So that software copyright licensed for the manufacture or provision of specific contract products/services is included within the scope of the new TTBE. This reflects the Commission's keenness to ensure that the converging Information Society markets remain competitive.
- The Commission's detailed guidelines explain the various provisions in the new TTBE, as well as guiding advisers on how to apply EC competition law to multipartite licences, patent pools and other licensing arrangements falling outside of the new TTBE. These guidelines reflect the Commission's desire to ensure businesses and their legal advisers have as much guidance as possible on the application of EC competition law to commercial arrangements, particularly given the abolition of the notification/individual exemption system, from 1 May 2004 (as part of the Commission's Modernisation package).

Here are links to the new TTBE and guidelines:

- [http://europa.eu.int/comm/competition/antitrust/legislation/licensing\\_arrangements/en.pdf](http://europa.eu.int/comm/competition/antitrust/legislation/licensing_arrangements/en.pdf) (TTBE)
- [http://europa.eu.int/comm/competition/antitrust/legislation/licensing\\_arrangements/guidelinesen.pdf](http://europa.eu.int/comm/competition/antitrust/legislation/licensing_arrangements/guidelinesen.pdf) (Guidelines)

Companies whose licence agreements benefited from the old TTBE on 30 April 2004 but whose agreements do not fall within the new safe harbour will be given a 2 year grace period to carry out a first principles analysis under Article 81 EC and/or renegotiate the infringing provisions.

## **2. NAOMI'S PRIVACY - BREACH OF CONFIDENCE**

On 6th May 2004, the House of Lords handed down its judgment in the case of *Campbell v MGN Limited* [2004] UKHL 22 on appeal from [2002] EWCA Civ 1373. The Appellate Committee consisted of Lord Nicholls of Birkenhead, Lord Hoffmann, Lord Hope of Craighead, Baroness Hale of Richmond and Lord Carswell. Lord Nicholls and Lord Hoffman ruled to dismiss the appeal, however Lord Hope, Baroness Hale and Lord Carswell allowed the appeal and restored the ruling of the judge of the court of first instance.

### **The Facts**

The facts of this case were as follows. On 1 February 2001 the "Mirror" newspaper ran a front page article entitled "Naomi: I am a drug addict" which gave details of the super model, Naomi Campbell's, attendance at Narcotics Anonymous meetings and her efforts to overcome her addiction to drink and drugs. The article referred to Miss Campbell's efforts to rehabilitate herself, described generally Narcotics Anonymous therapy and referred to some of Miss Campbell's recently publicised activities, including an incident when Miss Campbell was rushed to hospital and had her stomach pumped. The judgment states that the article was generally sympathetic and supportive and perhaps slightly

smug that Miss Campbell had been caught out by the “Mirror”. The newspaper had obtained its information either from one of Miss Campbell’s associates or a fellow addict attending Narcotics Anonymous meetings. Photographs of her attending a Narcotics Anonymous meeting had been taken by a freelance photographer who had been employed especially for the purpose and who had taken the photographs covertly from inside a parked car some distance away.

The articles were inaccurate in several ways: Naomi Campbell had been attending Narcotics Anonymous meetings in the UK and overseas for two years, not three months, and the frequency of her attendance was greatly exaggerated (she did not regularly go to two meetings a day, as was reported). Photographs of Miss Campbell in an easily recognisable street were of her leaving a meeting rather than arriving as stated in the article.

Miss Campbell issued proceedings against MGN Limited on the same day the articles were published. The “Mirror” proceeded to publish further extremely critical articles. In the proceedings Miss Campbell claimed damages for breach of confidence and compensation under the Data Protection Act 1998. The main basis of a claim for aggravated damages was an article published on 7 February 2001 headed “Fame on you, Ms Campbell” which reported Naomi Campbell’s plans to “launch a campaign for better rights for celebrities or “artists” as she calls them” and included the sentence: “As a campaigner, Naomi’s about as effective as a chocolate soldier.”

Morland J [2003] EWHC 499 (QB) upheld Ms. Campbell’s claim and awarded her £2,500 plus £1,000 aggravated damages in relation to both claims. The Court of Appeal overturned this decision [2002] EWCA Civ 1373, [2003] QB 633.

