

## The European IP Bulletin

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McDermott Will & Emery UK LLP  
7 Bishopsgate  
London  
EC2N 3AR

Tel: +44 20 7577 6900  
Fax: +44 20 7577 6950

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## Hot Topics

### 1. THE MANY PARTS OF A PATENT

**BY STEPHEN J. AKERLEY AND BIJAL V. VAKIL, MCDERMOTT WILL & EMERY LLP**

Intellectual property used to be something talked about mostly in a university classroom. Not anymore. These days, intellectual property represents an increasing share of the value of many portfolio companies.

Patent protection, at the very least, signifies some amount of novelty and future capital potential to insure against the risks associated with innovative technology. The procurement of a patent, for instance, provides a government- authorised monopoly for a period of time for the patented technology. Patent laws generally provide three incentives: to invent; to disclose; and to risk capital in their procurement.

Patent protection is on the rise. Large companies can receive thousands of issued patents each year. The creation of a large patent portfolio typically does well with investors who look to patents as the future building blocks of a technology company.

#### **The Tricky Criteria**

To obtain a patent, inventors must not only demonstrate the novelty of their invention but must also show that it was non-obvious at the time of the invention.

It's this last criterion that presents the greatest challenges today. Non-obviousness is perhaps the most difficult of the obstacles that a company faces in seeking patent protection. The non-obvious requirement considers all of the known information and discoveries in the field of invention and requires that the invention not be "obvious" to a person of ordinary skill in the field of the invention.

Patents consist of three parts: a drawing, a specification and a claim. Drawings, obviously self-explanatory, are an illustration of the invention. A patent's specification is a written description of the invention, and it often includes a detailed description of certain embodiments of a claimed invention. The claims of a patent are numbered paragraphs at the end of patent that set forth the scope of the invention. More importantly, the claims of a patent are the metes and bounds of the patent property right, much like a deed to a piece of real property.

Patents can be obtained in a variety of fields, although there are some exceptions, which vary from country to country; for example methods of medical treatment can not be patented in Europe (although medicines and medical devices can be). Obtaining a patent in a particular field can confer substantial competitive advantages in an increasingly competitive marketplace.

#### **Advantages of a Licence**

A patent confers a bundle of rights upon the patent owner, namely, the exclusive rights to make, use, sell, offer for sale or import the invention. Patent holders may elect to retain these exclusively, or they may license their patents to others.

A licence grants the right to operate under the patent without the threat of being sued for patent infringement. In exchange for this right, the licensee ordinarily pays royalties to the patent holder. Some licence agreements call for a payment when it

is signed; others require an annual payment; and still others require the ongoing payment of royalties.

A company can choose to licence a portion or all of its patent rights to a licensee. Therefore, a patent holder can license different rights, such as the right to make or the right to sell the invention, to different licensees. In this way, license agreements can be very lucrative for companies. Creative licensing arrangements are one way to maximise revenue.

Licensing arrangements can vary, and agreements can be exclusive or nonexclusive. In an exclusive license, the company that owns the patent agrees not to license the patent to anyone other than the exclusive licensee.

In a non-exclusive license agreement the patent holder will be able to license similar rights to multiple parties. Thus, an exclusive licence will generally cost a licensee much more. However, with thoughtful, strategic planning of nonexclusive licence agreements, a patent holder can maximise the revenue stream of its intangible assets.

Another interesting aspect of patent licences in terms of their value as a revenue stream generator is how the bundle of rights can be divided into geographic territories. Licences can also be restricted to a particular geographical region. For example, a licensee may have the right to sell the patented invention in a particular country or countries, while another licensee may have a similar right in a different region.

Another aspect of licensing that is gaining some popularity is the ability to licence patents on a claim-by-claim basis, as opposed to granting a license to the entire patent. These arrangements sometimes allow for different market segments of similar technology to be licensed separately. For example, a company's patent may cover a novel way of designing a microprocessor. The patent may also contain claims to the use of the novel processor in a computer system.

By licensing only certain claims to certain companies in particular market segments, a patent holder can potentially maximise its licensing revenue.

An attractive patent portfolio is critical to attracting venture capital funding. A company that has already invested capital in acquiring patent rights should always examine whether its assets can be mined for revenue.

