

The European IP Bulletin

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Hot Topics

1. COPYRIGHT PROTECTION OF HISTORICAL WORKS: THE *DA VINCI* CODE CASE

In *Baigent and Leigh v Random House Group Ltd*, [2006] EWHC 719, the Claimants are the authors of *Holy Blood and Holy Grail* (HBHG). Their ultimate 'hypothesis' in HBHG was that references in early manuscripts concerning the Grail story referred not to a grail in the sense of a chalice, but rather to 'Sang Real', meaning holy blood, in reference to the bloodline of Christ, borne by Mary Magdalene and continued, in France, in the form of the Merovingian dynasty. The established Church attempted to suppress the bloodline history, but a secret sect, the Priory of Sion, secretly protected it. In reaching this conclusion, Baigent and Leigh started from six known 'indisputable' historical facts or supposed facts. However, their ultimate conclusion was the result of 'historical conjecture' based on those facts. This unorthodox technique allowed them to put forward various hypotheses about certain points which they identified as plausible, without ultimately committing themselves to whether they believed them to be correct. The original central theme to arise from their work identified by the judge in his findings of fact was the merging of Christ's bloodline with the Merovingian bloodline as an idea.

The Defendant, Random House, published *The Da Vinci Code*, authored by Dan Brown. *The Da Vinci Code* is a murder-mystery concerning the death of Jacques Sauniere, the Grand Master of the Priory of Sion. In order for the heroes to solve the mystery, they must work out various puzzles which are based on the history of the Priory and the continuation of Christ's bloodline. There was little doubt that Dan Brown had drawn on HBHG to some extent. There was a reference to it in *The Da Vinci Code* and one of the characters was named Sir Leigh Teabing, a combination of the name of the Claimant Leigh, and an anagram of the name of the Claimant Baigent.

Baigent and Leigh brought an action against Random House for infringement of their copyright in the literary work, arguing that Brown had copied the way in which they had made the sequence of connections of the facts of the merging of the bloodlines. In doing so, Brown had 'shortened the way' since he had relied on others' research and had appropriated the Claimants' literary labour. There had been little copying of the actual text of HBHG, and so the claim had to be couched in terms of a claim for non-literal copying of a substantial part of the Claimants' literary work. However, this presented a difficulty because of the general principle that copyright protects expression and not ideas. HBHG was a book which took historical fact as its starting point, and historical facts are classed as unprotectable ideas. In order to succeed, Baigent and Leigh had to show that Brown had taken a substantial part of the manner in which they had expressed those ideas, as opposed to taking the ideas themselves.

The law

The parties agreed that there was no novel point of law to be resolved. Instead, it was a matter of applying the law to the facts. This was a case of non-textual infringement of a literary work and, as such, was relatively unusual. The first step was to identify the work relied on. There was no doubt that HBHG was an original literary work, but the extent of the originality was less clear. Following *Hyperion v Sawkins* [2005] EWCA 565, what was protected in the case of a work which drew on pre-existing sources was the effort put in by the authors in researching the sources and presenting their findings. The manner in which facts, themes and ideas are collated and presented does qualify for copyright protection. However, there

could be no monopoly in the underlying ideas or historical information.

The next step was to determine whether a substantial part of the copyright work had been copied. First, one must identify the features which have allegedly been copied. Then, it must be shown that those copied features constitute a substantial part of the Claimant's work (although it need not constitute a substantial part of the Defendant's work). Differences between the two works are not relevant. While literal copying is not required in infringement cases, borrowing of abstract ideas will not infringe. A fair balance must be struck between protecting the rights of the author and allowing literary development; to achieve this balance, in the interests of fairness to others, the subject matter of the copyright monopoly must be identifiable with certainty. Such certainty is particularly necessary where the literary work in question deals with actual events. Even when a work based on historical facts does achieve copyright protection, later authors can draw on those facts, as long as they do not appropriate the earlier author's labour.

Applying facts to the law

Although Dan Brown did not directly use HBHG when preparing the synopsis of his novel, he did use his wife Blythe Brown's research, and she had relied on HBHG. The precise stage at which his wife had used the book was unclear and could not be settled definitively without evidence from her. However, it was apparent that HBHG *had* been used in writing the 'Leigh Teabing Lectures'. Blythe Brown had the book from at least 2000 onwards and her research using the book had been used by Dan Brown to complete the second part of *The Da Vinci Code* between March and August 2002.

Clearly then, Dan Brown had had access to HBHG, but had he used it in a way which infringed Baigent and Leigh's copyright? It was conceded by Baigent and Leigh that the limited direct textual copying that had taken place did not infringe HBHG. Instead, the Claimants alleged that what had been taken was the central theme of HBHG, and that this constituted an infringement of the original literary work in HBHG. To succeed in this claim, the Claimants had to make out three points:

- i. that there was a central theme in HBHG;
- ii. that this central theme (if it existed) was capable of protection as a literary work under the CDPA; and
- iii. that Dan Brown had copied the central theme in a way that was substantial.

