



HOT TOPICS

Preventing Parallel Trade in the European Union

Lelos and Others v GSK C-468/06 concerned a dispute between the Greek subsidiary of GlaxoSmithKline (GSK) and a number of Greek wholesalers. Greece is subject to price controls on pharmaceutical products that are significantly lower than other EU Member States, leading to parallel trade to other Member States. When supplies to hospitals became threatened, GSK stopped supplying wholesalers and instead supplied the hospitals directly. Once the situation had stabilised, GSK put in place a new sales policy to counter parallel trade by limiting the amount of sales to wholesalers to what it considered necessary to meet demand (plus some additional supplies). The European Court of Justice (ECJ) was asked whether this conduct constituted an abuse of a dominant market position contrary to EU competition law.

The ECJ ruled that a dominant company cannot stop supplies completely to prevent parallel exports for its own commercial reasons. The fact that there are different prices for drugs throughout the European Union (as a result of State intervention) was not considered to be a sufficient reason for the manufacturer to restrict supply in order to prevent parallel trade. However, the ECJ stated that a producer of pharmaceutical products must be in a position to protect its own commercial interests if it is confronted with orders that are “out of the ordinary in terms of quantity” or “out of all proportion” to volumes previously sold.

The case is being hailed by the European Commission as validating its position that dominant companies cannot prevent parallel trade. Certainly, the European Court of Justice has defended the importance of parallel trade for internal market. However, it is pharmaceutical companies who may take heart from a ruling that confirms they do not have to provide a limitless supply of products to parallel traders.

E-COMMERCE

Keyword Advertising—Keyword Suggestion Tools Referred to the ECJ

In the last few years, a growing number of companies have brought cases in Europe against internet search engines in

respect of their keyword advertising programs. The reaction of the various courts to these cases has, however, differed from one jurisdiction to another. Some courts have sided with the internet search engines, while others have upheld the trade mark owners’ complaints. The reasons for the decisions have also varied between different courts of the same Member State, as well as between jurisdictions.

Fortunately, the Cour de Cassation, France’s highest court, has recently provided the European Court of Justice (ECJ) with the opportunity to harmonise the European approach to the issue of whether or not European law supports trade mark owners seeking to prevent the unauthorised use of their marks in online advertising programs.

BACKGROUND

Keyword advertising programs, such as the Google’s Adwords program, are well-known systems whereby users can purchase particular terms, or “keywords”, to be used in their advertisements. Once a company has purchased keyword advertising, whenever third parties use the relevant search engine to conduct a search that includes those keywords, the company’s “sponsored link” will appear next to the search results.

Trade mark owners have taken exception to the fact that third parties may purchase their trade marks as keywords. They have also objected to keyword suggestion tools (KSTs) offered by the search engines. These are programs that recommend terms to be used as keywords by providing related statistics, such as the search performance of the terms (*i.e.*, popularity); the objection being that the KSTs may recommend trade marks for use as keywords.

There have been a number of cases against advertising programs offered by search engines heard by the French courts in the last few years and a number of those courts have not looked favourably upon these programs. Specifically, the Paris High Court, the Nanterre High Court and the Versailles Court of Appeal have all found that *inter alia* Google and Overture Services infringed third parties’ trade marks.

THE LOUIS VUITTON DISPUTE

The case that prompted the reference to the ECJ is *Louis Vuitton Malletier v Google*. It followed a complaint from Louis Vuitton in relation to the use of its trade marks LOUIS

VUITTON and LV by Google's AdWords program. Louis Vuitton's main complaint was that when its trade marks were used as search terms in a Google search, the results that appeared included links and advertisements for counterfeit Louis Vuitton products. Louis Vuitton sued Google for trade mark infringement under Article L 713-3 of the French Intellectual Property Code, unfair competition and unfair advertising practices.

Google argued that the sale of keywords was not use of a trade mark amounting to infringement as the trade marks were not used to designate a product or service, and, further, that Google was neither the author, nor co-author of the advertisements using the trade marks. Rather, Google argued, it was the owners of the websites that used the keywords in their advertisements who were liable and Google could not be held responsible for the actions of third parties. Likewise, in respect of unfair competition, Google argued it could not be held accountable for the advertisements of third parties as it was merely an intermediary offering a service whereby third parties chose the keywords they required.

LOWER COURTS

At first instance, the Paris High Court rejected Google's arguments and held that Google was liable for infringement of the Louis Vuitton trade marks on the basis that Google used the Louis Vuitton trade marks on numerous occasions and consequently received remuneration for such use, which directly promoted counterfeit products.

Moreover, the AdWords' KST suggested trade marks to be used as keywords. In particular, when the word "imitation" was typed into the KST, the keywords "imitation Louis Vuitton" were proposed. Similarly, when "Vuitton" was typed into the tool, it suggested "Louis Vuitton replicas Fake Louis Vuitton bags Replica Louis Vuitton handbags Imitation Louis Vuitton Louis Vuitton copies..." In so doing, Google was providing an advertising service that allowed keywords such as "imitation, replica, fake, copies..." to be associated with Louis Vuitton's registered trade marks, such that advertisements for counterfeit goods were placed alongside a link to the official Louis Vuitton website and genuine advertisements. Google thus allowed advertisers to create online advertisements using registered trade marks, regardless of whether the advertiser had any rights to the marks. In addition, although the advertisers chose the keywords and terms for their advertisement, Google played an active role in suggesting keywords, which included the Louis Vuitton trade marks. In these circumstances, the Court considered that Google was offering an advertising and marketing service for companies as opposed to being merely a research tool for individuals. The Court also held that these acts amounted to unfair competition and misleading advertising and ordered that Google pay €100,000 to Louis Vuitton for infringement of its trade marks, as well as €100,000 by way of damages for unfair competition and misleading advertising.

