



## REVIEW ARTICLE

### Patent ambushes may be anti-competitive in Europe

On 30 July 2007, the European Commission sent a Statement of Objections (SO) to Rambus Inc., a US based company whose main business is the design, development and licensing of high bandwidth chip connection technologies for computers, consumer electronics and communication products. The SO conveyed the Commission's preliminary view that Rambus' behaviour contravened EU competition law as it amounted to an abuse of a dominant position contrary to article 82 of the EC Treaty. The behaviour consisted of requesting unreasonable royalties for the use of certain patents subsequent to a "patent ambush".

Parties involved with standardisation discussions are under obligation to disclose relevant patents in their control and to commit to make them available on Reasonable and Non-Discriminatory (RAND) terms. A "patent ambush" occurs when a company withholds information as to the existence of a patent that covers a technological aspect of a proposed international Standard, the existence of the patent only coming to light after such a Standard has been agreed.

The technology in question related to Dynamic Random Access Memory chips (DRAMs). These chips allow the temporary storage of data, a function that is used in products such as computer systems, servers, workstations, printers or cameras. This technology has been standardised by a US standard-setting organisation, the Joint Electron Devices Engineering Council (JEDEC). It appeared that the Standards for DRAMs used certain features that were covered by patents owned by Rambus. As a result, every manufacturer that wanted to implement these Standards was required either to get a license or to litigate the patents. Rambus had served on the JEDEC panel from 1992 to 1995, when the Standards for the use of memory chips were developed. At that time, Rambus did not disclose the existence of their patent rights. Only once the standards were agreed did Rambus claim patent rights over their use of certain technological features that were included in these Standards.

In the European Commission's view, this action was unfair. The SO indicated that "Rambus engaged in intentional

deceptive conduct in the context of the Standard-setting process, for example by not disclosing the existence of the patents which it later claimed were relevant to the adopted Standard". This behaviour amounted to a patent ambush, which, in the Commission's opinion, breached the EC Treaty's rules on abuse of a dominant position (article 82) by subsequently claiming unreasonable royalties for the use of those relevant patents. Without such conduct, it was stated that Rambus would not have been able to require such a high level of royalty rates.

In 2006, in parallel proceedings, Rambus was found by the United States Federal Trade Commission (FTC) to have engaged in illegal conduct. Rambus' conduct in the United States was calculated to mislead JEDEC members by fostering the belief that Rambus neither had, nor was seeking, relevant patents that would be enforced against JEDEC-compliant products. Furthermore, it was emphasised that Rambus withheld information that would have been highly material to the standard-setting process within JEDEC. Thus, the adoption of the Standards at issue was made with the belief that such exclusive rights did not exist, information that would have been of substantial importance to the Standard-setting process within the organisation. As emphasised by the FTC, JEDEC expressly sought information regarding patents to enable its members to make informed decisions about which technologies to adopt. JEDEC members viewed early knowledge of potential patent consequences as vital for avoiding patent hold-up. Hence, the FTC considered that Rambus was able to conceal its patents and patent applications until after the Standards were adopted and the market was locked in. Only then did Rambus reveal its patents through patent infringement lawsuits against JEDEC members who conformed to the Standard. Rambus' conduct was also criticised by the FTC on the grounds that it was contrary to section 2 of the Sherman Act.

Despite the FTC's decision, the European Commission was also required to act. Rambus is active in Europe, and the patents were acquired enforced against companies that implemented these Standards in the European market. However, these companies were not entitled to relief on the basis of the FTC decision. It is the first time the Commission has sent an SO in relation to a patent ambush. The SO concluded that the appropriate remedy was to force Rambus to charge reasonable and non discriminatory royalty rates.

It is relevant to note that an SO is merely a formal step in Commission investigations. It informs parties in writing of the objections raised against them. Subsequent to the SO, the Commission may reach a decision as to whether the party did indeed engage in conduct that was in breach of EC competition laws. However, sending an SO does not prejudice the final decision that the Commission may reach. Should the opinion conveyed in the SO be confirmed by the Commission, however, then Rambus may be required to cease the alleged abuse, and may also be required to pay a fine.

### **Nike European Operations Netherlands NV v Tomas Rosicky**

The case concerned a sponsorship agreement in which Nike sponsored the well known Czech and Arsenal footballer, Tomas Rosicky, to wear Nike boots and Nike clothing. A question arose as to whether the agreement between Nike and Rosicky had been extended by notice in accordance with its terms, or had come to an end. Shortly before the 2007 football season began on 11 August 2007, Rosicky started to wear football boots from a competitor, behaviour that was alleged to be in breach of his agreement with Nike. The question was whether or not Nike had properly exercised its option to extend the agreement by two years.

The governing law clause in the sponsorship agreement was Dutch. The main issue that arose was that the Dutch courts were unable, according to the evidence, to grant interim relief effectively and quickly enough to prevent Rosicky playing in the competitor's boots at the start of the season. Perhaps more importantly, interim relief could not come quickly enough to prevent Rosicky playing a few days later in Prague when Arsenal played his old club Sparta Prague. It would have had a particularly deleterious effect as Rosicky is captain of the Czech National Football Team. Nike alleged that it would suffer irreparable damage to its goodwill if an important sportsman was not wearing Nike boots but promoting those of a competitor. The Court also looked at the loss of opportunity for Rosicky, which it also described as irreparable.

The Claimant therefore applied to the English High Court for an injunction in support of the proposed Dutch proceedings under Article 31 of the EC Jurisdiction Regulation 44/2001/EC. This provides that the court in one regulation country or EU Member State can obtain provisional relief in support of litigation which either has commenced, or will commence, in another Member State.