### **The Issues**

The case raised some interesting issues. Lord Nicholls held that in the UK there is no “over-arching, all embracing cause of action for “invasion of privacy””, however protection of certain aspects of privacy is fast developing in various common law jurisdictions encouraged in the UK by the enactment of the Human Rights Act 1998. This case concerned one aspect of invasion of privacy – the wrongful disclosure of private information and demonstrates the familiar competition between freedom of expression and respect for an individual’s privacy, both of which were described by the House of Lords as vitally important, with neither taking precedence over the other.

The common law action of breach of confidence has long protected the wrongful use of private information, but the name of the action has become misleading. The essence of a breach of confidence action was originally based on improper use of information disclosed by one person to another in confidence. The relevant information had to be confidential in nature and have been disclosed by one person to another in circumstances “importing an obligation of confidence” even if no non-disclosure contract existed. The confidence referred to arose out of a confidential relationship. The House of Lords held that breach of confidence actions no longer need an initial confidential relationship for a cause of action to exist and have changed in nature.

Lord Nicholls held that the law now imposes a “duty of confidence” whenever a person receives information he knows or ought to know is fairly and reasonably to be regarded as confidential, and stated that the more natural description today is that such information is private and the essence of the tort is better encapsulated now as misuse of private information. The privacy of individuals can be invaded in ways not involving publication of information however, in this case the common law claim was presented exclusively on the basis of breach of confidence i.e. wrongful publication by the “Mirror” of private information.

This case focused on the provisions of Article 8 of the European Convention on Human Rights which concerns respect for private and family life and Article 10 which concerns freedom of expression and the interaction of these two Articles. The values of Articles 8 and 10 are now part of the cause of action for breach of confidence and the rules embodied in these Articles are applicable in disputes between individuals or between individuals and non-governmental bodies like newspapers as they are in disputes between individuals and public authorities.

### **The Judgment**

The relevant information in the “Mirror” article which was the subject of the appeal was divided into 5 categories during the case: (i) the fact of Miss Campbell’s drug addiction; (ii) the fact she was receiving treatment; (iii) the fact that she was receiving treatment at Narcotics Anonymous; (iv) the detail of the treatment – how long she had been attending meetings, how often she went, how she was treated within the sessions themselves, the extent of her commitment and the nature of her entrance on the specific occasion; and (v) the visual portrayal of her leaving a specific meeting with other addicts. The House of Lords ultimately held that despite the importance attaching to the right to freedom of expression required by the press to play an effective role, there was an unjustified infringement of Naomi Campbell’s right to privacy. The publication of the third, fourth and fifth elements in the article about her was an invasion of her right to privacy which entitled her to damages.

The issue of whether the information was imparted in confidence to the respondents was not disputed and it was accepted that the respondents were, in the circumstances of the case, justified in publishing the information contained in the first two categories (i.e. the facts that Naomi Campbell was a drug addict and receiving treatment for her addiction). Usually such information would be regarded as confidential, but publication in this case was held to be justified because the appellant was a famous figure who actively seeks publicity, who was described as a role model for other young women, who had consistently lied about her drug addiction and compared herself favourably with other people in the fashion industry who regularly used drugs. Because of this, Naomi Campbell was held to have forfeited the protection she would otherwise have been afforded and had herself made the information concerning her addiction and treatment a matter of legitimate public comment in respect of which the Press were entitled to “put the record straight”.

The issue to be decided was whether the respondents were allowed to publish the material included in the third, fourth and fifth categories or

whether such information could not be legitimately commented on and should be treated as information received in confidence which should not have been published.

The House of Lords disagreed with the Court of Appeal's distinction between information that the appellant was receiving therapy from Narcotics Anonymous (which they regarded as not being private) and details of the treatment of a medical condition (which they regarded as private). The House of Lords held that both types of information were private. The Court of Appeal had regarded disclosure of the information that Miss Campbell was receiving therapy from Narcotics Anonymous merely as a peripheral disclosure and held that publishing the details concerning her attendance at NA meetings was not in its context important enough to constitute a breach of duty of confidence owed to her. The Court of Appeal (applying the "highly offensive" test first established in the Australian case of *Australian Broadcasting Corporation v Lenah Game Meats Pty Ltd* (2001) 185 ALR 1, 13) had held that a reasonable person of ordinary sensibilities, reading that the appellant was a drug addict would not find it highly offensive that the newspaper also disclosed that she was attending meetings of Narcotics Anonymous and was not of sufficient importance to justify intervention of the court.