The Court also banned Google from using the marks LOUIS VUITTON, VUITTON and LV in the AdWords' KST and in any advertising, as well as in their keywords and metatags.

Google appealed the decision unsuccessfully to the Paris Court of Appeal (CA Paris, 4^{ème} chambre—Section A, 28 Juin 2006). The Court of Appeal confirmed that Google had infringed the Louis Vuitton trade marks by selling the keyword advertising. As a result, Google was ordered to pay a further €300,000 in damages and was barred from using Louis Vuitton's trade marks in its advertising on all of its websites accessible from France.

OTHER DISPUTES

In the other cases that have been brought against search engines and their keyword advertising programs in France, the French courts have followed largely the same reasoning as the Paris Courts in *Louis Vuitton*. They have held generally that the search engines are not entitled to allow registered trade marks to appear in their keyword advertising programs, including the KSTs.

There has not, however, been complete accord from the French courts. Indeed, in several other cases, both the Paris High Court and the Strasbourg High Court have found that the search engines were not in fact liable for trade mark infringement.

In *Kertel v Google et Cartophone*, the Claimant objected to the use of its trade mark KERTEL as a keyword by Cartophone, one of its competitors, in its advertising on Google. The mark was only registered for services in Classes 35 and 38—including telephone services, subscriptions to telecommunications services and pre or post-paid telephone services. For this reason, the Paris High Court held that the offering of keywords by Google to advertisers was not trade mark infringement as this use of the sign was not in relation to goods or services for which the mark KERTEL was registered. Rather, Google was using the mark in relation to the provision of advertising services that were not identical or similar to the goods and services for which the mark was registered. Similarly, Google was held not to be liable for unfair competition since it was not in the same market as Kertel. The Court did, however, find Google liable under tortious principles established by Article 1382 of the French Civil Code for allowing companies to use the trade marks of third parties as keywords, without applying any measures to determine whether any third party rights might be affected by this use and thus permitting an infringing activity.

Similar findings were made in the later cases of *Citadines v Google France* and *Laurent C v Google France*. In *Citadines*, the Paris High Court said that there was no infringing use of the mark by Google. Instead, the infringing act took place when a company chose one of the words proposed by the KST for use as a keyword in its advertisements, without the permission of

the trade mark owner. The Court did note that Google may incur civil liability if it does not provide means to allow companies to access the relevant information to verify their rights and those of third parties, or by failing to stop alleged infringements upon notification by the rights holders. However, the Court did not find Google liable on these grounds.

In *Laurent C*, the Paris High Court noted that the trade mark was registered for products and services in Classes 38, 41 and 42 including electronic meeting services, the transmission of classified ads and the creation (design, programming, production) of multimedia sites. However, Google was providing advertising services and not identical or similar services to those for which the trade mark was registered, and was therefore not infringing the mark.

REFERENCE TO THE ECJ

Google appealed the decision of the Paris Court of Appeal in *Louis Vuitton*, as well as in the cases of *Viaticum*, *Luteciel* and *Cnrrh*. Due to these pending appeals and in view of the diverging decisions being issued by the courts, the Cour de Cassation sought clarification from the ECJ.

The questions for the ECJ can be summarised as follows:

- Should Article 5(1)(a) and (b) of the Directive and Article 9(1)(a) and (b) of the Regulation be interpreted to mean that the offer by referencing services, which allow users to purchase keywords that reproduce or imitate a trade mark and arrange the creation and display of commercial links to websites which offer counterfeit products from those keywords, by service providers is use of the trade mark that the owner is entitled to prohibit?
- In the case of well-known marks, can the owner prevent such use under Article 5(2) of the Directive or 9(1)(c) of the Regulation?
- If such use cannot be prevented by the trade mark owner under the Directive or the Regulation, is the provider of sponsored links considered to be an information service provider that is merely hosting within the meaning of Article 14 of Directive 2000/31, such that it can only be held liable once it has been informed of the unlawful use of a trade mark by the owner?

COMMENT

The Cour de Cassation has correctly identified a number of issues that need to be clarified in respect of keyword advertising. In particular, the Court recognises that guidance is required in respect of what, if anything, amounts to use of a trade mark in keyword advertising and whether the goods or services for which the mark is registered are relevant in assessing use of the trade mark. The fundamental question is whether the use of a trade mark for keyword advertising may affect the essential function of a trade mark. Crucially, the

Cour de Cassation also invites the ECJ to rule in respect of well-known trade marks. The reference as to the effect of the E-Commerce Directive calls into question not only the scope of the liability safe harbours for “intermediary” service providers but also whether providers of KSTs may be required to act if put on notice of unlawful use of a mark, pre-supposing that the advertiser has infringed the mark even if the provider technically hasn’t.

Unfortunately, there is no guarantee that the ECJ will clarify its answers to the questions formally referred to this extent. However, it is hoped that the ECJ will recognise the need for more expansive guidance and deal with all the issues in respect of keyword advertising, which have now been raised in the various European courts. Whatever the final outcome, the ECJ’s decision will have huge implications across the internet for trade mark owners and providers of sponsored advertising programs alike.