The Judge established jurisdiction on the basis that Rosicky was resident and domiciled in England. He then looked at the basis on which an injunction could be granted. He held that there were two ways of looking at the case; firstly on the pure English balance of convenience, and, secondly, on the basis of who was likely to win. The balance of convenience basis is the

well known *American Cyanamid v Ethicon* basis. The alternative basis was that there is a high degree of assurance that the Claimant would be able to establish his case at trial. This follows the Court of Appeal in *Zockoll Group Limited v Mercury Communications Limited*. The Judge found, under both the *Cyanamid* balance of convenience test and the *Zockoll* high degree of assurance test, that the Claimant would be able to establish its case and therefore granted an interim injunction. The injunction was granted for a limited time, until after the Dutch Court had heard the application for an interim injunction in the Netherlands, at which point the English order would be subsumed in the Dutch order. The Judge therefore considered that he was granting an injunction for the minimum time appropriate, and a time commensurate with the Dutch proceedings.

He also considered whether Rosicky could be compelled to wear Nike boots and concluded that he could not; he had the alternative of wearing unmarked boots. As a result, Rosicky blacked out all indicia on his boot so that it was supposedly impossible to tell the name of the maker.

Subsequently, five weeks later, the Dutch Court awarded Nike an interim injunction on the merits of the case, thereby superseding the English injunction.

## **TRADE MARKS**

### **esure's computer mouse trapped for free riding**

On 29 June 2007, the English High Court, Chancery Division, handed down a decision that addressed the question of whether a likelihood of confusion is required in order to establish free-riding on the reputation of an earlier mark in *esure Insurance Ltd v Direct Line Insurance Plc* [2007] EWHC 1557 (Ch).

Direct Line sells insurance and financial services direct to the public by way of online, email and telephone contact. Since 1990, it has used, as part of its advertising campaign, a representation of a telephone on wheels for which a number of national and Community trade marks are held. esure, which also sells insurance in a similar way, applied to register as a trade mark a device consisting of a representation of a computer mouse on wheels. Direct Line opposed that registration and the Hearing Officer upheld the opposition. esure contested the decision before the High Court, claiming errors of principle under sections 5(2)(b) and 5(3) of the Trade Marks Act 1994.

With regard to the first alleged error, Mr Justice Lindsay started his analysis by considering whether there was a threshold requirement for a recognisable or impliedly prescribed degree of similarity between the marks in question. He stated that there was some form of threshold, albeit a low one, which was exceeded.

He went on to examine whether, consequently, the similarity of the marks at issue caused a likelihood of confusion. After conducting a global assessment of the marks, he found that there were no aural similarities and that the visual differences were very clear and readily accessible by the average consumer. Moreover, he disagreed with the Hearing Officer who had found the existence of indirect confusion in the sense that the marks could be perceived as emanating from economically linked undertakings. He therefore allowed esure's appeal with regard to that issue, since there was no sufficient evidence of confusion.

However, the appeal was ultimately dismissed with regard to s 5(3) of the 1994 Act. The Court found that, in choosing to use a mouse on wheels, esure took unfair advantage of the distinctive character of Direct Line's telephone on wheels and could cause detriment to Direct Line's reputation. Thus, even if the Hearing Officer had required a higher standard of proof, he had not made an error of principle and he was right to characterise esure's mark as a "parasitic" one.

This case is significant in that it confirms the principle that taking unfair advantage of the distinctive character or reputation of an earlier mark can amount to trade mark infringement, without the need for any likelihood of confusion to exist. This principle had been established a few months before in *L'Oréal S.A v Bellure N.V* [2006] EWHC 2355 (Ch), where it was found that "smell-alike" and "look-alike" beauty products aimed to take unfair advantage of, and ride on the back of, famous brands.

### **O<sub>2</sub> lacks distinctiveness**

The function of a trade mark is to distinguish goods or services of one undertaking from those of other undertakings. In order for a sign to be registered as a trade mark, one of the criteria to be met is that a mark must be distinctive from others. If a mark is devoid of distinctive character, it will be barred from registration as a registered trade mark, pursuant to section 3(1)(b) of the UK Trade Mark Act.

In this case, O<sub>2</sub> had applied for trade mark registration for seven icons in its O<sub>2</sub> Active service package including a blue envelope, a purple and blue mobile telephone with an arrow, a blue and white football, a yellow games console, two blue speech bubbles, a human figure in red with three separate rectangles, and a white "i" symbol. However, the Hearing Officer refused to register the icons based on

- section 3(1)(b), as they were devoid of any distinctive character, and
- section 3(1)(c), as they were descriptive.

O<sub>2</sub> appealed against this decision.

On appeal, it was held that the applications for the icons were contrary to section 3(1)(b), but not against section 3(1)(c)

because some of them were not totally descriptive. The following explanations were offered.

- a) The blue envelope icon could not be recognised by average consumers as performing a trade mark function because it lacked distinctive character and was also descriptive.
- b) The mobile telephone icon, although not wholly descriptive, was devoid of distinctive character.
- c) The football icon could not function as a trade mark for average consumers as it was devoid of distinctive character except for cultural activities in class 41.
- d) The game console icon could be recognised by relevant consumers as the game itself and would be devoid of distinctive character except where it was used as an indication of origin for cultural activities in class 41 and information in class 38. Whether it was registerable for the latter classes, was to be further considered by the Hearing Officer.
- e) The speech bubble icons could not show any distinctive character without further educating the consumers, due to the lack of inherent distinctiveness.
- f) The human icon could not function as a trade mark because it had no distinctiveness as such.
- g) The symbol "i" was devoid of any distinctive character as it would only be perceived by average consumers as referring to "information" without showing any relevance or association with O<sub>2</sub>.