The Claimants acknowledged that they had no copyright in the ideas and facts contained in HBHG, only in its architecture or structure or the way in which they had been presented. This meant that copying by Dan Brown of the central themes themselves was insufficient to establish infringement. Instead, the Claimants had to show that he had copied the structure of HBHG, which was the chronological presentation of the 15 themes that Baigent and Leigh had identified. This of course presupposed that the central themes could in fact be found in HBHG.

However, Peter Smith J. found that the central theme that the Claimants relied on was an artificial contrivance designed to create an illusion of a central theme for the purposes of making out infringement. There was no statement in HBHG that the central theme identified by the Claimants was the central theme of the book. Individually and as a whole, they consisted of a series of generalised ideas, assertions or facts. Moreover, there were a lot more ideas in HBHG than were identified in the central theme described by the Claimants. To the extent that there

was a central theme, it was that of the merger of the Merovingian bloodline with that of Mary Magdalene. However, that was an idea at too high a level of abstraction to be protected by copyright and lacked architecture or design.

Even if the central themes identified by Baigent and Leigh really were the central theme of their book, this central theme merely constituted a number of facts and ideas at a very general level that could not be protected unless they were presented in an original manner. Yet, the manner in which the 15 themes identified were arranged was 'natural chronological order'. This was the logical way in which to arrange such facts and was too general and at too low a level of extraction to attain copyright protection. In any event, contrary to Baigent and Leigh's claims, there was no such chronological order in HBHG.

To sum up, there was no chronological architectural structure in HBHG. Without this structure, there was no central theme in HBHG and so the question of whether the central theme could be classed as an original literary work, let alone whether Dan Brown had infringed it, never arose.

To make his decision 'appeal proof', Peter Smith J. considered further argument made by the Claimants. There was no doubt that Dan Brown had used HBHG during the writing of *The Da Vinci Code*, particularly when authoring the 'Leigh Teabing Lectures'. He may not have known that he was using HBHG since he was relying on material provided by Blythe Brown, but this had no bearing on whether he infringed the copyright. As to how that research was used, although the majority of the 15 central themes said to be present in HBHG could also be found in *The Da Vinci Code*, four or five of them could not. This made the residual central themes which were replicated more general and therefore less central. It also reduced the chance of what Brown had taken being a substantial part of HBHG.

On the issue of copying, while Dan Brown had drawn mostly from other books in authoring the synopsis, in his later writing, particularly in the 'Leigh Teabing Lectures', he had drawn almost exclusively on HBHG. Even though there was no claim of textual infringement, this finding was supported by nine language similarities between the two works. Furthermore, various preparatory documents authored by Blythe Brown and produced in evidence contained matter drawn from HBHG.

Nevertheless, this evidence that the Browns had access to and had used HBHG did not help the Claimants' case. Because there were no central themes, Dan Brown could not have copied those central themes. Once there was no copying of the central themes, there could be no substantial copying of the central themes, and hence no substantial copying of HBHG. Instead, Blythe Brown had merely used HBHG, together with other books, to provide general background material for the writing of *The Da Vinci Code*.

Where this leaves the law

Although both parties and the Judge agreed that the case contains no new point of law, the case remains legally interesting. There are few litigated cases concerning non-literal copying of literary works and thus each one gives us a further indication about how the law should be applied. Since the dividing line between protectable facts and unprotectable expression is so hazy, the facts of each case in this area, and how the law is applied to those facts, are particularly instructive. In this case however, the dividing line was not seriously engaged because of the artificial nature of the structure that Baigent and Leigh claimed was central to HBHG.

Post-script: The Smithy Code

Given the fame of Dan Brown's book, this case was always going to feature prominently in the newspapers. However, Peter Smith J. ensured that the case hit the headlines again three weeks after it was decided by including a secret code in his judgment. The judge italicised a number of seemingly random letters. Careful reading reveals that the first ten letters spell out the term SMITHY CODE, alerting readers to the presence of a further code. A longer sequence of italicised letters follows which, when a polyalphabetic cipher using a keyword based on the Fibonacci Sequence is applied, reveals the phrase JACKIE FISHER WHO ARE YOU DREADNOUGHT. John 'Jackie' Fisher was a British admiral from the turn of the century who during World War I championed the creation of the first modern battleship, the Dreadnought. Peter Smith J, who includes his admiration of Jackie Fisher in his *Who's Who* entry, subsequently explained that the beginning of the trial coincided almost exactly with the centenary of the launch of the HMS Dreadnought.