PATENTS

Ironing out Inconsistencies Between UK and EPO Decisions

In *Merck & Co Inc v Actavis UK Ltd* [2008] EWCA Civ 444, the Court of Appeal has held that it is free (but not bound) to depart from the *ratio decidendi* (i.e., the decided point of law) of its own earlier decision if it is satisfied that the European Patent Office Boards of Appeal have formed a “settled view” of European patent law that is inconsistent with that earlier decision. Accordingly, Lord Justice Jacob allowed Merck’s appeal and dismissed a cross-appeal by Actavis, from a decision of Mr Justice Warren that Merck’s patent EP(UK) 0 724 444 (the Patent), concerning the treatment of androgenic alopecia, was invalid for lack of novelty.

BACKGROUND

Merck originally patented the compound Finasteride in 1978. This early patent disclosed the use of Finasteride in the treatment of benign prostate enlargement. Finasteride was sold in tablet form under the name Proscar with a daily recommended dosage of 5 mg. A later Merck patent, published in 1988, disclosed treatment of androgenic alopecia (a type of baldness occurring in men and women), with a dosage of “5 to 2000 mg preferably from 5 to 200 mg”.

Merck was subsequently granted the Patent by the European Patent Office (EPO) for the use of Finasteride in “the preparation of a medicament for oral administration useful for the treatment of androgenic alopecia at a daily dosage of about 0.05 to 1mg”. The Patent has a 1993 priority date.

At first instance, Warren J held that the Patent lacked novelty pursuant to Article 54 of the European Patent Convention, enacted as Section 2 of the UK Patents Act 1977 and, moreover, that the patent was in fact a claim for a method of

medical treatment and as such was not patentable. The judge, however, did not find that the Merck Patent was obvious under Article 56 EPC.

Merck appealed against the findings as to novelty and being non-patentable for being a method of medical treatment and Actavis cross-appealed as to the question of obviousness. Actavis argued: i) that novelty could not be conferred on a claim by specifying a particular dosage, even if that dosage was not originally proposed in the prior art; and ii) that even if a dosage can confer novelty on a claim, applying the Court of Appeal's holding in *Bristol-Myers Squibb v Baker Norton* [2001] RPC 1 (commonly referred to as "the BMS case" or "the taxol" case) a dosage regime specified in a Swiss-type claim is in substance a method of treatment and as such is not patentable. With respect to obviousness, Actavis argued that it was obvious to investigate suitable doses, in particular to find an effective dose that is as small as possible, following Merck's disclosure in 1988 that androgenic alopecia may be treated with Finasteride.

SWISS-TYPE CLAIMS

Consider a chemical compound that is known generally (*e.g.*, aspirin), and has a known medical use (*e.g.*, treating headaches). If the aspirin is subsequently found to have a further medical use (such as preventing blood clots) the inventor will obviously want to protect this new use of a known compound. The problem in protecting this new use is that the chemical compound is of course known and therefore lacks novelty under Article 54 EPC, as does the general concept of a medical formulation, including this compound. Only the method of treatment is new. However, methods for treatment of the human body by therapy are not patentable under European law (Article 53(c) EPC). The EPO solved this predicament by allowing claims to protect the "use of substance X in the manufacture of a medicament for the treatment of condition Y". This fulfilled the letter of the law (it claimed the manufacture, not the medical treatment), and also satisfied the pharmaceutical industry's need for protection of such new medical uses and has resulted in many patents for new treatments over the years.

THE DECISION

Jacob LJ, giving the judgment of the Court, said that Swiss-type claims, whose novelty depended on a new treatment by a different dosage regime or method of administration, were treated as novel by the EPO. In particular, the decision of an EPO Board of Appeal in *Method of administration of IGF-I* T/1020/03 (*IGF-I*) [2006] EPOR 9 appeared to be absolutely determinative of the issue as to novelty. *IGF-I* essentially decided that a new dosage regime conferred novelty on a Swiss-type claim and is treated by the EPO as established law. Furthermore, it was noted that Germany and New Zealand have followed this EPO jurisprudence and as a standard rule domestic courts would normally follow such settled

jurisprudence. However, Actavis contended that the EPO cannot be followed because the BMS case stands in the way.

According to Jacob LJ there were two principal reasons why the Court would be guided by *IGF-I* and would not follow the BMS case. Firstly, in the BMS case there was no clear *ratio* to preclude patentability in the present case. Upon closer examination of the three separate judgments cited within the BMS case, it was clear that the BMS case did not decide that a novel non-obvious dosage regime specified in a Swiss-type claim could not make it novel, or that such a claim was a method of medical treatment. In other words, it was not decided by way of clear *ratio* that a Swiss-type claim lacked novelty if the only difference between it and the prior art was a new dosage regime for a known medical condition. The lower court held that the claim lacked novelty and was for a method of treatment relying on the BMS case; but, as to novelty, Jacob LJ held that the judge was wrong and, as to method of treatment, the BMS case was in any event clearly distinguishable, so that even if the BMS case were held to be correct it could not be extended to cover every case where novelty depended on a specified dosage regime. The fact was that there was no clear *ratio* in the BMS case and, accordingly, the Court would follow *IGF-I*, thus permitting the Merck Patent to remain intact.

The second reason not to follow the BMS case was really an exception to *stare decisis*. It was submitted that even if the reasoning for the first point was wrong and there had been clear *ratio* in the BMS case, in the special case of questions of law about patentability the Court of Appeal should follow clear EPO authority, even if such EPO authority was contrary to the *ratio* in a previous Court of Appeal decision.