It seems that O<sub>2</sub> intended to have expansive protection for its Active service package but forgot the basic criteria for grant and registration of trade marks: a mark must have distinctive characteristic so as to be able to distinguish products of one manufacturer from the others. The decision means that the basic criteria of grant of registered trade marks would be the same, irrespective of traditional trade marks or trade marks appearing on telephone mobile screens and the internet.

## **COPYRIGHT & DESIGNS**

### **Good news for illegal file sharers?**

The case *Productores de Música de España Promusicae v Telefónica de España SAU* [in C-275/06, which is before the European Court of Justice (ECJ)], arose from a request for a preliminary reference by a Spanish court. The Claimant, Promusicae, an industry association for producers and distributors of music recordings, sought disclosure of the names and addresses of certain internet users from the internet service provider (ISP) Telefónica. Spanish law provides that ISPs are only allowed to disclose personal data, which they have a legal obligation to store, in the context of criminal cases or for the protection of public security or national security. The Spanish Court asked whether this provision was in accordance with Community law.

The Advocate General Professor Dr. Juliane Kokott delivered her Opinion on 18 July 2007. She found that EC data protection law mandates that courts in the European Union cannot order that personal data of subscribers be disclosed to private persons for the purposes of civil law suits for the enforcement of IP rights. She concluded that the exceptions under EU data protection law allow for such disclosure only to public bodies.

The Advocate General acknowledged that provisions on data protection in Directives 95/46/EC on the protection of individuals with regard to the processing of personal data and on the free movement of such data and Directives 2002/58/EC on privacy and electronic communications potentially conflict with Directive 2004/48/EC on the enforcement of IP rights. However, she found that the Directive on the enforcement of IP rights expressly stated in Article 2(3)(a) that it does not affect the provisions of the main data protection Directive 95/46/EC and that this also included the more specialised Directive 2002/58/EC. The Advocate General relied on Article 6 of Directive 2002/58/EC, restricting the use of traffic data and the exception in Article 15(1), which allows Member States to limit subscribers' data protection rights for the purposes of national security, defence, public security and prevention, investigation, detection and prosecution of criminal offences or to prevent unauthorised use of the telecommunications system. She pointed out that copyright infringement is only a criminal offence in Spain if done with an intention to obtain a commercial gain. The Advocate General furthermore found that the phrase "unauthorised use" referred to computer misuse, not to the content of a communication transmitted. She therefore concluded that the exception in Article 15(1) was not applicable.

The Advocate General stated that the exception concerning public security can only be invoked by a sufficiently serious infringement which touches upon a fundamental interest of society. She pointed out that it may not be clear whether file sharing, which is not criminal under the national law, causes sufficient harm that a restriction of the subscribers' privacy could be justified. She also mentioned that the national law of individual Member States may authorise disclosure to public bodies to enable civil proceedings against copyright infringement, but Member States have no obligation to provide for this in their law (and it seems that Spain did not). The Attorney General therefore concluded that the exception does not cover the disclosure of personal data to the court for the purpose of enabling a private person or body to bring civil law proceedings for IP infringement. It remains to be seen whether the ECJ will follow her decision.

### **ISP ordered to police internet traffic for copyright infringement**

This case raised the important issue of the relationship between

Article 8(3) of Copyright Directive 2001/29/EC and Articles 12 and 15 of the E-commerce Directive 2000/31/EC. Article 8(3)(g) of Directive 2001/29/EC provides that Member States shall ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.

SABAM, the Belgian Society of Authors, Composers and Publishers, first initiated an action in 2004 against the Belgium ISP Scarlet (formerly Tiscali) to prevent the sharing of copyright protected music files via peer-to-peer (P2P) software. The *Belgian Tribunal de Première Instance* issued a first intermediary ruling on 26 November 2004, holding that internet service providers (ISP) may be responsible for preventing certain types of copyright infringement. However, the Court also acknowledged that it needed further evidence to clarify technical issues and appointed an expert for this purpose. The expert duly delivered a Report on 3 January 2007, which envisaged 11 different solutions for blocking and filtering traffic to prevent infringing file-sharing activities. Seven of these were applicable to Scarlet. However, only one of these solutions, *Audible Magic*, identified the musical content of the files exchanged, as opposed to the type of traffic.

The expert also pointed out that this solution may work to a lesser extent in the medium term (*i.e.*, the next two to three years) because of the growing use of encryption in P2P applications. Finally, the expert pointed out that *Audible Magic* was targeted at the educational market and may not be designed for the amount of traffic experienced by a general ISP.

Nevertheless, the Court concluded from the Report that Scarlet had access to technical measures to prevent copyright infringement. SABAM had adduced evidence that *Audible Magic* was used by My Space and others and that encryption was unlikely in the context of P2P sharing of music files. The Court followed the expert's opinion stating that the measures would be low cost, estimated at a maximum of €0.5 per month, per subscriber.

Consequently, the Court held on 29 June 2007 that Scarlet should implement one or several of these technical solutions in order to prevent copyright infringement in respect of content owned by members of SABAM. The Court found that Scarlet should use filtering and blocking technology, disabling its subscribers from sending or receiving infringing files via P2P technology. The Court also ordered Scarlet to inform SABAM of the measures taken, which were to be implemented within six months, after which period Scarlet would have to pay a daily fine of € 2,500 for non compliance.