2. EU PROPOSES CRIMINAL SANCTIONS FOR COUNTERFEITERS

On 26 April 2006, the European Commission proposed a new law under which criminal sanctions such as a minimum jail sentence of four years and minimum fines of 300 000 Euros would be applied against those involved in counterfeiting and piracy within the European Union. Unveiling the plans, the EU Justice Commissioner Franco Frattini said these measures were needed to curb the increased sale of counterfeit goods in the EU and to deal with the increased involvement of organised crime groups in the distribution of the fake goods.

The move comes in the wake of last year's ruling by the European Court of Justice ("ECJ") that the Commission had the right to draft criminal measures in certain parts of the EU internal market to enforce EU policies. This is likely to face strong opposition from the Member States who view the right to impose criminal sanctions as the exclusive right of national governments. This is evident from the EC Enforcement Directive 2004/48/EC which, even after industry's lobbying for criminal measures, left the prescription of criminal sanctions to the respective member states.

According to EC Commissioner Frattini, there are four key considerations that prompted the new measures. First, there is the need to protect industry and to prevent the violation of intellectual property rights within the EU. Secondly, there is the need to protect the consumers' health and safety. Thirdly, there is the need to harmonise the criminal penalties within the EU. Finally, states should adopt measures to punish and deter counterfeiting activities. Official statistics indicate a significant increase in counterfeit goods, and a struggle by national authorities to curb the illegal imports of fake goods (which sometimes are difficult to distinguish them from the genuine goods). Over 100 million counterfeit and pirated goods are seized annually by the authorities across the 25 member states. Pirated goods encompass a whole range of products including CDs, DVDs, drugs, drinks and recently a Ferrari car. Worryingly, one of the highest increases was registered in products that were unsafe and harmful to health.

Although several European governments already have criminal sanctions within their national regimes, the new proposal would create minimum sentences and fines that would apply throughout the EU.

3. MET POLICE SET UP A SPECIAL UNIT TO TARGET FILM PIRACY

In February 2006 the Metropolitan Police launched a special unit dedicated to fighting increasingly rampant film piracy in partnership with the Federation Against Copyright Theft ("FACT"), the UK film and broadcast industry's anti-piracy organisation. Believed to be the first of its kind in the world, the new Metropolitan Police Film Piracy Unit will target organised criminal networks involved in the manufacture and distribution of counterfeit film products.

The Film Piracy Unit has been set up to target a trade that involves an estimated 77 million pirate DVDs being produced in Britain every year, making it the world's second-biggest black-market film centre after the United States. The loss of DVD sales, box-office takings and rentals now costs the audio-visual industry £818 million. The criminal gain from DVD piracy is estimated at £278 million. The UK Film Council warned that, if unchecked, the illegal movie trade could be worth as much as £1 billion by 2007. In the UK, the majority of music, film and software piracy is conducted by criminal gangs who organise the production of counterfeits across networks of small DIY factories, and control the distribution of them at local markets, car boot sales and industrial units and via street vendors. Eddy Leviten, of the FACT, the film industry's anti-piracy body, said that illegal Chinese immigrants had exacerbated the problem.

Comprising one detective sergeant and four detective constables, the Film Piracy Unit is a dedicated unit within the Met's Economic and Specialist Crime Command and will investigate those individuals and organisations accruing sizeable criminal profits from illegal activity in the area of film piracy. The unit will also provide advice and support to other police forces in the UK on the investigation of film piracy. It will initially operate for a one-year trial period.

The Proceeds of Crime Act 2002 ("POCA") also acts as a powerful tool in this respect. It sets out tough rules that allow Courts to confiscate assets from criminals, unless they can prove that the assets were not derived from crime. The POCA provides officers with the necessary powers to take the profit out of this type of crime, and in turn preventing both the funding of further criminal activity and reducing the presence of criminal role models in local communities.

Copyright

4. PUBS WIN THE RIGHT TO SHOW FOOTBALL ON SATURDAY AFTERNOONS

Following a Crown Court judgment in March 2006, pubs will be able to screen football matches on Saturday afternoons in defiance of the ban imposed by The Union of European Football Associations as long as the pub in question has legally acquired a foreign satellite subscription.

The Union of European Football Associations had banned the screening of Premiership games on Saturday afternoons between 2.45pm and 5.15pm at the request of the Football Association Premier League ("FAPL"). This was defined as the "closed period". The FAPL was afraid that fans would stop watching matches live at football stadiums. At the same time the games were broadcasted in other countries across the world.