The Court considered in detail *Great Western Railway v Mostyn (Owners)* [1928] AC 57, *Young v Bristol Aeroplane Company* [1944] KB 718, *Midland Silicones Ltd v Scruttons Ltd* [1962] AC 446 and most importantly the House of Lords decision in *Kay v Lambeth London Borough Council* [2006] 2 AC 465.

The House of Lords in *Kay* held that where there was a conflict between a decision of the Court of Appeal deciding a point under the European Convention on Human Rights and a later decision of the Strasbourg court, the matter should be dealt with only by an appeal to the House of Lords and not by the Court of Appeal departing from its previous decision. However, Jacob LJ distinguished the House of Lords decision in *Kay* on the basis that it was not analogous to the appeal regarding the Merck Patent and applying case law of the EPO. Decisions regarding patent law were by their very nature specialist and technically complex, were typically decided by only a few specialist judges at first instance (and to some extent in the Court of Appeal) and only come before the House of

Lords very infrequently. In contrast, decisions about the Human Rights Convention were likely to be numerous and arose in many types of courts and did not require specialist expertise. Such decisions were apt to be about less precise or technical legal questions than those decisions typically made in patent law, with the result that there was much more room for argument as to whether a subsequent Strasbourg decision was actually in conflict with an earlier decision of the Court of Appeal. Accordingly, *Kay* did not apply here.

Further, the rule in *Young v Bristol Aeroplane* was a rule imposed by the Court of Appeal on itself and it was for that Court, exercising its powers in favour of legal certainty, to rule on whether there could and should be further exceptions to the rule. In brief, Lord Greene held in *Young* that the Court of Appeal is entitled and bound to decide which of two conflicting decisions of its own it will follow. The Court is bound to refuse to follow a decision of its own which, though not expressly overruled, cannot, in its opinion, stand with a decision of the House of Lords. The Court is also not bound to follow a decision of its own if it is satisfied that the decision was given *per incuriam*. The Court was thus free to hold that a specialist and very limited exception to the rule in *Young* applied, namely that the Court of Appeal was free but not bound to depart from the *ratio decidendi* of its own earlier decision if it was satisfied that the EPO Boards of Appeal had formed a settled view of European patent law that was inconsistent with that earlier decision. In the case of Merck, the Court would thus follow *IGF-I*, holding that a new dosage regime was enough to confer novelty on a Swiss-type claim. Accordingly, as Warren J was right to conclude that the invention was not obvious, the cross-appeal would be dismissed, the appeal would be allowed and the judge's findings as to novelty and method of treatment reversed.

COMMENT

Hopefully the result will be that UK case law will now be more in line with that of "settled" EPO jurisprudence—although the question of when EPO case law is "settled" may be open to debate.

This particular decision may be untimely as there is a possibility that EPO case law on this point may in fact be changing. Jacob LJ's decision was delayed pending a decision from the Technical Board of Appeal of the EPO in *Kos Life Sciences Inc* T/1319/04 which had referred certain relevant questions to the Enlarged Board of Appeal at the EPO. *Kos* was an appeal from the Examining Division, which had refused to grant a patent for a Swiss-type claim where it was accepted that the only potential novelty lay in the feature that the treatment required "oral administration once per day prior to sleep". The Technical Board concluded that the legal question of whether "a use which differs from uses already part of the state of the art only in the dosage regime for the substance to be administered to treat a particular medical condition can be

considered as a new specific use under Article 54(5)" was an important point of law on which an authoritative interpretation was needed. The Court of Appeal invited the parties to make written submissions in relation to this decision.

In the end, the Court of Appeal was not persuaded that this reference to the Enlarged Board indicated that the position as regards novelty of new dosage regimes was not "settled in the EPO", nor that they should give a preliminary judgment and stay further proceedings pending the decision of the Enlarged Board. In their view, the real point of the reference was to get an early confirmation that EPC 2000 makes no difference to the law established in *IGF-I*. Hence, the Court of Appeal stated that it considered it unlikely that the *IGF-I* decision will be departed from. However, to allow for the "remote possibility" that it might affect this case, the time for appeal to the House of Lords was extended until after the Enlarged Board of Appeal has given its decision.

This decision will no doubt be welcomed by the pharmaceutical industry. However, any optimism should be tempered by the Court of Appeal's note of caution about the tendency to obviousness of such claims because it is "standard practice" to investigate appropriate dosage regimes. The present case was an unusual exception where "treatment for the condition with the substance had ceased to be worth investigating with any dosage regime".

Exhaustion Doctrine is Very Exhausting in the United States

It has taken a long time, but the U.S. Supreme Court has finally ruled in the patent royalties case between LG Electronics and a number of computer manufacturers regarding exhaustion of patent rights in the United States. This is believed to be the first decision by the Supreme Court on the exhaustion doctrine, also known as the first sale doctrine, regarding patents in more than 65 years. Justice Clarence Thomas noted that "because the exhaustion doctrine applies to method patents and because the license authorises the sale of components that substantially embody the patents in suit, the sale exhausted all patents". This essentially hammered down any of LG's lingering hopes to extract additional royalties from Quanta (or anyone else tangled up in a similar situation).

Simply put, the Court ruled that LG could not solicit more royalties from companies buying LG-provided Intel products when Intel had already paid patent royalties to LG. The Supreme Court ultimately handed down a decision that may in fact raise more questions than were actually decided by the Court.