Scarlet had argued that the "mere conduit" immunity established in Article 12 of the E-Commerce Directive 2000/31/EC meant that it had no responsibility for its subscribers' file sharing activities. Article 12(1) provides that

an ISP is not liable for the mere transmission in its communication network, provided it did not initiate the transmission, did not modify the information contained in the transmission, and did not select the receiver of the transmission. However, Article 12(3) also provides that Article 12 shall not alter the possibility of a court or administrative authority, in accordance with Member States' legal systems, requiring the ISP to terminate, or prevent, an infringement. The Belgian Court found that the mere conduit immunity under Article 12(1) did not apply to the facts of this case.

Scarlet argued that it should not be obliged to apply filtering and blocking technology on the basis that Article 15 states that Member States cannot impose a general obligation on ISPs when providing mere conduit, caching, or hosting services covered by the relevant provisions of the Directive. Scarlet also argued that Member States cannot oblige ISPs to monitor the information which they transmit or store, or actively seek out facts or circumstances indicating illegal activity. Scarlet argued that blocking and filtering of content provided or downloaded by its subscribers would infringe their right to privacy, their right to confidentiality and their freedom of speech.

The Court did not accept these arguments, finding that the application of software filtering or blocking the specific files in which SABAM members hold copyrights does not amount to general monitoring. The Court also held that, since the filtering and blocking was carried out by technical measures, there was no infringement of users' privacy or right to confidentiality of communications. The Court compared this process to other technical measures, such as filtering spam or employing anti-virus software, that do not involve any identification of internet users.

This case contrasts with a recent case, *Bunt v Tilley* ([2006] EWHC 407 (QB), 10 March 2006) in which the English High Court summarily dismissed a claim against three ISPs. The Claimant in that case proceeded, *inter alia*, against AOL UK, Tiscali UK and BT, all of which had given access to three individuals who, according to the Claimant's allegations, had defamed the Claimant by statements published on various websites. The Court refused to issue an injunction against future infringements on the basis that in this instance it would be wholly disproportionate. The Court found that such an order would have to prohibit the supply of internet services to the Defendant concerned and that this would both be draconian and pointless. However, there is an important factual distinction between the two cases. *Bunt v Tilley* concerned a claim for defamation, where filtering and blocking technology is not effective to identify illegal traffic. By contrast, monitoring is more successful if it concerns infringement of copyright in specified music.

The E-Commerce Directive provides immunity for mere

conduit and states that Member States must not impose general monitoring obligations. The question is, therefore, when is an injunction specific and when does it impose general monitoring? Here, the Court clearly held that blocking P2P traffic containing data from the SABAM repertoire is sufficiently specific. However, it is unlikely that this is the last word and the case will probably be appealed.

### The great balls of laundry design

In *Green Lane Products Ltd v PMS International Group Ltd and others* [2007] EWHC 1712 (Pat), Mr Justice Lewinson was required to rule (as a preliminary issue) on what the relevant sector is when assessing novelty and individual character of a registered design.

The Defendants bought and distributed high volume, low cost products, mainly sourced in China. In 2001 they had ordered a company in China to create a tool for manufacturing spiky plastic balls that they marketed extensively in territories including the European Union as massage balls. The Claimant sold laundry balls. These balls were placed inside a tumble dryer to reduce drying time and to help soften fabrics without the use of chemicals. In 2004, the Claimant had applied to register the designs for its balls as Community Registered Designs (CRDs). In 2006, the Defendants decided to use the same tool that was created for making massage balls to make balls of the same design for use as laundry balls, hand exercisers, toys and dog trainers. The Claimant alleged that the Defendants would infringe their CDRs if they continued to market their products for any purpose other than massage balls. Article 7 of Council Regulation (EC) No 6/2002 requires that, when assessing a design's novelty and individual character against designs made available to the public, a previous design is not relevant where it "could not reasonably have become known in the normal course of business to the circles specialised *in the relevant sector concerned*" (author's emphasis). The Court first had to determine the preliminary question as to what was the relevant sector in which the design could not have been known: the one which was specified on the registration of the CDR or, as submitted by the Defendants, the sector that consisted of, or included, the alleged prior art?

Mr Justice Lewison did not agree that the sector should be that specified in the registration as otherwise this would enable applicants to annex old designs by manipulating the registration system. This is particularly because, once a design has been registered in one (narrow) class, the protection nevertheless extends to other uses including those included in the other classes. Consequently, the Judge held that the relevant sector was the sector of the alleged prior art. As a result, the Judge has clarified an ambiguous area of design law, albeit by developing a position most commentators had expected. However, this does confirm that the specification of a design's sector when registering the design is little more than a near-redundant administrative requirement.

### Software as a commissioned work: Who can use it and on what conditions?

In *Laurence John Wrenn and Integrated Multi-Media Solutions LTD v Stephen Landamore* [2007] EWHC 1833 (Ch), the English High Court has highlighted the need for clear allocations of rights and royalties in commissioned work.

The Claimant, Laurence John Wrenn, was in the business of providing chips that enabled third party audio equipment to be connected and played with car radios. These chips were marketed by the Claimant through his company. Since the Claimant was not able to achieve optimum interface between the chips and the car radios, he commissioned Stephen Landamore (the First Defendant) to provide software that could be embedded in the chips to obtain seamless interface.

Subsequently, disputes arose between the parties about the ownership and the payment for the use of the software. They sought to resolve these disputes by forming a company (the Second Defendant) and vested ownership of the software in the company. However, the parties could not agree on how to resolve their remaining disputes and how to operate the company. As a result, the Claimant filed a suit against both the Defendants, seeking title to the copyright or in the alternative, an exclusive licence for the computer program written by the First Defendant. The First Defendant counterclaimed for the payment of the unpaid royalties arising from the use of his software by the Claimant.