Moreover, the sales that are derived from intellectual property can fund additional research and development, which in turn creates a larger technology portfolio to leverage with future investors. Since the emerging company typically has the established knowledge base, revenue from intellectual property can quickly be diverted to additional projects with decreased start up costs.

Increasingly, patent litigation serves to increase licensing revenue. Because of the significant costs and risks associated with patent litigation, potential licensees may choose to reduce unknown risks by taking a license.

Alternatively, past patent litigation success serves as a possible predictor of the possible outcome against other infringers and also increases the bargaining position of patent holders.

Obtaining patent protection — and asserting patent rights, either through licensing

or litigation — is a critical step toward an overall plan for an emerging company. A successful patent strategy is key to creating, analysing and monetising intellectual property assets.

## 2. THE DOUGLASES & OK! V HELLO! LTD

The next chapter in the much publicised case of Douglas & Ors v Hello Ltd & Ors [\[2005\] EWCA Civ 595](#) was handed down on 18 May 2005 in a judgment by the Court of Appeal.

The well known facts are as follows. On 18 November 2000, Michael Douglas married Catherine Zeta-Jones. The publishers of OK! and Hello! magazines approached the Douglases to obtain the exclusive right to publish photographs of the wedding reception. The Douglases contracted with OK!, however, a paparazzo managed to take some unauthorised photos and sell them to Hello! The Douglases' claimed damage to their commercial interest in the information about their wedding and invasion of privacy. OK! claimed breach of confidence and tortious interference against Hello!

The procedural history of the case is complex. Two days after the wedding, an injunction was granted to prevent publication of Hello!'s photographs which was subsequently lifted by the Court of Appeal some three days later. On 11 April 2003, Lindsay J held that the Douglases were entitled to damages and a perpetual injunction for breach of confidence as the wedding was a private event. He also held that OK! were entitled to damages for breach of confidence of OK!'s trade secret but dismissed OK!'s claims for tortious interference. A further judgment on 7 November 2003 awarded the Douglases £14,600 and OK! around £1 million by way of damages.

OK! appealed the finding of breach of confidence and Hello! cross-appealed the finding that no economic torts had been committed. Hello! also appealed the quantum of damages.

The Court of Appeal held that insofar as the protection of private information is concerned, the Courts are obliged to develop the English law of confidence in such a manner as to give effect to both Articles 8 and 10 of the European Convention of Human Rights and must therefore have regard to the jurisprudence of the European Court of Human Rights. As such, the personal and private nature of the Douglases' wedding gave rise to an obligation of confidence. The Court of Appeal also went on to consider that, although the right of a celebrity to make money out of publicising private information was breaking new ground, there was no reason why the protection should not extend to such circumstances where the "owner" reasonably expects to profit from publication.

On the other hand, the Court distinguished between the law of confidence when used to protect "private information of a personal nature" contained in photographs, and when used to protect other types of information, such as trade secrets. Thus, publication of authorised photographs in OK! did not defeat the obligation of confidence, nor did the agreement authorising publication of certain photographs provide a defence to a claim for publishing unauthorised photographs. The offence is caused because something the claimant could reasonably expect would remain private has been made public and the intrusion into the private domain is, of itself, objectionable.

Furthermore, it was held that the Douglasses' "interest in the private information about events at the wedding did not amount to a right of intellectual property" and that "confidential or private information, which is capable of commercial exploitation but which is only protected by the law of confidence, does not fall to be treated as property that can be owned and transferred". This was because the right "depends on the effect on the third party's conscience of the third party's knowledge of the nature of the information and the circumstances in which it was obtained".

Notwithstanding the statement of law that such information is not property that can be owned and transferred, the Court of Appeal went on to consider whether the Douglasses' contract with OK! extended the protection of the law of confidence to the magazine. Since the Douglasses had reserved to themselves any residual rights of privacy, or confidentiality, in those details of their wedding which were not portrayed by the authorised photographs, it was held on the facts that the rights were not transferred to OK!. Thus, OK!'s previously successful claim against Hello! for breach of commercial confidence was overturned.

It was therefore necessary to consider whether OK!'s alternative claim for economic torts was well founded. The dispute centred on the level of knowledge or intention required on the part of the tortfeasor in order to establish liability. The Court of Appeal held that it must be shown that the object or purpose (but not necessarily the predominant object or purpose) of the defendant is to inflict harm on the claimant, or that the conduct is in some sense aimed or directed at the claimant. Whereas Hello! were aware of the likely effect on OK! of their actions, it was not established that they had such an intention and so the claims for economic torts failed.