BACKGROUND

This case principally concerned the royalties charged by LG for three of their patents and whether the rights in those patents had in fact been exhausted by LG when it licensed a third party to

manufacture some of the components claimed in methods and apparatuses of the patents. Briefly however, the case involved three patents owned by LG on inventions relating to the storage and manipulation of data on computers. The first patent claimed a method of data storage in both the main computer memory and the cache memory that allows faster access to the data to solve the problem that arises when copies of the same data in the two memories are inconsistent due to a change having been made in one memory but not in the other. For the computer-illiterate this is seemingly a very big problem. The invention in this first patent corrected these inconsistencies by constantly monitoring data requests as they are received and updating the main memory from the cache.

The second patent solved the problem that arises when the different rates at which a computer executes requests to read from and write to the main memory. The inventive concept in this patent was to organise the requests to ensure that no read request is executed until any outstanding write request for the same data has been executed first—the computer equivalent of not putting the cart before the horse.

The third patent directed the data traffic on a bus connecting computer components when the bus is shared by heavy and light use components, by using a rotating priority system that balances the needs of the different components. In sum, the inventions in these patents essentially involved important interactions between the main memory, microprocessors containing the cache memory, chips and buses.

The patent owner, LG Electronics, granted Intel a licence to manufacture and sell the specialised microprocessors and chips that performed the functions critical to the inventions (Intel Products). The license agreement authorised Intel to “make, use, sell (directly or indirectly), offer to sell, import or otherwise dispose of” its own products practising the LG patents.

In a separate agreement, Intel was required to notify its customers that Intel’s licence did not extend to a product made by combining an Intel Product with a non-Intel product. It also provided that a breach of the agreement would not affect and shall not be a grounds for termination of the licence agreement. However, owing to the cost differential of using only approved Intel components compared to purchasing generic parts, the Defendant manufacturers obtained some parts elsewhere and thus, in manufacturing computers, used Intel parts in combination with non-Intel parts.

PROCEEDINGS

Claiming that this combination infringed its patents, LG decided to take on all these computer manufacturers with Quanta Computers being the named first party in the action. Over the course of many, many years, the case finally landed on the bench of the U.S. Supreme Court. The central issue

before the Supreme Court was whether patent exhaustion had occurred when LG licensed the patents to Intel and therefore whether the downstream computer manufacturers, such as Quanta, were not liable for patent infringement or required to pay royalties to sell their completed computers in respect of which they had already paid for the microprocessors and chips.

The U.S. doctrine of patent exhaustion is not dissimilar to other jurisdictions’ concept of exhaustion. It provides that, under typical circumstances, an “authorised sale” of a patented product *exhausts* the patent monopoly as to that product. At issue in *Quanta* was whether a patent holder may reserve patent rights by making a “conditional sale” of the patented device, thereby limiting the manner in which a patented component may be used without potential liability for patent infringement. Confirming a line of cases beginning in the mid-1800s (addressing merchandise such as coffin lids, beds, and eyeglass lenses), the Supreme Court held that “conditional sales” *may not* be used to create post-sale restrictions (author’s emphasis throughout).

COMPLICATING FACTORS

While the exhaustion doctrine is well established, there were two complicating factors that made this case interesting to the Supreme Court. First, the invention as claimed involved all four components (*i.e.*, the memory, the microprocessors, the chips and the buses) and NOT just the microprocessors and chips manufactured and sold by Intel. Second, and arguably most importantly, the claims in the LG patents were method claims, which simply recited the functions of a computer and thus there was no purchase by Quanta *et al* of a patented product from a patent owner or through the patent owner’s licensee (*i.e.*, Intel).

COURT’S DECISION

Delivering a unanimous decision, Justice Thomas observed that full identity between the product sold and the patented invention was not a prerequisite for patent exhaustion. Instead, the product need only “embody” the patent, *i.e.*, if the only reasonable and intended use of the product was to be converted into a final product that falls within the claims, the exhaustion doctrine can still be applied. Applying this to the LG patents, Justice Thomas found that the memory and the bus added by Quanta *et al* were strictly standard parts and connecting these parts to the microprocessors and chips was likewise standard. As regards the method claims, Justice Thomas held that a method can indeed be embodied in a product especially if “it will be difficult to distinguish the process from the function of the apparatus”. The Court has repeatedly found method patents exhausted by the sale of an item embodying the method claimed in a patent. The Supreme Court further observed that if the method claims were categorically exempt from patent exhaustion, anyone could easily include a method claim in an apparatus patent to recite the method in which the apparatus functioned. This would allow the patent owner to shield practically any patented item from exhaustion. This would

obviously circumvent the exhaustion doctrine that was pivotal to the accepted wisdom of having a “balanced patent monopoly”. Justice Thomas therefore concluded that LG’s licence to Intel had invoked patent exhaustion and therefore left LG no remedy against Quanta or against any other downstream computer manufacturers.

COMMENT

The Supreme Court’s decision in this case provides some measure of protection to a purchaser who intends to make a mundane or predictable use of a product that embodies protected/proprietary technology. However, the Court’s decision provides far less protection where the seller of the product is not the patent owner, but a licensee.

The Court’s decision suggests that the sale of a product must be authorised by the patent owner, not just the licensee, in order to exhaust the patent with respect to the product sold. Unfortunately, the Court declined to decide this issue since it found that LG had authorised the sale of proprietary components through Intel. Consequently and quite importantly, it remains unclear whether a patent can be exhausted by a sale that violates a licence agreement between the seller and the patent owner. In light of this uncertainty, accepted wisdom would be for purchasers to obtain a warranty from the seller that their purchase of the product will not violate the terms of any agreement between the seller and a patent owner and/or to insist that the seller indemnify it against patent infringement suits. On the other hand, patent owners wishing to charge royalties directly from downstream purchasers using their patented products in “predictable ways” should consider drafting licence agreements restricting the sale of products only to such downstream users.