The Court had to decide a number of questions but there were two main issues.

- What terms could be implied by the contract between the Claimant and the First Defendant as to the ownership or licence of the commissioned work, including the source code?
- What relief can be claimed by the First Defendant in his counterclaim?

The Court held that, in the case of commissioned works, a “minimalist approach” should be adopted when implying the extent of rights vested in the commissioner of the work. In the present case, an exclusive licence in favour of the Claimant would suffice as the computer program was written solely by the First Defendant to enable the Claimant to carry on his business of providing interfaces. This would also be a commercially workable solution as it would allow the Claimant to carry on his business, while enabling the First Defendant to enforce his right to be remunerated for the commissioned work. On the question of counterclaim by the First Defendant, the Court found out that it was likely that the Claimant had promised the First Defendant a per unit royalty rate in addition to the hourly programming fees. Although there was no agreement on the amount of the royalty, the Court found that a royalty rate of US \$0.36 per chip as fees for the work plus a US \$2 per unit was a reasonable royalty based on the evidence

provided by the parties and as agreed between them in an interim arrangement.

The decision could be lauded for taking a commercial approach to finding a workable solution for the parties in respect of commissioned works. However, it could also be said that the Court should have taken the opportunity to provide some guidance for the calculation of the reasonable royalty in such circumstances, especially where there may not be any evidence emanating from the conduct of the parties.

## MEDIA, ENTERTAINMENT & PRIVACY

### Privacy in public appearances: no ‘press-free zone’ for children of celebrities

In *David Murray v Express Newspapers plc and Big Pictures (UK) Ltd* [2007] EWHC 1908 (Ch), the Judge had to consider whether the action of the Defendant, a photographic agency, of taking a photo of the Claimant, an infant, with his parents—one of whom is the famous writer J. K. Rowling—amounted to breach of confidence, infringement of his right to privacy and misuse of private information resulting from the taking, recording, holding and publication of the photographs. There was no dispute over the fact that the photo was taken in a public place, and that the Claimant had suffered no upset or harm. The purpose of the claim was, therefore, to “carve out for the child some private space in relation to his public appearances”.

In reviewing the relevant case law, the Judge noted that the doctrine on breach of confidence and infringement of the right to privacy had been marked by two main decisions. Firstly, in *Campbell v MGN Ltd* [2004] 2AC457, the House of Lords established that “the touchstone of private life is whether in respect of the disclosed facts the person in question had a reasonable expectation of privacy”. In applying this test to the facts of the case, the Judge agreed with the House of Lords that the mere fact that the child had been photographed in a public place was not determinative of the issue. However, unlike the position in *Campbell*, the image did not produce damage or harm to the person photographed.

However, when considering the consequences of a second decision, this time delivered by the European Court of Human Rights in *Von Hannover v Germany* (59320/00), the Judge accepted that the current evaluation of the balance between Article 8 and Article 10 of the European Convention of Human Rights takes a much wider view of what should be regarded to be within the scope of an individual’s private life, highlighting the contrast between the more restrictive test in *Campbell* and the wider test from *Von Hannover*. In the light of this difference, the Judge recalled that, if there was incompatibility

between the two authorities, the House of Lords' decision would prevail.

After reviewing these two cases, the Judge expressed sympathy for the Claimant's parents who wished to shield their child from intrusive media attention. However, he found that the law did not allow them "to carve out a press-free zone for their children in respect of absolutely everything they choose to do". In fact, even according to *Von Hannover*, there is "an area of routine activity which when conducted in a public place carries no guarantee of privacy" and the circumstances indicated that this was the case. In addition, as far as the request of relief under the Data Protection Act was concerned, due to the lack of damage or distress, the Claimant did not have a cause of action. This claim was therefore also dismissed.

### Privacy right versus public interest

The High Court was required to do the "ultimate balancing exercise" between the right of privacy of an individual under Article 8 of the European Convention on Human Rights (ECHR) on one hand, and the right to freedom of expression of a broadcaster under Article 10 of the ECHR on the other, in the case of *T (By Her Litigation Friend The Official Solicitor) v British Broadcasting Corporation* [2007] EWHC 1683 (QB).

The Claimant was a young, vulnerable mother who was the subject of a BBC programme that sought to inform the public about a particular aspect of adoption. The programme showed how the Claimant and her daughter coped with the concept of "concurrent planning" in their own lives and showed footage of intimate incidents that occurred between mother and daughter. These include instances when the Claimant gave an impression of her rough behaviour with her daughter, and the Claimant's problems with anger management. The Claimant, being mentally unstable, did not give informed consent for her participation or the broadcast of the programme. The BBC submitted that the preliminary question was whether it was in the best interests of the Claimant to broadcast the programme and then do a balancing exercise between Articles 8 and 10 of the ECHR. The expert opinion of the Claimant showed that the benefits to the Claimant arising from the programme would be outweighed by the distress she could eventually experience from its airing.

The High Court found, on one hand, that the privacy rights of the Claimant under Article 8 needed to be considered as she had permitted herself to be portrayed in intimate circumstances without informed consent. The mere "risk" or "potential harm" to the Claimant in being identified is enough, as held in *Campbell v Mirror Group Newspapers Ltd* (2004) UKHL 22, (2004) 2 AC 457, and the Claimant was not required to prove actual harm on being identified by viewers. The broadcast of the programme would infringe upon her right to privacy and would demean her human dignity.

On the other hand, the BBC programme was held to be informative on the subject of adoption and child care, and was in the public interest. However, the Court held that when weighed against the BBC's right to freedom of expression under Article 10 in broadcasting the programme, the right of privacy of the Claimant and her relationship with her daughter under Article 8 were disproportionate. It was also held that, since the public interest could be served without identifying the Claimant or her child, the duty was upon the BBC to broadcast the programme without identifying the Claimant and infringing her privacy rights.