The House of Lords held that the publication of the details of the appellant's course of treatment at Narcotics Anonymous and the photographs taken covertly in the street of her leaving a meeting went considerably further than publishing the fact that she was receiving therapy or involved in a course of therapy with Narcotics Anonymous. Details published included where the treatment was occurring and its frequency. This intruded into what had some characteristics of medical treatment and tended to deter her from continuing the treatment which was in her interest and also to discourage other persons attending the course from continuing when they might be concerned that their participation might be publicised. This was held to go further than a disclosure "peripheral to" the publication of the information that Miss Campbell was addicted to drugs and receiving treatment and was capable of constituting a breach of confidence.

The House of Lords stressed the fact that photographs are a powerful reinforcement to written articles and a much valued part of newspaper reporting and held that the Court of Appeal had overlooked the photographs too easily as adding little to the reports already published.

The House of Lords also held that the nature of the material published established that it was private information which attracted the duty of observing the confidence in which it was imparted to the respondents, and that the respondents' motives in publishing such information to give a sympathetic treatment to the subject did not constitute a defence if publication of material in the third, fourth and fifth categories revealed confidential material.

The House of Lords discussed the balance to be struck between Articles 8 and 10 of the European Convention on Human Rights, which they regarded as central to the case. The rights guaranteed by these Articles are qualified rights and neither right has precedence over the other. Article 8(1) protects the right to respect for family life, but Article 8(2)

recognises the rights and freedoms of others. Article 10(1) protects the right to freedom of expression, but Article 10(2) recognises the need to protect the rights and freedoms of others. It was held that the right to privacy which is central to a breach of confidence action must be balanced against the right of the media to impart information to the public and the media's right to impart information must be balanced against the respect to be given to private life. To justify limiting the Article 10 right to freedom of expression the restrictions imposed must be rational, fair and not arbitrary and they must not impair the right more than necessary.

The House of Lords stated that resolving this question depends on the weight given to various considerations: the extent of the appellant's distress, the potential adverse effects on her drug therapy, the extent to which it was considered the material in categories 3, 4, and 5 went beyond that contained in the first two categories and the degree of flexibility which the press should be permitted in the way it chooses to present a story.

The House of Lords ultimately held that publication of details of Miss Campbell's attendance at therapy by NA, reinforced by the photographs, amounted to a considerable intrusion into her private affairs capable of, and actually causing substantial distress, although it was hard to determine the amount of actual harm it may have done to her progress in therapy. The publication of the article was held to create a risk of causing a significant setback to the appellant's recovery, however, the importance of a proper degree of journalistic margin to the press to deal with legitimate stories in its own way without unnecessarily curtailing press freedom to publish detail and photographs adding colour and conviction to a story were also emphasised.

### **Conclusion**

This is the first media case to have reached the House of Lords following implementation of the Human Rights Act 1998 and is therefore significant. However, creation of a "back door privacy law" as a result of this judgment appears unlikely – this was a case concerning unusual and specific facts. Baroness Hale was of the opinion that English law could not, even if it wanted to, develop a general tort of the invasion of privacy. Nevertheless, it does appear that the extension of the existing law of breach of confidence is becoming increasingly established in English law. Future breach of confidence actions involving a misuse of private information are likely to be decided on the specific facts of each case and it appears that judicial recognition of the fact that individuals are entitled in certain circumstances to protect certain types of private information is likely to continue. Whether the publication of private information will be held to constitute a misuse of private information in any particular circumstances is likely to depend in each case on an analysis of the competing rights of the individual to a certain amount of respect for private and family life balanced against the right to freedom of expression.

### **3. UKRAINE TARGETED BY USTR IN 2004 "SPECIAL 301" REPORT**

On 3 May, US Trade Representative (USTR) Robert B. Zoellick announced the result of the 2004 ["Special 301"](#) annual review, which examined the adequacy and effectiveness of intellectual property

protection in approximately 85 countries.

Under Special 301 provisions, the USTR has authority to identify countries that are considered to have trade barriers and/or unfair trade practices to US industry. This year, the annual report drew attention to the need for improved enforcement against counterfeiting and piracy, with particular emphasis on the campaign to reduce production of unauthorised copies of "optical media" products such as CDs, VCDs, DVDs and CD-ROMs.