Finally, the Court commented on the discharge of the interim injunction by the Court of Appeal in November 2000, stating that it appeared to be the wrong decision. First, they considered that the panel discharging the injunction did not give sufficient weight to the strength of the case brought by the Douglasses for breach of private confidence, nor to the adequacy of damages that might be awarded. It was said that, had the decisions in *Campbell v MGN* and *von Hannover v Germany* (which were handed down after the injunction was discharged) been available at the time, it might well have been seen that the Douglasses had such a strong case as to be capable of summary judgment in their favour. Furthermore, the award of damages of such a small sum could not fairly be considered an adequate remedy for breach of their privacy, nor an adequate deterrent to a publication contemplating the publication of photographs which infringed an individual's privacy. On the other hand, Hello!'s interest was purely financial and could adequately have been protected by an appropriate cross-undertaking in damages. Thus, only maintenance of the interim injunction would have achieved a fair result.

This judgment further develops the law concerning the relationship between an individual's right of privacy and confidential information. The Court of Appeal's comments on the inadequacy of damages are also likely to have practical consequences in cases where a breach of privacy is alleged, as the grant or otherwise of an interim injunction at an early stage is likely to have even greater significance to proceedings.

### **3. WHAT FUTURE FOR A TREATY ON THE PROTECTION OF BROADCASTING ORGANISATIONS?**

On 2 May 2005, the World Intellectual Property Organisation (WIPO) Standing Committee on Copyright and Related Rights released a second revised [consolidated text](#) for a Treaty on the Protection of Broadcasting Organisation.

Broadcasting has always been an important aspect of the exploitation and diffusion of copyright content, with particular focus on the music sector. The WIPO Committee, which was appointed to draft the provisions of a Treaty to protect the investment of Broadcasting Organisations, emphasised the need to base future regulation on the WIPO Copyright Treaty ([WCT](#)) and the WIPO Performances and Phonograms Treaty ([WPPT](#)), whilst also respecting the Berne and Rome Conventions.

In its current form, the Treaty is to contain a basic definition of broadcasting organisations, being legal entities taking the initiative and the responsibility for the transmission and the management of assembly and scheduling of the content for transmission (Article 2). From this definition, it is clear that the text is not addressed to the entities that only retransmit, unless they retransmit their own broadcastings. On-demand services and interactive transmission would also fall outside the scope of the Treaty.

One of the most debated features of the draft text is Article 15, concerning the term of protection. Some suggest that the protection should be awarded for a period of 50 years. Others claim that it should last for no more than 20 years.

This last point brings into focus the difficulty involved in finding a balance between the interests of the different stakeholders. On the one hand, broadcasting, as such, traditionally does not enjoy the same legal protection as copyright, whilst on the other broadcasters' rights are appropriate in order to incentivise broadcasters. A treaty in this field should seek to provide a set of laws which would allow broadcasters to bring actions to prevent unauthorised appropriation of their work. However, as indicated in the draft treaty, the protection of broadcasting should not be confused with the protection given to the creators of the content transmitted by broadcasters.

### **4. BHB ENTERPRISES PLC -V- VICTOR CHANDLER (INTERNATIONAL) LIMITED – ACTION AND COUNTERCLAIM – COST TO PRODUCE BEARS NO RESEMBLANCE TO VALUE**

This is a case in the English High Court which was decided by Mr Justice Laddie on 27 May 2005. The British Horse Racing Board administers British horse racing and has a database which it sells to produce the daily feed of pre-race data. It does this through its trading arm British Horse Racing Board Enterprises plc (“BHBE”). The question had arisen as to whether this database is entitled to *sui generis* intellectual property rights under the Database Directive and it was held in an earlier case of *William Hill -v- BHBE*, in the European Court of Justice, that it did not.

Victor Chandler International (“VCI”) are a leading firm of bookmakers. They entered into an agreement with BHBE to receive the feed of data. As a result of the ECJ Decision they stopped paying for the data feed because they say that the agreement pursuant to which they agreed to pay for the data feed, is void. VCI continued to use the data and so BHBE sued for breach of contract and has threatened to cut VCI off from the data feed. VCI counterclaimed by saying that the

agreement between it and BHBE is void citing competition law, namely Section 18 of The Competition Act 1998 and Article 82 of the EC Treaty. Its complaint was that prices were unjustifiably high.