The case points to yet another instance of the inevitable overlap between privacy rights and the claimed public interest element within the entertainment industry. It is a significant decision for broadcasters and producers of programmes based on voyeuristic popular culture. The decision shows that the right to freedom of expression, even when coupled with a public interest element, does not always prevail when pitted against privacy rights.

### Responsible journalism and the *reportage* defence

In *Christopher Roberts, Barry Roberts v Gerry Gable, Steve Silver and Searchlight Magazine Ltd* [2007] EWCA Civ 721, the First and Second Defendants were, respectively, the author and editor of *Searchlight* magazine. *Searchlight* is a monthly publication that reports on activities of far-right organisations and political parties in Britain and abroad. In an article by the First Defendant about a London rally held by the British National Party (BNP), it was reported that "the BNP's March bulletin accused two members of stealing the collection from the meeting". It was further reported that "the story that was put around was that [two BNP members] stole the money from the house of [the First Appellant]". The article continued by reporting that two accused BNP members had alleged that the Appellants had threatened to "kneecap, torture and kill" them and their families.

The Appellants claimed that the statements in *Searchlight* constituted libel and issued a claim for damages. According to the Defendants, the article contained a report of accusations being made between members of a political party, and no adaptation or endorsement was being made. They based their case on the *reportage* doctrine of *Al-Fagih v HH Saudi Research and Marketing (UK) Ltd* [2002] EMLR 215. The Appellants argued that the *reportage* doctrine could not serve as a defence in this case because the article adopted the allegations. They also held that responsible journalism required a verification, which the article allegedly lacked. The Defendants responded by stating that *reportage* is not a separate doctrine, but is covered by *Reynolds v Time Newspapers Ltd* (2001) 2 AC 127, which allows fair and responsible journalism as a defence against libel. Fair and responsible journalism, according to the Defendants, did not

require a verification of whether or not the accusations were true or false, as it was merely reported that the accusations were made without adapting or endorsing them.

In the leading opinion, Ward LJ held that *reportage* was covered by *Reynolds*. He dismissed the appeal after considering, among other factors, that under *reportage*, no need to verify the accuracy of the published information exists because the effect of the report must not be the truth of statements, but the mere fact that they were made. Only when a journalist adopted the report and made it his own, or if he failed to report the story in a fair, disinterested and neutral way would the *reportage* protection be lost.

## PROCEDURE

### **To disclose or not to disclose: is that the question?**

The recent case of *Nichia Corporation v Argos Ltd* EWCA Civ 741 has reconsidered the disclosure obligation under the Civil Procedure Rules (CPR). Standard disclosure under the CPR requires parties to undertake only a reasonable search governed by the principles of proportionality. These rules narrowed the previous automatic right to disclosure.

The facts of this case were that Nichia alleged that Argos was infringing its patent for light emitting diodes through sales of Christmas lights in Argos stores. Argos asked Nichia to disclose documents relating to the making of the invention in question. Pumfrey J at first instance refused to allow the disclosure of such “peripheral” secondary evidence. On appeal, Jacob LJ supported this decision. He made a thorough analysis of the role of evidence from real inventors in supporting the otherwise objective theoretical approach of assessing a patent’s “obviousness”. He also made Counsel research patent cases back to the 1950s on the extent to which such evidence had a significant effect on the outcome of the case. In addition, he considered the expense of patent litigation as it was now fought.

Jacob LJ concluded that only in a few exceptional cases had such evidence actually made a difference to the case. The proportionality principle in the CPR allowed for circumstances in which some parties might escape disclosure even though in some cases “perfect justice” might not be done. Thus, Jacob LJ argued that, on the grounds of proportionality, disclosure should not be allowed in patent cases. Here, even though the details were not investigated by the Court, he said that the damages would not be extensive and the costs were likely to far outweigh those.

However, Jacob LJ was in the minority as Pill LJ and Rix LJ both disagreed. They held that some disclosure should be made. A rule that could allow parties to decide for themselves whether or not to disclose would lead to unacceptable injustice.

Further, the standard of the CPR applied to all cases and should not be different for patent cases. Though mindful of Jacob LJ’s experience in patent matters, they considered that evidence of an inventor’s struggles to invent was of clear material relevance to such a case and in contrast to Jacob LJ, found support for this principle from the case law.

Their Lordships held that the parties should agree a limited form of disclosure before any blanket order became necessary in order to keep control of costs. However, such an order had not been discussed before the Court so they would not prescribe the extent of the disclosure in this case. Instead, they accepted that if the parties could not agree, the question of where to draw the line should be referred back to Pumfrey J who would have to again make his own assessment of where to draw the limit.

This case has implications beyond patent litigation. Though basing his assessment on laudable principles, Jacob LJ failed to realise the consequences. Unfortunately, while trying to cut costs he was preventing parties from conducting the very case that they were permitted to plead. In the process he raised costs considerably by requiring Counsel to undertake extensive, but worthless, research.

Disclosure must always be a balancing exercise and this requires pragmatism based on the standards set by the CPR within the specific facts of each case. Costs will unfortunately always be a feature of adversarial litigation. The role of the courts is to limit excessive and disproportionate disclosure and to provide certainty to the parties that they have met their duties.