Over the last few years, the USTR raised significant concerns about the high levels of piracy in the Ukraine. Ukraine has also been a major trans-shipment point and storage location for illegal optical media produced in Russia and elsewhere, resulting in substantial losses to US industry. Subsequently, the US withdrew Ukraine's benefits under the Generalised System of Preferences program in August 2001 and imposed \$75 million worth of sanctions on Ukrainian imports on 23 January 2002.

To improve its intellectual property protection, Ukraine has drafted amendments to its existing Optical Disc Licensing Law but has yet to pass these amendments in the Vekhovna Rada of Ukraine. The USTR noted Ukraine's persistent failure "with disappointment" and Ukraine will continue as the sole "Priority Foreign Country" with its US imports still subject to \$75 million annual sanctions. The USTR also warned that Ukraine's failure to protect IPRs could jeopardise its efforts to join the World Trade Organisation and seriously undermine its efforts to attract trade and investment.

As long as the USTR continues to use measures to improve IP protection in countries which it deems has inadequate and/or ineffective protection for US industries, countries such as Ukraine have little choice but to improve IP protection and strengthen current enforcement efforts to deter optical piracy and address trademark counterfeiting if they aspire to membership of economic organisations like the WTO.

## **COPYRIGHT**

### **4. ECJ JUDGMENT IN IMS HEALTH v NDC HEALTH**

Following the Advocate General's Opinion, the ECJ delivered its judgment in *IMS Health v NDC Health* Case [C-418/01](#) on 29 April.

IMS is the copyright holder of the "1860 brick structure" data bank. This database divides the German market into 1860 geographical areas for distribution and commercialisation of pharmaceutical products, interrelating different factors such as the boundaries, municipalities, postcodes, population density, transport connections and geographical distribution of pharmacies and doctors.

This structure has also been used for many years by health insurers and pharmacy accounting centres free of charge, thus encouraging feedback that contributed to make this database the common standard on the market for structuring regional sales data. When Pharma Intranet Information AG (which later became NDC through an acquisition) started to use the same structure, IMS claimed infringement of copyright before the German Court. The Court ruled against NDC but directed some questions to the ECJ.

NDC brought the case before the Commission after - IMS refused to license the database to WDC and its claim for abuse of a dominant position pursuant to Article 82 of the EC Treaty by IMS was upheld by the Commission and IMS was ordered to grant a licence, a decision which has since been suspended by the CFI.

The judgment of the ECJ held that:

- the refusal to grant a licence of a database is an abuse of a dominant position if the potential licensee offers new products or services that are different to the product supplied by the copyright holder of the database;
- if the refusal to licence cannot be justified by objective considerations ; and
- if refusal to licence aims to eliminate competition from the market.

Article 82 of the EC Treaty does not order a dominant player of a market to licence *per se* as additional abusive conduct must be present. The ECJ seems to have ruled along the lines of *Magill* case, understanding that three cumulative conditions are present. It is worth adding here, that the different product characteristics had not been as well defined as they were in the *Magill* case.

## **5. COMMUNICATION AND CONSULTATION ON COPYRIGHTS AND RELATED RIGHTS IN THE INTERNAL MARKET**

On 21 April, the European Commission issued a [press release](#) on the adoption of the Communication on the Management of Copyright and Related Rights.

‘Management of Rights’ is a term of art defined as the means by which copyright and related rights are marketed. This can be done either collectively by a collection society or individually by the rights-holder.

The Internal Market Commissioner believes that the marketing of intellectual property rights needs to be addressed at a European level as the digital environment of the internet makes it possible to exploit these rights across national borders. Licensing for analogue exploitation is also taking on more of a cross-border dimension. This creates a need for effective rights management for the Internal Market to function properly.

The task of the Commission is to balance the need to protect the rights and remuneration of authors and performers against the demands of commercial users. The Commission came to four main conclusions:

- An Internal Market for collective rights management must be established in order that governance can be implemented at a Community level
- There is no need at present for individual rights management
- Although Digital Rights Management systems have been anticipated to solve some of these issues, they have yet to be accepted by all stakeholders
- There is an increasing demand for a Community-wide licensing scheme. The Commission would like this market-led with supporting legislation on collective rights management and governance of

collecting societies

In view of these conclusions, for a Community-wide licensing scheme to be implemented and controlled, an interoperable Digital Rights Management system will be introduced at a European level and collecting societies will become subject to EU rules and regulations.