Mr Gannon, a pub licensee, had purchased a legitimate satellite system and subscription from a Greek-based television company. He was subsequently found guilty of infringing the 1988 Copyright, Designs and Patents Act by Rochdale

Magistrates Court. He appealed to the Bolton Crown Court and the conviction against him was overturned. The Crown Court found that Mr Gannon had not acted dishonestly and he had not intended to avoid paying applicable charges for the reception of the programme. In fact, there was no applicable fee available for showing the programme. Moreover, the Court held that the ban could only apply to services originating in Britain.

There could be some 3,000 pubs which have similar satellite-television systems to Mr Gannon and more than 100 are currently facing similar prosecutions. Two previous cases were dismissed earlier this year but previous licensees merely accepted that they had been acting in contravention of the law. The lawyers for Mr Gannon claimed the importance of this case saying that the generic principles would apply to all live satellite broadcasts of the Premiership matches and that prosecutions such as this have only been driven to protect the commercial monopolies of rights holders. On the other hand, the representatives of Media Protection Services (the body which investigates illegal screenings) state that the case was wrongly decided; just because the licensees had paid a foreign broadcaster for a signal, the licensees did not get the rights to show the programme anywhere else but in that specific region. Media Protection Services will continue prosecutions relating to breaches of the "closed period" ban. As there are great interests relating to the right of copyright holders to control the distribution of satellite television programmes regionally, this is not the last word on this issue. Moreover, rulings made in relation to football are applicable to other programmes.

5. TECHNOLOGICAL PROTECTION MEASURES AND PRIVATE COPY EXCEPTION: THE FRENCH PERSPECTIVE

The recent French case of *Stephane x and others v Universal Pictures France and others* considered the conflict between modern anti-copying measures and existing legislation permitting certain private copies to be made. An individual, who had been prevented from copying the movie "*Mulholland Drive*" from DVD to a video, together with the Consumers' Federal Union ("UFC"), sued the publishers and distributors of the movie. The plaintiffs claimed that the technological protection measures ("TPMs") embedded in the DVD which prevented copying were in conflict with the private copy exception provision granted by the French Intellectual Property Code. They sought damages and an order by the court preventing the use of such TPMs. The Court of First Instance rejected the claim, considering that TPMs were in accordance with both the French law and the EU Copyright Directive. However, the Court of Appeal overruled the decision and issued the order requested by the plaintiffs, having found that the TPMs in question were illegal to the extent that they prevented users from benefiting from the private copy exception.

The Defendants appealed to the Court de Cassation, the highest court in the French judicial system. The Court found in their favour. It referred to Article 9.2 of the Berne Convention which permits the private reproduction of copyrighted work, provided that it does not conflict with the normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. The Court also confirmed that the EU Copyright Directive should be followed as French law must be interpreted in accordance with it.

The main effect of TPMs was to ensure that the normal exploitation of works could actually be attained. In this case, private copies would interfere with such exploitation. The Court's reasoning was guided by the evidence that the digital environment now provides people with the opportunity to make a large number of

copies without loss of quality. The private copy exception in the digital age therefore opened the door to the possibility of large numbers of copies being made, which would prevent the creator of the work properly being able to recoup his costs and investments of originating and producing the work in the first place.

Thus, the Court has clarified the nature of the private copy exception and it cannot be considered an absolute right. The case has been sent back to the Court of Appeal for another decision based upon the specific facts in this case, in the light of the principles as detailed above.

Patents

6. IN RE MACROSSAN: PATENTS FOR BUSINESS METHODS

Neal William Macrossan v Comptroller-General of Patents, Designs and Trade Marks [2006] EWHC 705 (Ch) was an appeal against a decision refusing a patent application. Mr. Macrossan had applied for a patent for an automated method of producing the documents necessary to incorporate a company. The patent involved a user sitting at the terminal and providing inputs to various questions. Based on his answers, the computer would produce electronic documents appropriate for incorporating a company. But the patent application for this invention was rejected by the Patent Office Hearing Officer in May 2005 on the grounds that it was excluded from patentability by the Patents Act 1977 for being: a mental act; a computer program; and a business method.

Mr. Macrossan, in his appeal, not only challenged all aspects of the Hearing Officer's reasoning, but also raised an additional point of alleged "bias" on the part of the Hearing Officer. According to Mr. Macrossan, it arose due to the submission of a secret report of the Patent Office Examiner, and the post of Patent Office that stated: "*The UK Patent Office has a strong tradition of rejecting patent applications for software...this tough approach has ensured that only patents with a 'high presumption of validity' are granted.*"

After reviewing the submissions, the Court held against Mr. Macrossan on two of the three exclusions and on the bias allegation. However, it ruled in his favour on the point of "business method exclusion". The Court accepted Mr. Macrossan's contention that this exclusion was intended to apply only to abstract business methods rather than in any other way. Where the inventions were purely a means of conducting business, they will be un-patentable as the exclusion clause will apply. But where they are merely a facility that can be used in business, or a tool for conducting business, they can be patentable. Mann J accepted the analogy drawn by Mr. Macrossan with the telephone when he stated that if a telephone is assumed to be a new invention, then it could hardly be excluded from the patentability just because it is used in the business. It is merely a tool to conduct the business rather than the entire business and hence could be patentable. After defining the scope of this clause, the Court went further and explained the correct approach of ascertaining whether or not the exclusion applies to a particular invention. It held that the proper investigation is to examine whether or not the invention makes a technical contribution outside the excluded subject matter. On this basis, the Court found against the patentee.