However, the relevant legislation under Section 18 of The Competition Act 1998 and Article 82 of The EC Treaty sets out product conduct and abuse of a dominant position in terms that it may be prohibited if it affects trade within the UK and/or EU and if it consists, “in particular, directly or indirectly imposing *unfair* purchase or selling prices or other *unfair* trading conditions...” (emphasis added).

The question, therefore, was whether the trading conditions were unfair. VCI's case was brought on the basis that the allegation was that prices were too high, not that they were unfair. Unfair means taking all matters concerning the price into consideration and not merely, in this case the cost to produce the service, but also for example what the service supported. To consider value there are numerous factors which need to be taken into account to determine whether pricing is unfair and therefore unjustified. In this case, the monies earned from the database are ploughed back into racing for the benefit of the general public and also for those who have a commercial interest in horse racing such as VCI.

Therefore whether pricing was fair or unfair depends on an examination in the round. High pricing does not *per se* make it unfair. It all depends on what is done with the funds.

This is a classic case where value is disconnected from cost, which is an important issue in IP valuation.

## Copyright

### 5. HAS INTERLEGO BEEN WALTERED DOWN?

This case was an [appeal](#) from the High Court decision of 2 July 2004. The Defendants, Hyperion Records Limited, were found to have infringed the copyright of three musical editions belonging to Dr Lionel Sawkins, Principal Lecturer in music at the Roehampton Institute, by publishing a CD of the music “Music for the Sun King”.

The actual composer, de Lalande, died 280 years ago. Dr Sawkins, a specialist in this area, studied the pieces and carried out a large amount of research, which resulted in over 3000 annotations to the music.

On cross-examination, when asked whether he had created new pieces of work, Dr Sawkins answered that he had not, but had merely made corrections to the original piece, changing individual notes. The Defendants argued that the new notes did not result in music that was significantly aurally different and that whilst mere editors might be due a hire fee, they could not claim copyright to their work. In other words, they argued that if the nature of the work was research, this did not result in the creation of a new musical copyright work. Pattern J at first instance found that the research, skill and labour put into the series of annotations and corrections by Dr Sawkins was sufficient to create protectable copyrights in the new works.

On appeal, Mummery LJ also brushed aside Hyperion's arguments. He based his decision on the earlier case of *Walter v Lane* [1900] AC 539, where preparatory work, in addition to the publishing of the work gave originality to the final work. Additionally, it was held that the directions added, as well as the changed notes themselves, could be taken into account in establishing an original “musical” work.

The decision of the Court of Appeal was unanimous but both supporting judgments (Jacob LJ and Mance LJ) first considered the problem to this approach raised by the decision in *Interlego AG v Tyco Industries Inc.* [1988] RPC 343. In that case, Lord Oliver said, “Skill, labour or judgment merely in the process of copying cannot confer originality”. This statement did not sit comfortably with the notion that artistic works are autographic and thus a work derived from an earlier work could attract copyright. The decision in *Interlego* conflicted with the earlier House of Lords decision in *LB (Plastics) v Swish Products* [1979] RPC 565 where a relatively simple derivation made by hours of painstaking work was afforded copyright.

Both Jacob LJ and Mance LJ agreed with the views expressed in both texts on copyright, *Laddie* and *Copinger*, that the decision in *Walter* was still good law despite the introduction of the originality requirement in the 1911 Copyright Act. They further found that the statement in *Interlego* was drawn too widely and the true question was “the extent to which the “copyist” is a mere copyist – merely performing an easy mechanical function. The more that is so, the less is his contribution likely to be taken as “original”.

Whilst this is not a decision of the House of Lords, it is welcome clarification that the lower Courts may ignore the unreasonably wide *obiter dicta* of Lord Oliver in *Interlego* and make a practical assessment of the skill and labour put into creating a new work. By maintaining flexibility in the types of input which can result in a new work of a certain kind, the Courts will not be tied to looking beyond the developments in the immediate subject matter, but rather may recognise that the creation of new works often derives from a variety of skills held by an individual. This approach more closely recognises the purpose of copyright to recognise the real creativity of the author.