Liability for patent infringement is not, of course, the only legal bear trap facing purchasers of patented products and/or methodology. The Court’s decision in *Quanta* does not limit a patent owner’s ability to impose restrictions on a purchaser through contract. For example, a sales agreement may require a purchaser to pay additional royalties if the purchaser uses an unpatented product in a way that would otherwise infringe the patent of the seller or its licensor. Such arrangements are increasingly seen in many high-tech component manufacturing agreements.

Nevertheless, purchasers might find having contractual restrictions more palatable and cost-effective than having to watch over their shoulders for a possible infringement suit. As a rule, the purchaser will be aware of any contractual restrictions before it purchases the patented parts as liability for patent infringement can be notoriously unpredictable and devastating to a business. The *Quanta Computer* decision has been hailed by certain quarters as providing a small measure of additional certainty to purchasers of proprietary technology.

The Supreme Court did, however, approve of what are termed in the U.S. “conditional manufacturing licenses”. The use of a conditional manufacturing licence may require that the patentee manufacturer restructure its business or subcontract certain aspects of its operations to a third party manufacturer. Customers of patented articles are being urged to also consider whether the *Quanta* decision has relieved them of post-sale restrictions or multi-tiered royalty obligations. Restrictions might include “single use only” or “private use only”. If imposed through use of a “conditional sale,” those limitations may no longer be enforceable.

Although *Quanta* effectively expanded the application of patent exhaustion in the United States, the case unfortunately failed to address the even more important issue, especially for multi-national companies, of international exhaustion. Under the U.S. Federal Circuit’s decision in *Jazz Photo Corp v International Trade Commission* 264 F.3d 1094, 1098 (Fed. Cir. 2001), foreign sales (which did not involve an unconditional licence under a U.S. patent) will not necessarily exhaust a U.S. patent. This raises the interesting scenario of what would have happened if Intel had sold the disputed microprocessors to Quanta outside of the United States. LG could have argued that the sales were not made under the “authority” of the U.S. patents, therefore avoiding any loss under the “first sale doctrine”. Consequently, those manufacturers holding patents and companies purchasing component parts are strongly urged to consider whether the jurisdiction of sale and the circumstances behind the sale may in fact avoid exhaustion of the relevant U.S. patent rights.

While the *Quanta* decision is certainly relevant to any company licensing or exercising patent rights, it is of marked importance to manufacturers, particularly those manufacturers holding patent rights to the device or to components they manufacture. The case is likely also to impact on biotechnology companies, especially those involved in developing diagnostics or research tools. Companies in these areas rely heavily on or use licensing agreements as an integral part of their daily commercial practice and these agreements quite often contain various use restrictions regarding a patented product or method, or these agreements may employ multi-tiered licensing programs. Many of the products produced by these companies are involved in downstream products—a set of diagnostic tools collected into a kit, such as DNA or HIV assay kits, for example—and sold then by a middle operator to yet another company.

TRADE MARKS

Can a Shopping Centre Register a Trade Mark for Retail Services?

Registration of trade marks in relation to “retail services” has been possible in the United Kingdom for some time, but a recent English High Court decision by Mr Justice Floyd in *Land Securities plc v Registrar of Trade Marks* [2008] EWHC 1744 (Pat) overruling a Registry decision has finally extended registration of those services by shopping centres, acknowledges that shopping centres are now recognisable brands in their own right.

BACKGROUND

The case involved appeals from the Registrar of Trade Marks by three shopping centres. Land Securities had applied to register two trade marks for a range of goods and services in Class 35: Capital Shopping Centres also applied to register two marks for similar range of goods and services in Class 35. Hammerson likewise applied to register the word mark EDEN QUARTER in Class 35.

These shopping centres were initially refused registration at the UK Trade Marks Registry on the basis that services offered by shopping centres, using the description so often used by retail establishments, such as “the bringing together for the benefit of others, of a variety of retail outlets, entertainment, restaurant and other services, enabling customers to conveniently view and purchase goods and services and make use of such facilities in a shopping centre or mall, *etc.*” in the Registrar’s view were not “services” within the meaning of existing UK and EU trade mark law. The three shopping centres’ cases were heard together in order to determine the question of whether the operator of a shopping centre could register a trade mark for retail services.

The Applicants’ position was that shopping centres provide separate and distinguishable services such as “selecting an attractive location with good transport links; providing a well-designed building or group of buildings, with a suitable layout; selecting and attracting a suitable mix of retail outlets; providing facilities such as car parks, toilets and crèches”, *etc.* In support of the applications, evidence was furnished that shopping centres made extensive use of branding, undertaking advertising, publishing magazines and issuing loyalty cards. The Applicants also argued that modern day consumers had a choice as to which shopping centre they wished to shop at and ultimately where they would spend their money. As a result, such consumers were capable of distinguishing between shopping centres by use of a shopping centre’s brand.

The Registrar, unmoved, simply dismissed the evidence because in the Registry’s view the services specified in the applications were not services within the meaning of the Trade Marks Directive (89/104/EEC) and the specifications of the services lacked the requisite degree of clarity.