On the issue of "bias", the Court held that procedural fairness must be observed in the proceedings before the Hearing Officer even though *the full bias rule as such does not apply to the present proceedings*. Judging from the facts of the case, the Court held that there is nothing that the patentee could complain of in relation to the

alleged bias.

The judgment has some positive ramifications for software and business inventions, confirming that whilst computer programs and business methods are per se excluded from patentability, this exclusion must be applied narrowly.

Trade marks

7. WHEN SHAPE DOESN'T COUNT

In *Develey Holding GmbH & Co. Beteiligungs KG v. Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) Case T-129/04 [2006]* the EU Court of First Instance ("CFI") rejected the registration of a three-dimensional trade mark for a plastic sauce (e.g. ketchup) bottle.

In 2002 Develey Holding GmbH & Co. Beteiligungs KG filed an application with the OHIM for a Community trade mark pursuant to EC Regulation 40/94 claiming priority for an earlier filing in Germany made in 2001. The registration concerned a three-dimensional sign in the shape of a bottle. The examiner rejected the application according to Article 7(1)(b) of EC Regulation 40/94 holding that OHIM was not bound by earlier registration and that the shape in question had no distinctive character. The appeal brought by the applicant was then dismissed by the Second Board of Appeal of OHIM which endorsed the reasoning of the examiner and added that the end-consumer usually pays more attention to the label attached to the bottle rather than to the shape of it.

Develey Holding GmbH & Co. Beteiligungs KG brought an action for annulment of the decision of the Second Board of Appeal of OHIM based on four grounds:

- breach of Article 74(1) of EC Regulation 40/94 because OHIM failed to discharge the burden of the proof in rejecting the registration of the mark;
- failure to apply Article 6 *quinquies* (A)(1) of the Paris Convention for the Protection of Industrial Property since OHIM deprived the earlier registration of protection;
- breach of article 73 of EC Regulation 40/94, Article 6 *quinquies* of the Paris Convention and Article 2(1) of the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) since OHIM failed to sufficiently examine the earlier national registration; and
- breach of Article 7(1)(b) of EC Regulation 40/94 since OHIM failed to recognise the distinctive character of the mark sought and the fact that its features have no technical function.

The Court, having considered the arguments of the parties, rejected all four grounds. In relation to the first ground, the Court stated that in cases where OHIM finds that there are facts which justify the application of an absolute ground of refusal, the applicant has the opportunity to withdraw or amend the application by submitting his observations. Furthermore, the Board of Appeal may base its analysis on facts arising from practical experience generally acquired from the marketing of some widely available goods which are likely to be known by anyone and that, in such a case, the Board has no obligation to give examples of such experience and the burden to provide specific information as to the distinctiveness of the sign to be registered lies with the applicant.

In relation to the second ground, the Court noted that there is no breach of the Paris Convention since the Community law relating to trade marks does not replace national laws of the Member States on trade marks and the rejection of the sought

registration does not affect the validity of the earlier national registration.

In respect of the third ground, the Court held that the references to the two mentioned treaties must be disregarded since they do not lay down an obligation to give reasons for decisions. It added that, since the Community trade mark regime is an autonomous system, OHIM and Community Courts are not bound by a decision adopted in a Member State which found the same sign eligible for trade mark registration even though the decision might well be taken into account during the registration process. In this regard, the Court also stated that the applicant didn't submit documents showing the grounds on which the earlier national registration of the sign had been granted.

Finally, the Court stated that in the present case, due to the nature of the trade mark sought, the distinctive character of the trade mark had to be assessed taking account of the presumed perception of the average consumer, who is reasonably well-informed. Average consumers, according to a well-settled EU case-law, which was not challenged by the applicant, are not in the habit of making assumptions about the origin of a good just from its shape or packaging in the absence of any word element. The alleged peculiarity of the shape of the bottle, then, does not itself mean that the sign enjoys distinctive character. In fact, the Court held that the four features of the bottle in question did not create an overall impression capable to challenge the finding of the Board of Appeal. As to the absence of technical or ergonomic functions of the sought mark, the Court noted that, even if that were proven, it couldn't affect the lack of distinctiveness of the mark sought since the two concepts are unrelated.