## 6. SONY BMG TESTS ‘STERILE BURNING’ TO BAR UNLIMITED CD BURNING

Sony BMG is testing a new technology solution known as ‘sterile burning’, allowing consumers to make limited copies of protected discs but blocking them from making further copies of the copies.

Sterile burning has been developed by First4Internet, a UK anti-piracy firm. It differs from traditional concepts such as Digital Rights Management (DRM), which sets up an encryption key to decode the DVD before viewing, and Digital Watermarking, which allows the CD producer to add hidden copyright notices or other verification messages to digital audio, video or image signals. Neither of these technology solutions has the power of sterile burning to bar extra CD burning.

Since March, Sony has released at least 10 commercial titles (more than 1 million discs in total) to test the technology that can help control casual piracy or school yard piracy (i.e. making multiple copies for friends). Sony BMG considers this development in the battle to protect rights holders as vitally important because two-thirds of all piracy comes from ripping and burning CDs.

The effectiveness of sterile burning, and doubts about its compatibility continue to worry Sony’s product development department. This is highlighted by the fact that iPod users are not able to transfer tracks from copy-protected disco to their devices to because Apple Computer has yet to license its FairPlay DRM for use on copy-protected discs.

Among Sony’s other partners in this anti-piracy effort are SunnComm and their Mediamaxx technology. The Sony BMG partners are expected to begin commercial

trials of sterile burning within the next month whether or not its a commercial success depends on consumers accepting Sony's claims that the new solution is not an extension of copyright protection as it allows consumers a fair-use replication of rights enjoyed on existing CDs.

## Patents

### **7. NOKIA COMMITS NOT TO ASSERT ANY OF ITS PATENTS AGAINST THE LINUX KERNEL**

On 25 May 2005, the Finnish mobile phone company, Nokia, formally committed to supporting the Linux open source community. Nokia also stated that they would not threaten any future versions of the operation system building block. This support is crucial to the future of Linux. It was recently reported that there are almost 300 patents that would be infringed by the Linux kernel. IBM, the greatest supporter of Linux, has also recently stated that they do not have any intention to assert their patents unless they are forced to defend themselves. Nokia welcomes similar acts of support to Linux from other companies, but states that the Nokia patent pledge does not apply to any person or organisation asserting its own patents against the Linux kernel.

Development of the open source operating system and applications surrounding the Linux kernel are co-ordinated by Finn Linus Torvalds. However, Nokia did not make the patent amnesty declaration for philanthropic or nationality reasons. There were clear business motivations for the commitment. It is presumed that Nokia appreciates the support of open source community for the introduction of the Nokia 770, their first Internet tablet. The obvious common competition is Microsoft, which is increasing its influence in the promising area of wireless technologies.

### **8. TERCICA INC V AVECIA LTD - SUMMARY JUDGEMENT IN PATENT DISPUTES**

On 20 May 2005, Justice Mann ruled on an application for summary judgment in the case of *Tercica Inc. v Avecia Ltd. and others* [\[2005\] EWHC 984 \(Ch\)](#).

The dispute centred on an alleged patent infringement, the patent in the suit relating to a medicament for improving or promoting growth in mammals. Tercica Ltd, a licensee of the patent, filed an infringement claim against Avecia Limited. Avecia counterclaimed for revocation of the patent, and then applied for summary judgement for revocation on the grounds of lack of novelty, and that the subject matter of the patent was unpatentable for being a method of treatment of the human body. If successful, the application would also result in the striking out of Tercica's infringement action.

Ultimately, the judge refused to grant summary judgment. In dismissing the application, the Court followed the principles laid down in the case of *Caledor Productions v Melville* namely that the applicant must show that the other party has no real prospect of success. The judge did not believe that Avecia had met this high standard, as although Avecia had provided expert evidence on the matter, this was countered by expert evidence from Tercica, and without the evidence being tested under cross-examination, the conflicting nature of the evidence meant the judge concluded that there was a real prospect of the patent being held valid.