## **6. NEW SOFTWARE MAKES IT POSSIBLE TO COPY MUSIC FROM PROTECTED CDS**

Computer magazine publisher Heise Zeitschriften and software company RapidSolution have developed software that enables any form of anti-copying technology to be bypassed.

The programme, called [unCDcopy](#), exploits the so-called “analogue hole” in the CD by making an analogue recording at normal speed before reconfiguring the recorded data into a useable digital file. In many ways, it is similar to recoding to a blank cassette tape as the quality of the recoding will be analogue rather than digital. The team that created the software claimed to be motivated by complaints from consumers that their legally-bought CDs would not play in computer CD drives.

Jim Peters, a representative of the UK’s Campaign for Digital Rights said “This is like CD to tape copying, only brought into the 21<sup>st</sup> century. It will let you defeat any copy prevention system, but in an obvious low-tech way”.

In recent years, copy protection technologies have been introduced by the music industry as a weapon to fight against music piracy. Protection systems include the modification of a CD so that the original track will refuse to play in a computer’s disc drive in order to prevent users from making replica CDs or compressed digital copies of the music that can be posted online.

While it might seem unfair for owners of store-bought CDs not to be able to make digital copies of their CDs, it remains to be seen whether the new software could infringe the Copyright Directive (2001/29/EC), which makes it illegal to sell any device that circumvents copy protection technology, but provides limited exceptions for non-commercial reproduction by natural persons which do not unfairly prejudice the rights holders.

## PATENTS

### 7. SUPPLEMENTARY PROTECTION CERTIFICATES : APPLICATION OF PHARMACIA ITALIA SPA

In this case, the ECJ considered an appeal from the German appeal courts regarding an application for a Supplementary Protection Certificate (SPC) by Pharmacia Italia SPA (formerly Pharmacia & Upjohn SPA) (Case [C-371/02](#) AGO (Jacobs), dated 29 April).

The case related to the transitional provisions for application of Regulation No. [1768/92](#), which provides for supplementary protection of patents for a term not exceeding 5 years from the expiry of the patent in question. An SPC only extends the protection of a patent to the extent that the patent protects the particular product or active ingredient that is the subject of a marketing authorisation in human or veterinary treatments.

In this case the applicant's patent covered the active ingredient Cabergoline, an ergoline derivative. The first marketing authorisation for the active ingredient in a veterinary product was in January 1987, and the first marketing authorisation in a human product was in October 1992. The regulation came into force in January 1993. Under transitional provisions, the regulation applied only where 1) the patent was in force at the time the regulation came into force and 2) where the first authorisation of the product was after a particular date, in the case of Germany being 1 January 1988. Thus, if the veterinary authorisation counted as the first relevant authorisation this applicant would not have been able to take the benefit of an SPC. The German courts so decided and the Federal Appeal court (*Bundesgerichtshof*) referred the matter to the ECJ.

The ECJ Opinion concluded that the Regulation does not distinguish between authorisations for human or veterinary use. Rather, the Regulation draws a distinction between a 'medicinal product' given marketing authorisation and a 'product' which is the subject of the patent protection. This interpretation is supported by:

- The objectives of the regulation refer to the need to encourage public health, and human health can be dependent on the health of animals.
- The regulation allows authorised medicinal products protected by patent to have a clear period of market monopoly of an overall maximum of 15 years. The applicant's construction would have given it 19 years exclusivity from the first authorisation of the veterinary product.
- The regulation aims to avoid SPCs being a barrier to free trade in the EC by taking the first marketing authorisation in any Member State of the EC as a reference to the period of protection. Thus maximum protection will expire at the same time. A distinction between veterinary and human products could provide different periods of protection.
- Only one SPC can be granted for any particular product. A distinction between veterinary and human treatments would seem to provide for two.

The Advocate-General concluded that the applicant would not be able to

rely on the later authorisation that first applied to use of the product in human treatment since the transitional provision referred to first authorisation, whether veterinary or human. He suggested that a wider ruling could be made by the full court that the regulation as a whole did not draw a distinction between such applications when referring to first authorisation.