This case is notable for its attack directed at the procedural elements of the OHIM system itself rather than, the facts of the specific shape itself. The outcome confirms that such challenges are likely to be rare and supports the view that OHIM's procedures conform to the required international standards.

8. COMPETITION LAW AS A VALID DEFENCE

In *Sportswear SPA and Four Marketing Ltd v Stonestyle Ltd* (2006) EWCA Civ 380 the Court of Appeal held that it was arguable that an allegation of a breach of Article 81 of the EC Treaty could constitute a defence to a claim for trade mark infringement. Furthermore, the allegation would be relevant to the issue of the trade mark proprietor's reliance on the Trade Marks Act 1994 s.12(2).

This judgment was an appeal to an order ([2005] EWHC 2087 (Ch)) striking out part of the defence to a trade mark infringement claim. The claim involves two Claimants: the first is the manufacturer of a range of garments using the word mark Stone Island and a related graphic mark; the second is its distributor in the UK, Eire and Iceland who has exclusivity within its territory and agreed not to sell into other territories. The Claimants discovered that a third party (a retailer) was selling Stone Island garments in the UK. These garments were obtained from the Defendant, a wholesaler, who in turn obtained them from an undisclosed supplier in Italy. On the label and swing tag of Stone Island garments there was a code ("the Garment Code") which enabled the First Claimant to identify for which of its retailers the garment was manufactured. The garments sold by the retailer had the Garment Codes cut from the labels and swing tags; this was done prior to the garments reaching the Defendant.

Under the Trade Mark Act 1994 section 10(1) it is an infringement for goods to be

imported or sold in the UK by reference to a registered mark without the consent of the owner. However, if the goods have been put in the European Economic Area (“EEA”) under that trade mark by the owner or with his consent then under section 12(1) of that Act there is no infringement unless there exists legitimate reasons for the proprietor to oppose further dealings in the goods (in particular where the condition of the goods has been changed or impaired (section 12(2)). The Claimants claimed that the removal of the Garment Codes was a legitimate reason for opposing for further dealings in the goods and thus issued a claim to sue the Defendant. As part of the defence to this claim the Defendant asserted, among other things, that: (i) the Garment Codes gave effect to provisions of the distribution agreements between the Claimants which are contrary to Article 81(1) of the EC Treaty; (ii) that the Garment Codes form part of an illegal arrangement between the Claimants to partition national markets and fix prices within the European Union; and (iii) that the Claimants’ action was brought about as a means or consequence of an agreement prohibited by Article 81(1) of the EC Treaty and thus was itself contrary to Article 81(1). It was these assertions that the Chancery Division judge struck out from the Defendant’s defence and that the Court of Appeal considered.

For a breach of Article 81 to be relevant there must be a sufficient nexus between the two. The Chancery Division judge held that there was not a sufficient nexus between the relief sought in the actions and the alleged breach of competition law. The Court of Appeal held that there were a number of unresolved issues of Community law which indicate that a defence based on Article 81(1) was not bound to fail. The Court held that *Frits Loendersloot* Case C-349/95 [1997], *Consten and Grundig v Commission* Cases 56 and 58/64 [1966], *Sirena v Eda* Case 40/70 [1971] and *Keurkoop BV v Nancy Kean Gifts BV* Case 144/81 [1982] (the latter concerned with design rights) give support to the idea that Article 81 is relevant to the enforcement of trade mark rights where the exercise of such rights may be directed at partitioning the market between Member States. In addition *Keurkoop BV* may demonstrate, according to the Court, that the nexus between an agreement or practice in breach of Article 81 and a prohibition on import or marketing does not need to be as close as some other cases (such as *British Leyland v Armstrong* [1984] 3 CMLR 102) suggest.

The primary case relied upon was *Frits Loendersloot* a case involving parallel trading in whisky, in which the parallel trader removed labels containing identification numbers (to preserve the anonymity of the dealers engage in parallel trade) and words (such as pure) which prevented product marketing in certain Member States. In *Frits Loendersloot* it was held that a trade mark owner may prevent a third party from removing and then reaffixing or replacing labels bearing the trade mark unless that would contribute to the artificial partitioning of the markets between Member States. Although the case was concerned with Articles 28 and 30, not with Article 81, the Court of Appeal accepted that reference in the case to “the Treaty provisions on competition” must include a reference to Article 81.