The judgment clearly demonstrates how difficult it is to obtain summary judgement in patent cases. The applicant seeking such relief has to provide a definite and clear-cut case in his favour. If there remains doubt in respect of the applicant's contentions, which requires further exposition and elaboration of evidence, it will

result in the matter progressing to trial. Given that patent litigation generally involves complex technical matters that often require detailed expert evidence scrutinised under cross examination, in particular regarding the construction of both the prior art and the patent, it remains difficult to obtain a summary judgment revoking a patent.

## Trade marks

### 9. CELLTECH V OHIM

On 14 April 2005, the Court of First Instance (CFI) gave its [judgment](#) annulling the earlier decision made by the Second Board of the Appeal of the Office of Harmonisation of the Internal Market (OHIM) to register the word CELLTECH based on a lack of distinctive character.

The Second Board of Appeal had dismissed the appeal made by Celltech R&D Ltd to register CELLTECH as Community Trade Mark because the mark in connection with the related goods did not meet the minimum level of distinctiveness required under Article 7(1)(b) of EC Regulation No. 40/94.

OHIM argued that a sign must serve to identify and distinguish the seller and not merely to inform the consumer about the goods and services concerned. In this case, “cell” and “tech” are simply a combination of two English words and are commonly used in the medical and pharmaceutical fields, as well as in the class where the applicant sought to file, and OHIM said that their individual meaning was unambiguous in relation to the goods and services.

Celltech R&D Ltd. contested that 1) CELLTECH does not describe the goods and services when the term is taken as a whole; 2) the term CELLTECH is more than the verbal elements of which it is composed; 3) CELLTECH is a stand alone word which, taken as a whole, allows the consumer to identify the goods and services undertaken.

The CFI held that a sign must be assessed in relation to 1) goods and services to which registration is applied; 2) the perception of the public. The Court found that the goods and services covered by the mark were within the pharmaceutical field and the relevant public were the specialists from medical fields regardless of their mother tongue. It was also necessary to consider whether the word CELLTECH meant cell technology and was therefore descriptive of the goods and services. However, neither the Board of Appeal nor OHIM provided an explanation or demonstrated that CELLTECH was descriptive of the goods and services. The fact that the words of the mark taken separately is devoid of distinctive character does not mean their combination lacks distinctive character too.

Like [DKV v OHIM](#), there is no evidence that the relevant public will immediately and without further reflection, make a definite and direct connection between the pharmaceutical goods and services claimed and the word CELLTECH. This case clarifies that a trade mark should be taken as a whole when considering its distinctiveness. Even if the mark is made up of individual words which are not distinctive.

### 10. BUDWEISER BUDVAR’S EU VICTORY

The European Union (EU) has recognised the Czech brewery Budweiser Budvar's claim for protection of its beer under one of the Union's two regional designations since the Czech Republic joined the bloc last May. Geographical Indications are

protected in the EU by [Council regulation 2081/92](#) on the protection of geographical indications and designations of origin for agricultural products and foodstuffs.

The Czech brewery are claiming this move by the EU as another victory against the American brewery Anheuser-Busch with whom they have a long-running legal dispute.

Anheuser-Busch claims it has rights to the name “Budweiser” because it was first to register the trade mark. Anheuser-Busch (AB) is a St. Louis-based American brewer who adopted the ‘Budweiser’ name in 1876. The Americans claim that German immigrants founded the brewery. Adolphus Busch (a German-born American beer brewer) thought it was a great idea to give the beer the evocative name ‘Budweiser’ because it reminded him of his old country which was already well known for its high quality beer products. Since many of the St. Louis brewery’s customers were recent immigrants from central Europe, the beer had instant name recognition.

The Czech company, Budweiser Budvar (Budvar) was founded in the town of Ceske Budejovice in 1895, though it is claimed the beer has been brewed in Budejovice since the 14th century.

The legal wrangle started in 1911, when Budvar decided to expand its market into the New World. On entering the US market, Budvar found that the term BUDWEISER had already been registered as a trade mark by AB in 1876.

Initially, it appeared as if a compromise between both parties had been reached. Both parties signed an agreement in 1911 when, for a financial settlement, Budvar permitted AB to use its registered trade mark in all areas outside Europe while Budvar kept the right to use the word BUDWEISER throughout the world. However, a supplement was added to the contract, which stated that AB was not permitted to use the word ‘original’ on its products containing the word ‘BUDWEISER’. This resulted in the coexistence of both Budvar and AB’s trademark in non-European countries. Budvar then sold its beer as CRYSTAL in the U.S. while AB used the name BUD in Europe.