COURT’S DECISION

Section 1(1) of the Trade Marks Act 1994 defines a trade mark as “any sign capable of being represented graphically which is

capable of distinguishing goods or services of one undertaking from those of other undertaking.” However, neither the Directive nor the 1994 Act contains a specific definition of “services”. Floyd J nonetheless agreed with the Registrar that “services” within the Directive and Act must be of the kind “normally provided for remuneration”, applying *Praktiker Bau C-418/02* [2005] ECR I-5873. He did not, however, agree with the Registry’s construction of the term “remuneration”.

According to Floyd J, the type of “transaction” that a shopping centre operator (SCO) encourages by use of its mark is not so much the conclusion of any individual transaction with one retailer in its stores as opposed to another, but the conclusion of transactions as a whole within its shopping centre as opposed to that of rival shopping centres. In order to encourage that transaction, the SCO does all it can to make the shopping centre as a whole an attractive place for the consumer to come and spend money. By such actions, the SCO generates goodwill associated with the name or mark under which the shopping centre trades. Therefore, SCOs were providing services and as a consequence their respective trade marks were fulfilling their essential function by distinguishing the services of one undertaking from those of another and guaranteeing the origin of services to which the mark is applied.

Floyd J effectively overruled the Registrar’s narrow view on the meaning of services “normally provided for remuneration” for which trade mark registration can be allowed. Relying on the ECJ’s finding in *Praktiker*, the judge stated that “although not separately invoiced [the shopping centre services] may nevertheless be deemed to be provided for remuneration because they are supplied in order to promote the sale of certain goods and not on a purely disinterested basis...” The services provided by SCOs, such as a nicely presented shopping environment, background music, information services, loyalty schemes, car parking, *etc.* were acknowledged to be commercial in nature even if not necessarily directly remunerated by the public or the retailers.

A point of wider application to come out of this case is the likely expansion of what will be deemed as registrable services. Whilst Floyd J held that services “normally provided for remuneration” would be registrable, it also appears that “remuneration” can be indirect. Any “activities of a commercial character” could now potentially be registrable as long as they are not provided in a purely disinterested way and they are sufficiently well defined both in the trade mark specification and in the reality of the applicant’s business enterprise.

The wording of the trade mark specifications was held by Floyd J to be sufficiently clear provided the “other services”, “such facilities”, and the “goods and services” were clarified as to the classes of goods and services involved. These objections did not go to the core of the application in Floyd J’s opinion

and could in principle be remedied. The application was thus remitted for the specification to be limited as Floyd J ordered.

COMMENT

For years, major retail developments have relied on various unregistered rights such as copyright in a logo or passing off to protect the brand images in their enterprises. Passing off is notoriously difficult to prove and copyright will only really prohibit outright copying of the logo for a development. The holy grail of course for any business, especially one that potentially attracts millions of visitors every year and can be worth several hundred million pounds is to protect registered rights through a trade mark. What *Land Securities* confirms is that the use of a trade mark in relation to the service of encouraging shoppers to spend money in that centre, rather than another, is a registrable service. The case also makes it very clear that the chosen services described in the trade mark specification must be sufficiently *and* specifically identified in order for the trade mark to proceed to registration (author's emphasis).

Some shopping centres had already achieved registrations for their logos and brand names in respect of the services they offer. One such example is a registration for "management and promotion of shopping units and retail outlets and management of commercial property and real estate, and the letting, leasing and rental of shopping units, shops, shopping centres and retail parks", which covers most "services" that any management company operating shopping centres might provide. Now "shopping centre services" and potentially any "activities of a commercial character" may be registrable.

Fir trees and air fresheners

In *P L&D SA v OHIM C-488/06*, the European Court of Justice (ECJ) refused to reverse a Court of First Instance (CFI) decision upholding an opposition to the registration of a composite mark featuring a fir tree shape for air fresheners based on a number of fir tree marks dating in some cases back to the 1950s. In so doing, the ECJ has rejected the contention that the word element of a complex mark is systematically dominant in the overall impression given by that mark.

BACKGROUND

In April 1996, L&D applied to register as a Community trade mark the figurative mark containing the word element AIRE LIMPIO, reproduced below, for goods in Classes 3 (perfumery, essential oils), 5 (scented air fresheners) and 35 (advertising, commercial business handling, commercial administration, office works).



Julius Sämann Ltd opposed the registration under Articles 8(1)(b) and (5) of the Community Trade Mark Regulation

(40/94/EC) on the basis of a number of earlier trade marks. These included a Community figurative mark (No 91 991), reproduced below, registered for goods in Class 5.



They also included 17 other national and international figurative marks, all with a similar outline and all but one different in having a white base and/or some wording on the body of the tree. Amongst these were two international figurative marks, the first of which included the word element CAR-FRESHENER and the second, ARBRE MAGIQUE. These two marks, depicted below, were registered in August 1954 and November 1966 respectively for goods in Classes 3 and 5 and protected, in particular, in Italy.



OHIM's Opposition Division rejected the opposition in its entirety. It considered essentially that the shape of a fir tree, as the element shared by the two marks, was descriptive with regard to deodorising or air freshener goods and, therefore, was not very distinctive. The significant graphic and verbal differences between the two marks, in OHIM's view, thus outweighed the weak distinctive similarities, creating an overall impression that was sufficiently different to rule out any likelihood of confusion or association. The Opposition Division based its analysis on mark No 91 991 and, having reached its conclusion, considered it was not necessary to examine the other earlier marks relied on by Sämann since those marks displayed even greater differences in relation to the AIRE LIMPIO mark.