The Court also considered the distribution agreement between the Claimants, examining in particular a clause which related to legal costs derived from brand protection activity and whether this infringed Article 81 of the EC Treaty. As indicated above, the Defendant’s alleged that the Claimants’ proceedings were themselves an act contrary to Article 81. Relying on *Glaxo Group Ltd. v Dowelhurst Ltd.* [2000] FSR 371 the Court held that if litigation is brought to enforce trade mark rights pursuant to an agreement or concerted practice which could have an appreciable effect on trade between Member States, this may itself provide the

Defendant a defence.

The Court of Appeal did not resolve the claim in dispute between the parties. Instead it held that it was possible to use Article 81 as a shield as well as a sword. The Court recognised that if the Defendant could prove that an agreement relevant to the case is in breach of Article 81 it would strengthen their basis for disputing that the Claimant had legitimate reasons under section 12(2) of the Trade Mark Act 1994 to bring a claim for infringement. As a result of this judgment the infringement case was sent back to the Chancery Division to be resolved.

9. WHAT'S IN A NAME? NO CLAIM ON NAME

On 30 March 2006, Court of Justice of the European Communities (ECJ) delivered its judgment in the *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd*, Case C-259/04, with regard to a reference for a preliminary ruling brought by the Person Appointed by Lord Chancellor under section 76 of the UK Trade Mark Act 1994 concerning interpretation of Art 3(1) (g) and 12(2) (b) of the Trade Mark Directive.

Ms. Emanuel shot to fame as a designer of wedding wear following the royal wedding of Prince Charles with Lady Diana whose dress she designed. In 1990, she began trading under the name 'Elizabeth Emanuel' which was registered in lower case as a trade mark in 1997 by Elizabeth Emanuel Plc, a joint venture between Hamlet International Plc and Ms. Emanuel.

In September 1997, Elizabeth Emanuel Plc assigned its trade mark to Frostprint Ltd. along with its business and goodwill, which changed its name to Elizabeth Emanuel International Ltd. and employed Ms. Emanuel who subsequently left the employment. In November 1997, Elizabeth Emanuel International assigned the trade mark to Oakridge Trading Ltd. which applied to register the trade mark 'ELIZABETH EMANUEL' with changes in graphic arrangement of the mark.

Ms. Emanuel opposed the application for ELIZABETH EMANUEL on the ground that the application was sought by an undertaking with which she has no connection and applied for revocation of the earlier registration alleging that in the absence of links between her and the assignee/applicant the mark is deceptive. The UK Trade Mark Registry dismissed the allegations on the ground that deception and confusion, arising from the use of trade mark, was an inevitable consequence of the sale of a business and goodwill by the previous owner. In the course of the proceedings Continental Shelf 128 Ltd. became the assignee of the registered trade mark.

The reference for preliminary ruling to the ECJ in the appeal filed against the above decision was to ascertain whether a trade mark may be refused registration under Art 3(1)(g) for being deceptive to the public where the goodwill associated with that trade mark was assigned together with the business making the goods to which the mark relates and that trade mark, which corresponds to the name of the designer and first manufacturer of those goods, was previously registered in a different graphic form.

The ECJ for the first time interpreted Article 3(1)(g) from the consumer protection perspective by holding that even if the average consumer might be influenced while purchasing the goods by imagining that a particular person was involved in their making, the qualities and characteristics of the goods remain guaranteed by the undertaking which owns the trade mark. In the present case, the name Elizabeth Emanuel is not in itself deceptive as to the nature, quality or geographical origin of

the product.

The ECJ clarified that the national court will determine the intention of the undertaking in presenting the trade mark 'ELIZABETH EMANUEL' and applying for its registration thus making the consumer believe the connection of Ms. Emanuel with the making of the garments. Such intention, though fraudulent cannot be considered as deceptive so as to disqualify a mark for registration.

Designs

10. SPARE PARTS AND THE “RISKY STATUTE”

On March 8th 2006, the Court of Appeal delivered its judgment in *Dyson Ltd v Qualtex (UK) Ltd* [2006] EWCA Civ 166, deciding that Dyson owned unregistered design right (“UDR”) in 14 spare parts for its vacuum cleaners, and concluding that the design rights had been infringed by spare parts manufacturers.

The case focused on the dilemma which the UDR sought to solve: how to achieve a balanced competitive environment whilst respecting the property rights of original designers and manufacturers of consumer items (“OEMs”). In relation to spare parts, independent manufacturers wish to imitate the original manufacturer's part as closely as they can as these sell better than a part which works as well but looks different. There are two main methods by which spare parts are excluded from UDR protection in order to achieve such a competitive balance. First, one can show that the designs must be excluded as they fall foul of the “must fit” or interoperability exclusions (ss. s.213(3)(b)(i) and (ii)). In relation to this provision, the Court agreed that these provisions are to be interpreted as follows:

- (1) If the design chosen by the design right owner is a way of achieving that fit or interface, then it does not attract design right no matter how many alternative ways of achieving the same “fit” might be available.
- (2) The must fit provision can apply to interfaces between inanimate articles and the human body.
- (3) Design right protection is excluded even if the relevant part of the design performs some function other than the function described in the law (for example, it is decorative, or has an additional function).