New disputes broke out after Budvar, in accordance with the 1911 contract, registered its trade mark ‘Imported Original Bohemian Budweiser Beer from Budweis City’ in the US in 1937. It had been using this as a label since 1934 and brought it to the US because it contained the geographical indication. This enabled it to export its beer to the US. In 1939, at the time when the border region of what was the then Czechoslovakia had been taken over by German occupation, another agreement was signed. A week after signing, Czechoslovakia ceased to exist. Both Budvar and AB had pledged in the new agreement not to use the names BUDWEISER, BUD and BUDWEIS in countries specified in the agreement on the American continent. In the agreement, both parties acknowledged the priority of legal registration but not the priority of the use of the BUDWEISER name.

In 1978, due to Budvar’s strengthening position on foreign markets and particularly in Europe, AB’s management tried to obtain due financial compensation for the coexistence of both BUDWEISER brands in Europe. This triggered a new round of legal disputes in a number of countries. In 1990, AB submitted a proposal to buy a capital share in Budvar. A moratorium on legal disputes was signed as a result and lasted until 30th September 1994. The Czech Ministry of Agriculture rejected AB’s proposal in 1996. Since then both parties have only been in contact through their lawyers and as they strengthen their commercial positions, the tension grows.

The EU reasons that the Czech beer's geographical origin protects it under EU rules, which provide important information on quality to consumers and guard authentic European regional specialties against "piracy" by other producers. As well as fighting for the name 'BUDWEISER', AB has also been fighting against geographical indication protections in dozens of Court cases around the world.

#### **11. WIPO RECOMMENDS UNIFORM IP PROTECTION MECHANISM TO REGULATE DOMAIN NAME REGISTRATIONS**

On June 1, 2005, the World Intellectual Property Organisation (WIPO) recommended the introduction of a uniform intellectual property protection mechanism with a view to controlling unauthorised registration of domain names in all new generic Top-Level Domains (gTLDs). WIPO's Arbitration and Mediation Centre (WIPO Centre) published the [recommendation](#) in a report entitled "[New Generic Top-Level Domains: Intellectual Property Considerations](#)".

The report has been produced in response to a request by the Internet Corporation for Assigned Names and Numbers (ICANN), following the introduction of seven new gTLDs in 2000 (.aero., .biz, .coop, .info, .museum, .name, .pro). The report's recommendation aims at assisting ICANN in developing a comprehensive strategy for further expansion of the domain name system (DNS). In particular, it focuses on protecting IP owners by helping to prevent unauthorised registration of their trade marks as domain names by third parties and cyber-squatters in the event that an extension of the DNS occurs. The report suggests that a further method to stop unauthorised registration of domain names during the initial phase of introduction of new gTLDs would help to counter the extensive phenomenon of cybersquatting.

The uniform mechanism proposed is preventive in nature and is intended to supplement the Uniform Domain Name Dispute Resolution Policy (UDRP), a quick and cost effective procedure for the independent resolution of disputes arising from the abusive registration of trade marks as domain names. WIPO's UDRP experience provides evidence that, despite the expansion of the DNS in 2000, the majority of UDRP disputes involve the .com domain, a domain very popular with trade mark owners and cyber-squatters alike.

The report sets out and evaluates the WIPO Centre's experience with various IP protection mechanisms already implemented in respect of a number of gTLDs and proposes new ones that could be put into practice. Such mechanisms should be "effective and minimise the potential for abuse, take account of rights and interests of third parties and, be practicable and straightforward in order to avoid undue delays in the introduction or functioning of new gTLDs".

Concluding, the report recommends the implementation of a uniform preventive IP protection mechanism across all new gTLDs. New gTLDs would be obliged to give IP owners the opportunity to register their protected identifiers during an initial period of time before the general public were allowed to register. In sponsored or restricted gTLDs, where IP owners may be ineligible to register domain names, they could instead be allowed to register defensive registrations during the initial period. This would allow the public to benefit from reliable domains and would relieve IP owners from devoting significant resources to putting different IP protection mechanisms into effect, ICANN from monitoring their correct implementation and operators of gTLDs from having to develop their own protection mechanisms without necessarily being equipped to do so.