This ruling will be of concern to research-based pharmaceutical companies. Many human treatments on the market and in development have their origin in previous medicinal or veterinary applications. Where the product is first authorised as a veterinary product, subsequent years of development of the product into a human treatment will now redate the term of any possible SPC protection, because, under their decrrier, the SPC term extension cock begins to tick as soon as the product is authorised for veterinary use.

## **TRADE MARKS**

### **8. CHALLENGE TO THE OWNERSHIP OF THE STATE SYMBOLS OF FORMER EAST GERMANY**

The registration of the iconic symbol of the former East Germany was to be challenged before the German Patent and Trade Mark Office.

In 2002, Karlsruhe entrepreneur Manfred Jansen sought to exploit a surge of nostalgia for the formerly communist east by registering the state symbols of the former East Germany, including the hammer and compass symbol and the DDR acronym, with the German Patent and Trade Mark Office under classes 06, 09, 16, 24, 25 and 34. Jansen's application was not challenged.

The German Patent and Trade Mark Office have defended its decision on the grounds of Section 8(6) of the German Trademark Act, which provides that trade marks that include armorial bearings, flags or other emblems of State can not be registered, there is no provision prohibiting the registration of symbols of a defunct state. When a state ceases to exist, its symbols could be registered by anyone whose application arrived first and was unopposed.

Recently however, Matthias Oehme, the director of Berlin publishing house and successor of Heinz Behling, who designed the DDR symbol in the 1950s, expressed his intention to challenge the registration of the hammer and compass symbol under copyright infringement. Indeed, according to Section 64 of the German Law Dealing with Copyright and Related Rights, copyright shall expire 70 years after the author's death. The publisher is not seeking to claim the rights but wants to see ownership of the symbols returned as national property.

In addition to the registration of the hammer and compass symbol, and the DDR acronym, Jansen also plans to file an application for the symbols of the Stasi, the East German secret police and the Free German Youth (FDJ), which has been banned in the Federal Republic since 1951. These applications could face refusal on the absolute ground of Section 8(5) of the German Trademark Act which states that trade marks which are contrary to public policy or accepted principles of morality should not be registered.

## 9. WHEN DOES A TRADE MARK BECOME GENERIC? BJÖRNEKULLA FRUKTINDUSTRIER V PROCORDIA FOOD

On 29 April, the ECJ delivered its judgment in *Björnekulla Frukthindustrier AB v Procordia Food AB*, ECJ Case [C-371/02](#).

The English version of Article 12(2)(a) of Directive [89/104](#) states that a mark is liable to be revoked if, after it has been registered, it becomes “the common name in the trade for a product or service in respect of which it is registered” because of the acts or inactivity of the proprietor of the mark. Björnekulla applied to have Procordia’s Swedish BOSTONGURKA trade mark revoked, arguing that it had become generic, relying on survey evidence conducted amongst consumers. Procordia responded by providing survey evidence about the attitudes of leading operators in the grocery, mass catering and food stall sectors. Therefore, the question arose in the Swedish courts as to what criteria, or circles are relevant when assessing whether a mark is generic and the Swedish Svea hovrätt referred the following question to the ECJ:

In cases where a product is handled at several stages before it reaches the consumer what is or are, under Article 12(2)(a) of the Trade Mark Directive, the relevant circle or circles for determining whether a trade mark has become the common name in the trade for a product in respect of which it is registered?

In answer to this question, the ECJ noted that the different language versions of Article 12(2)(a) suggested conflicting answers to this question. However, the majority of the language versions suggested it is not just the trade that is relevant. This view was supported by the general scheme and objective of the Directive. Article 12(2)(a) addresses the situation where a mark is no longer capable of fulfilling its essential function. The essential function of a mark is defined by reference to the consumer or end user and the mark’s ability to indicate origin to that consumer or end user. Therefore, the perceptions of consumers or end users will play a decisive role. However, depending on the features of the product market concerned, the influence of intermediaries on decisions to purchase, and thus the perceptions of those intermediaries of the trade mark must also be taken into account. This is because those intermediaries detect and anticipate the demand for the product in question by consumers and seek to increase or direct it.

In requiring the perceptions of both consumers and intermediaries to be taken into account, the ECJ has chosen the more expensive route that will require more effort in gathering evidence. It remains to be seen what approach will be taken if only one of the two relevant groups considered a mark to be generic and in what situations the perceptions of intermediaries will *not* be relevant.