The second means of excluding spare parts is to prove that they fall foul of the must-match (or dependency) provision. Here the Court must ask whether there is a feature of shape of the part which is dependent on the appearance of the whole machine. The appellate court here was of the view that one had to approach these provisions bearing in mind that Parliament did not intend to exclude all spare parts, or even all externally visible portions of spare parts. Only such parts which were “dependent on the appearance” of the whole article: the paradigm example being body parts of cars. Thus, unless the spare parts dealer can show that as a practical matter there is a real need to copy a feature of shape or configuration because of some design consideration of the whole article, the spare parts dealer cannot claim protection under the spare parts exclusion. It is not enough to assert that the public “prefers” an exact copy for it will always do so.

A final question was whether the design for the spare parts was “original” i.e. the court must be satisfied that the design for which protection is claimed has not simply been copied (e.g. like a photocopy) from the design of an earlier article, and that the design was not “commonplace”. For the latter purpose it is necessary to ascertain how similar that design is to the design of similar articles in the same field of design made by persons other than the parties or persons unconnected with the

parties. In the field of designs of functional articles, one design may be very similar to or even identical with another design and yet not be a copy.

In conclusion, Lord Justice Jacob gave a frank warning to all spare parts manufacturers by advising them that the exceptions to the UDR created by the Act do not give a *carte blanche* for selling spare parts, and that those who wished to make spares during the period of design right must design their own spares and cannot just copy every detail of the OEM's part – “*for trying to navigate by the chart provided by this crude statute is a risky business.*”

Media

11. HRH THE PRINCE OF WALES V. ASSOCIATED NEWSPAPERS LTD.

On 17 March 2006, Blackburne J, sitting in the Chancery Division of the High Court of Justice delivered a judgment in *HRH Prince of Wales v Associated Newspapers Ltd* [2006] EWHC 522 (Ch).

The Claimant, His Royal Highness The Prince of Wales, had applied for summary judgment against the Defendant, Associated Newspapers Limited, for breach of confidence and infringement of copyright, following the publication of a series of articles in the Mail on Sunday on 13 November 2005. The articles were based upon, and contained extracts from, a copy of a journal written by the Claimant containing impressions and reflections on his visits to Hong Kong between 27 June and 3 July 1997 on the occasion of the formal handover of Hong Kong to the Republic of China. The claim also extended to seven other journals acquired by the Defendant which were concerned with other overseas tours.

The Claimant contended that the journals set out his private thoughts and impressions of the tours and as they were not in the public domain (at least there had been no prior publication), they constituted confidential information. Furthermore, he alleged that the journals were original literary works and that by reproducing extracts of the Hong Kong journal and by copying and retaining possession of all eight journals in the course of its business, knowing or having reason to believe that they were infringing copies of copyright works, the Defendant had infringed his copyright in them.

The Defendant contended that the information was not confidential as it was not personal information but information relating to the Claimant's public life in which there was a public interest. It further contended that the use of extracts from the journal did not infringe copyright as the use was not a substantial part and amounted to fair dealing for the purpose of reporting current events and/or for the purpose of criticism and review. Alternatively, it contended that the publication was in the public interest.

On the breach of confidence, the Judge considered whether the Claimant had a reasonable expectation of privacy in respect of the contents of the Hong Kong journal. He held that the journal was not in the public domain before publication and that the fact that the contents of the journal could be considered political did not prevent the Claimant from having a reasonable expectation of privacy. Further, he held that the Defendant's right to freedom of expression should not override the Claimant's countervailing right to confidentiality in respect of his own private thoughts.

On the copyright infringement, the Judge held that the extracts quoted formed a substantial part of the Hong Kong journal, qualitatively as well as quantitatively. He

rejected the defence of fair dealing for the purposes of reporting current events on the ground that the articles could not be said to relate to current events, but rather appeared to have the sole aim of revealing the contents of the journal itself. He also rejected the defence of fair dealing for the purpose of criticism and review as the journal had not yet been made available to the public. Finally, he rejected the public interest defence for lack of clear public interest considerations.

Thus, the application succeeded in respect of the claims in confidence and copyright concerning the Hong Kong journal and summary judgment was awarded. The claims in respect of the other journals will go to trial.

However, it is doubtful that the Claimant could realistically be considered as the winner here, despite judgment in his favour. Not only did the hearing and judgment disseminate all of the detail that he would prefer to keep confidential to a very wide audience around the world, but the future trial on the contents of the other journals suggests their contents will also be made public in a forum.

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