## 12. CFI DELIVERS FIRST SUBSTANTIAL DILUTION DECISION

On 25 May, the Court of First Instance (CFI) delivered its judgment in *Spa Monopole, compagnie fermiere de Spa SA/NV v OHIM*, [Case T-67/04](#).

Spa-Finders applied to register SPA-FINDERS as a Community trade mark for printed publications in Class 16 and travel agency in Class 39. Spa Monopole, the bottlers of the mineral water, opposed the application based on its earlier Benelux marks (SPA for waters and other drinks in Class 32, cleaning goods in Class 3 and LES THERMES DE SPA for goods in Class 3) and German mark (SPA for goods in Class 3 and various travel and bathing services in Class 42).

Spa Monopole based its opposition in particular on Art.8(5) of the CTM Regulation, which bars from registration marks which would, without due cause, take unfair advantage of, or cause detriment to, the distinctive character or repute of an earlier mark with a reputation. OHIM found that no unfair advantage or detriment would be caused to Spa Monopole's marks by the SPA-FINDERS mark. Spa Monopole then appealed to the CFI.

The CFI dismissed Spa Monopole's appeal. It held that although the parties' marks were similar and Spa Monopole had established that it had a reputation for its SPA mark in relation to goods in Class 32, Spa Monopole had not proved that the registration of SPA-FINDERS would take unfair advantage of, or be detrimental to, the SPA mark. In making its findings, the CFI shed light on the meaning of the various clauses of Art.8(5).

Detriment to distinctive character was said to occur where the earlier mark is no longer capable of arousing immediate association with the goods for which it is registered and used. Spa Monopole had put forward no evidence that SPA-FINDERS would cause detriment to the distinctive character of the SPA mark. Contrary to Spa Monopole's argument, detriment to the distinctive character of the SPA mark could not be inferred from the link that the public would make between SPA and SPA-FINDERS. The existence of a link between two marks is not sufficient on its own to demonstrate the risk of detriment to the distinctive character of the earlier mark. Moreover, since "spa" is the name of a Belgian town, a racing circuit and designates places for hydrotherapy, the risk of detriment to distinctive character was limited.

Detriment to repute was said to occur where the goods for which the earlier mark is applied for is used appeal to the public's senses in such a way that the earlier mark's power of attraction is diminished. Here Spa Monopole had produced no evidence that the registration of SPA-FINDERS would be likely to be detrimental to the repute of the SPA mark. There was no 'antagonism' between the goods and services covered by the marks SPA and SPA-FINDERS which might be detrimental to the repute of SPA mineral waters. Likewise, it was unlikely that the mark SPA-FINDERS would tarnish the image of the SPA mark. Here the goods in question were mineral waters, compared to travel services and publications. There was not sufficient proximity between the two sets of goods to lead to detriment to repute.

Unfair advantage of distinctive character or repute was said to occur where there is clear exploitation and free riding on coattails of a famous mark, or an attempt to trade on a famous marks' reputation. In this case, there was no evidence that SPA-FINDERS would enable Spa Finders to take unfair advantage of the SPA mark.

The CFI also confirmed that the proprietor of an earlier mark is not required to demonstrate actual and present harm to his mark in opposition proceedings under Art.8(5). However, the proprietor must show *prima facie* evidence of future risk of unfair advantage or detriment that is not hypothetical.

This decision provides valuable guidance as to the meaning of Art.8(5), although sooner or later the issues discussed will have to be tackled by the European Court of Justice. It should be noted that, while the CFI has said that actual unfair advantage or detriment is not necessary under Art.8(5), the same is not necessarily true of infringement proceedings because of a difference in the wording of the two provisions of the Regulation.

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## McDermott Contact Details

### LONDON

**Larry Cohen**  
**Partner**  
Direct Line: +44 20 7577 6909  
Email: lcohen@europe.mwe.com

**Duncan Curley**  
**Partner**  
Direct Line: +44 20 7575 0316  
Email: dcurley@europe.mwe.com

**Fred Pearson**  
**Head of IP Procurement Europe**  
Direct Line: +44 20 7577 3468  
Email: fpearson@europe.mwe.com

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

### MUNICH

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

### DÜSSELDORF

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

### ITALY

**Margherita Barié**  
**Attorney**  
Direct line: +39 02 65585 605  
Email: mbarie@europe.mwe.com

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