### **Global nature of IP rights does not affect English jurisdiction**

Point Classics UK Limited went into administration and Crucial Music Corporation (CMC) agreed to acquire a catalogue of musical sound recordings, master-tapes, intellectual property, licences and other assets from Point’s administrative receivers. Under the agreement, Klondyke Management and related parties from Germany and Switzerland provided a number of warranties which mainly entailed the validity of contracts and licences. The agreement was completed and executed at the London office of the Receiver’s solicitors, after which the intellectual property formed the basis for security lodged with an English bank. About four years after the completion and execution of the agreement, CMC brought proceedings in England for breach of the warranties and the Defendants contested jurisdiction of the English courts. Master Moncaster dismissed the challenge to jurisdiction and the Defendants appealed to the High Court.

The basic rule under the Lugano Convention is that proceedings are brought against persons in the Court of their

state of domicile. Article 5(1) of the Lugano Convention provides an exception to this rule in matters relating to a contract whereby a person may be sued in another contracting state, where the obligation in question is to be performed. Article 5(3) provides a similar provision for torts, delicts and quasi-delicts to be litigated in the contracting state where the harmful event occurred.

The Defendants argued that the global nature of intellectual property rights prevented the English courts from obtaining jurisdiction on the ground of Article 5 of the Lugano Convention. They argued that the “place of performance” was each state in the world where the IP right subsisted, hence the basic rule of the Lugano Convention applied. CMC argued that the contract was agreed in London and that therefore the warranties had to be complied with in London and, accordingly, the English Court had jurisdiction over the issue.

Deputy Judge Livesey ruled in favour of CMC. On the issue of breach of contract claim, he held that the place of performance of a warranty in relation to an existing condition or state of affairs is the place where the condition or state of affairs is required by the contract to exist. It was at least arguable on the facts that the place for performance of the warranties in question was the place of completion of the transfer, namely London. Furthermore, he held that the loss suffered as a result of alleged tortious misrepresentation was not a diminution in the value of the transferred rights. Rather, the misrepresentations induced the Claimants to enter into the agreement and, on completion, to take a transfer of the relevant assets. Thus, the place where the harm was suffered was the place of completion, *i.e.*, London.

This case confirms that intellectual property rights and jurisdiction to determine disputes over their transfer are not in any special category of their own as a result of their global nature.

#### **Voice over Internet Protocol company voices concern over T-Mobile’s anti-competitive conduct.**

On 11 July 2007, Mr Robin Knowles CBE, QC, sitting as a Deputy High Court Judge delivered his ruling in an application filed by Ms Software Cellular Network Limited (trading as Truphone) against T-Mobile (UK) Limited.

Truphone wished to launch a new mobile telephone service using technology known as Voice over Internet Protocol (VoIP). Their service was designed for customers who already had an internet connection through a telephone service provider. Truphone’s service enabled those customers to route calls over the internet, with the potential to reduce costs. To use this service, customers would each need an additional telephone number. Truphone was allocated the required telephone numbers by the Office of Communications (Ofcom).

However, these numbers could not be used by Truphone customers to receive calls from customers using the network of a “Mobile Network Operators (MNOs) in the United Kingdom without being activated by the MNOs. With the exception of T-Mobile, all MNOs in the United Kingdom activated Truphone’s numbers. By contrast, T-Mobile activated numbers allocated to other communications providers but not those of Truphone.

Truphone sued T-Mobile contending that T-Mobile’s refusal to activate Truphone numbers amounted to an unlawful abuse by T-Mobile of a dominant market position. Truphone sought interim orders requiring T-Mobile to activate Truphone numbers as a matter of urgency. It argued that without those orders, it could not launch the new service and time was of the essence in the market for services using VoIP technology. T-Mobile denied that it was in contravention of the Competition Act arguing, *inter alia*, that it was not in a dominant position.

The Judge found that, on the correspondence and evidence available to the Court, Truphone had a serious, arguable case that T-Mobile was in a dominant position and that its conduct amounted to an abuse of that position. The Judge found that it would be impossible to quantify Truphone’s loss if the Court did not issue an interim injunction. He found on the other hand that, if the Court were to dismiss Truphone’s case, the loss to T-Mobile, was quantifiable in view of the fact that other MNOs had activated Truphone’s numbers. The Court found that the balance of convenience was in favour of granting interim relief, without which Truphone would either offer no service or a materially altered service. He also noted the absence of any technical or safety arguments from T-Mobile. The Judge went on to find that though there was no high assurance that Truphone would prove its case, the risk of injustice to Truphone if the interim orders were refused outweighed the risk of injustice to T-Mobile. He therefore concluded that this was justification for the Court to grant a mandatory injunction. Finally, the Judge found that there was no delay on the part of Truphone to negate the commercial urgency of the application. He ordered T-Mobile to activate the applicant’s telephone numbers.

This ruling shows the willingness of courts to extend the application of the law of competition to all sectors even when this calls for taking unprecedented steps, such as ordering a business entity to buy a service rather than to avail a service.

#### **Arrow on target with its suit for non-infringement declaration**

In this case, Merck had filed a patent application before the European Patent Office (EPO) for its invention of a single dose of 70 mg of alendronate that could be given once a week to patients suffering from osteoporosis. The patent (292 patent) was granted in 2001, but was successfully challenged and

revoked by Arrow and another company in 2003. Since then, Arrow had been marketing the generic version of the 70 mg of alendronate in the United Kingdom and various other European countries.

In addition to the 292 patent, Merck had also filed four divisional patent applications before the EPO for the weekly dosage medicament and for the preparation of 70 mg dosage of alendronate. These applications were stayed pending the conclusion of 292 patent application but were revived once the 292 patent proceedings were concluded. Subsequently, one of the divisional applications (904 patent) was successful, and a patent was granted to Merck with various European countries, including the United Kingdom, being designated. When Merck was informed of the EPO's decision to grant the patent and its subsequent publication in the *European Patent Bulletin*, Merck requested that the GB designation be removed. Despite the request from Merck, the GB designation was erroneously published in the *Bulletin* on 28 March. Once it was brought to the attention of the EPO by Merck, it was removed through a corrigendum published in the *Bulletin* on 9 May.