## **10. IMITATION OF INTERNATIONAL EMBLEMS : CONCEPT-ANLAGEN V OHIM**

On 21 April, the Court of First Instance (CFI) gave its judgment in *Concept-Anlagen v OHIM*, case [T-127/02](#).

The applicant had sought registration for a figurative mark which consisted of a circle of white stars on a black background and the words 'ECA' at The Office for the Harmonisation of the Internal Market (OHIM). The application was refused Under Art 7(1)(h) of Council Regulation (EC) [40/94](#), which prohibits the registration of state symbols or imitations as marks pursuant to Article 6ter of the [Paris Convention](#) on the grounds the mark contained an imitation of the circle of stars symbol of the Council of Europe.

An appeal to the Second Board of Appeal of OHIM was dismissed as the Board found a high degree of similarity between the circle of stars in the mark in question and that in the "European" emblem and that the combination of the circle of stars and the series of letters 'E', 'C' and 'A' would give rise to an association with official European bodies on the part of the consumer.

Concept appealed to the CFI, arguing that OHIM had failed to exercise the discretion conferred on it by the second sentence of Art 6ter(1)(c) of the Paris Convention, which does not require that a mark be refused registration, even if the mark sought is an imitation from a heraldic point of view of the European emblem.

The CFI upheld the Board of Appeal's earlier decision. The CFI found that there was an overlap between the applied-for goods and services, classes and the activities of the EU, which in view of the wide scale activities of the EU, would mean the applied for mark would be capable of creating a misleading impression on part of the public of an association between the mark and the Council of Europe or the European Community. The difference in colour was deemed irrelevant because Concept's application was not limited to any particular colours and thus could be used in the blue and yellow colours of the EU.

## **11. CONSTRUCTION OF TRADE MARK AGREEMENTS : APPLE CORPS V APPLE COMPUTER**

On 7 April, 2004, in what could prove to be the beginning of future litigation, Mr Justice Mann delivered judgment in the case of *Apple Corps Ltd v Apple Computer, Inc*, [\[2004\] EWHC 768 \(Ch\)](#)

The dispute arose between Apple Corps Ltd, a well-known record company. The dispute concerned the breach and intended breaching and Apple Computer, Inc, a well-known computer and software company an agreement made in 1991 which regulated the use of the parties' respective marks in their areas of business activity. Apple Computer created Applemusic.com, a web-based music shop that provides downloads for its iPod player called iTunes Music Store. This service is only available in the US, however, the company plans to expand to Europe this year. Apple Corps alleged that this constituted a breach or intended breach of the trade mark 1991 agreement.

The Court was asked to determine: whether the contract was made in England; governed by English law; whether there was a threatened breach of contract within the jurisdiction; and whether the English Courts were the proper place in which to bring the claim.

At the time the contract was concluded the parties could not agree on the choice of law or jurisdiction so did not specify any in the contract. As the location of where the agreements were signed could influence the issues of choice of law and jurisdiction, the contracts were signed in each of the parties respective locations and then swapped by courier. Completion occurred via telephone. As it was not possible to determine which party made an offer to the other party and which party accepted the offer in the context of this contract, Justice Mann held that offer and acceptance were simultaneous and allowed UK jurisdiction.

As to whether English law governed the contract, the Court looked to the Contracts (Applicable Law) Act 1990, which helps to establish which country is most closely connected to the contract. Justice Mann found the evidence weak for both countries, but decided that as the original trade mark agreement of 1991 was made in England, English law should apply.

The court then determined that England was the proper forum for this case to be heard based upon the governing law, the location of documents, costs of pre-trial preparation, location of the parties and the potential disruption to their business.

The practice issues raised by this case:

- To leave choice of law or jurisdiction clauses out of a contract raises the possibility of contesting a case in another jurisdiction
- Do not refuse to compromise and change the contract to suit the chosen jurisdiction

## ACKNOWLEDGEMENTS

McDermott, Will & Emery would like to acknowledge the invaluable contribution to the Bulletin made by Angel Adrian, Lucas Arrivillaga, Afegieme Komolafe, Malcolm Langley, YunJoo Lee, James Mitchiner, Ilanah Simon and Daphne Zografos from the Queen Mary Intellectual Property Research Institute, University of London.

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