Based on the erroneous publication, Arrow initiated the present proceedings seeking a declaration that the 904 patent was invalid in the United Kingdom, and that it should be revoked. In addition, it also sought declaration that its own generic product was obvious at the priority date of the divisional applications, and hence it could not be held liable for infringement. The Court had to decide three main issues: whether the 904 patent was granted validly; whether the declaration of non-infringement sought by Arrow was barred by section 74 of the Patents Act 1977 in so far as it was putting the validity of the divisional applications at issue; and if section 74 was not a bar, whether the Court had the jurisdiction to grant such a relief.

Answering the first question with "no", Kitchin J held that, under the European Patent Convention, the EPO decision to grant a patent could only take effect once the decision was published in the *Bulletin*. Until that time, Merck had the right to withdraw the designation of any contracting states under Article 79(3). Such a right, was, in fact asserted by Merck when it withdrew its designation of GB. Although GB was erroneously mentioned in the *Bulletin*, it did not mean that a patent for the United Kingdom was granted as there was never a decision by the EPO to grant a patent for the United Kingdom in the first place. Hence, there was no valid patent existing in respect of which the Court's jurisdiction could be invoked by Arrow.

On the second and third questions, the Court held that the statutory bar in section 74 did not operate where a declaration in respect of validity was sought for divisional applications. Therefore, the Court had the jurisdiction to grant such a declaration. However, firstly, such relief is merely

discretionary and its grant had to serve a useful purpose. The Court found that Arrow had spent considerable efforts and resources to clear their way for marketing the generic version of the alendronate. Therefore, the grant of relief would definitely address a commercial uncertainty for Arrow in relation to divisional application and Arrow's own product. Secondly, the relief had to be clearly defined to make it properly justiciable, which the Court found to be fulfilled in relation to Arrow's claim. Thirdly, there could not be any exceptional circumstances that could deprive the Court from exercising its jurisdiction from granting such a relief. The Court found no circumstances that would bar it from granting such relief. Hence, the Court struck down the claims relating to 292 patent, but allowed the claims relating to divisional applications to proceed further.

The decision is a welcome development as presently there is an increasing propensity amongst parties to seek a declaration of non-infringement under the inherent jurisdiction of the Court. This decision clearly lays down the guidelines that a Court should follow while exercising its discretion whether to grant such relief sought by a Claimant.

## NEWS

### **Patent prosecution cooperation between UK and US**

A 12 month pilot scheme was launched this month that will allow applicants who have received an examination report from either the UK IPO or the USPTO to request accelerated examination of their corresponding patent application filed in the other country. The scheme is aimed at speeding up the processing of patent application in both countries, for the benefit of the patentees.

### **UK Consultation Paper on Damages seeks responses on IP infringement damages**

The UK Ministry of Justice has recently released a Consultation Paper on Damages that seeks to undertake a review of the law relating to damages contained in a series of reports published by the Law Commission. The Paper seeks opinions on how the system of damages operates in relation to intellectual property rights, particularly as a deterrent to infringement. It also seeks specific comments in relation to whether aggregated and restitutory damages should be introduced into existing patent and copyright legislation.

### **EC takes action against the United Kingdom and other Member States**

The European Commission has taken action against France, Ireland, Luxembourg, Spain and the United Kingdom for their failure to implement several IP related Regulations and Directives. France and Luxembourg have been referred to the ECJ for their failure to inform the EC about the establishment

of Community Design Courts as mandated under the Community Design Regulation. Spain and Ireland have been issued a Reasoned Opinion and a Formal Notice respectively, to provide information relating to implementation of the Directive on Rental and Lending Rights. The United Kingdom has been formally requested by the EC to ensure proper implementation of the Directive on Rental and Lending rights in its national law.

## LEGISLATION

### **Amendments to the international registration of industrial designs – Commission Regulation (EC) No 876/2007 amending Regulation (EC) No 2245/2002 (24 July 2007) and Commission Regulation (EC) No 877/2007 of 24 July 2007 amending Regulation (EC) No 2246/2002**

With these two Regulations, the European Commission gave effect to the accession of the European Community to the Geneva Act of the Hague Agreement (international registration of industrial designs). Accordingly, EU companies will be able to file a single application in order to obtain protection of a design not only across the European Union but also in those countries which are members of the Geneva Act.

### **The Trade Marks (Relative Grounds) Order 2007 – SI 2007 No. 1976**

The main element introduced by this order is “the registrar shall no longer refuse to register a trade mark on relative grounds unless the proprietor of the earlier trade mark or other earlier right objects on any such ground in opposition proceedings.” However, if the examiner believes there is an earlier UK mark, they will notify the proprietor of the earlier mark, thereby giving the owner of the earlier mark the chance to object. Owners of Community (as opposed to UK) trade marks must file a request to be notified with the UK Trade Mark office. The legislation detailing notifications is set out in the **Trade Marks (Amendment) Rules 2007** (SI 2007 No. 2076, which is a consequential rule to SI 2007 No. 1976, coming into force on 1 October 2007).

### **New gambling laws from 1 September 2007**

From 1 September 2007, British-based businesses that wish to operate in the gambling sector must have obtained a Gambling Commission licence. The Commission has also assumed the power to prosecute illegal gambling. In particular, a team of 50 compliance managers is now in place to ensure that the new rules are adhered to.

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