OHIM's Second Board of Appeal allowed in part the appeal brought by Sämann against that decision. In accepting the ground of appeal alleging infringement of Article 8(1)(b), the Board allowed the opposition in part and refused to register the AIRE LIMPIO mark for goods in Classes 3 and 5. In contrast, in relation to services in Class 35, the Board confirmed the Opposition Division's decision and rejected the opposition. In assessing whether there was a likelihood of confusion under Article 8(1)(b), the Board for the "same reasons of economy" as those given by the Opposition Division, focused its comparison on the AIRE LIMPIO mark and on mark No 91 991 "as a mark representative" of the earlier marks relied on. In its assessment, however, it reached the opposite conclusion to that of the Opposition Division.

Thus, the Board held that the prolonged use and well known nature in Italy of the "earlier mark" gave it a particularly distinctive character and that there was, having regard to that distinctiveness and the conceptual similarity between the two marks, a likelihood of confusion, at least on the part of the

Italian public. In reaching that conclusion, the Board relied first on data relating to Sämann's advertising and sales of car air fresheners and second on the fact that the CAR-FRESHENER mark had been protected since 1954.

COURT OF FIRST INSTANCE

L&D applied to the CFI to annul the Board's decision. Rejecting the application, the CFI held that the Board had been fully entitled to hold that mark No 91 991 constituted part of the ARBRE MAGIQUE mark. Accordingly, the first mark could have acquired a distinctive character following its use as part of the second mark. Additionally, the Court considered that the graphic element in the AIRE LIMPIO mark had a clearly dominant character in the overall impression given by the sign and notably prevailed over the word element. Thus the graphic representation corresponding to a fir tree appeared, visually, as the dominant element in the overall impression given by the mark applied for. Conceptually, the signs in question were both associated with the silhouette of a fir tree. In view of the impression given and the fact that the expression "Aire Limpio" had no particular meaning for the Italian public, the Court considered the marks conceptually similar.

As regards likelihood of confusion, the Court considered that the average consumer, which comprised the relevant public, would have a tendency to trust mainly the image of the mark applied to those goods, *i.e.*, the silhouette of a fir tree. Consequently, in view of: i) the similarity of the goods in question and the visual and conceptual similarity of the marks in question; and ii) the fact that the earlier mark had a particularly distinctive character in Italy, the Court considered that the Board did not err in finding that there was a likelihood of confusion.

The CFI also rejected L&D's argument to the effect that the earlier mark had a weak distinctive character owing to the fact that the silhouette of the fir tree was descriptive of the goods in question, stating that the earlier mark was not the mere representation of a fir tree but was stylised and had other particular characteristics and in addition, it had acquired a particularly distinctive character. The Court also rejected as irrelevant UK-IPO guidelines, which L&D claimed confirmed the descriptive character of the silhouette of a fir tree for the relevant goods. In this respect, the CFI stressed the autonomous nature of the Community trade mark regime.

EUROPEAN COURT OF JUSTICE

L&D appealed to the ECJ. Its first contention was that the CFI had been wrong to infer the particularly distinctive character of mark No 91 991 exclusively from data relating to the ARBRE MAGIQUE mark. In this respect, L&D sought to challenge the CFI's judgment that mark No 91 991 constituted part of the ARBRE MAGIQUE mark, since the representation of the silhouette of the fir tree played a significant or even dominant role in the ARBRE MAGIQUE mark and corresponded to the sign of the mark No 91 991. The ECJ, however, refused to

interfere with that assessment since it was one of a factual nature and the appeal lay on points of law only. Nonetheless, contrary to what L&D contended, case law did not in any way show that, in the case of mixed trade marks comprising both graphic and word elements, the word elements must systematically be regarded as dominant.

The ECJ also rejected L&D's criticism of the CFI for rejecting its argument to the effect that mark No 91 991 had a weak distinctive character owing to the fact that the silhouette of the fir tree was descriptive of the goods in question. Again UK-IPO guidance cited by L&D was dismissed as irrelevant.

The ECJ also rejected L&D's complaints against the way in which the CFI had rejected its arguments seeking to show that mark No 91 991 had, at the most, only a very weak distinctive character owing to the fact that first, it was made up only of the shape of the product that was marketed under the mark and second, the shape of the earlier mark, namely the silhouette of a fir tree, was necessary to obtain the technical result sought by the product.

In this respect, L&D submitted that the CFI erred in rejecting those arguments without examining them and holding that "the [Appellant] cannot, in any event, in opposition proceedings, rely on an absolute ground for refusal precluding valid registration of a sign by a national office or by OHIM". The ECJ made the simple point that an earlier mark can have a particularly distinctive character not only *per se*, but also because of the reputation it enjoys with the public. It was on this basis that the CFI determined that mark No 91 991 had acquired a particular distinctive character in Italy because of its well known nature in that Member State, which stemmed in particular from its prolonged use as part of the ARBRE MAGIQUE mark.

As such, even if well founded, L&D's contentions based on shape and technical result could not cast doubt on the CFI's finding that the mark had acquired a particularly distinctive character in Italy.

Nor could the CFI be criticised for having accepted that the Board was entitled to find that the ARBRE MAGIQUE mark had a particularly distinctive character, as did therefore mark No 91 991, on the basis of the evidence. First, the CFI did not err in law in holding that the Board was able to rely on data concerning a period subsequent to the application for registration of the AIRE LIMPIO mark. ECJ case law showed that account may be taken of evidence which, although subsequent to the date of filing of the application, enabled the drawing of conclusions on the situation as it was on that date (see *P Alcon v OHIM* C-192/03 [2004] ECR I-8993). In this regard, the CFI had specifically explained that, in particular, a market share of 50 per cent in 1997 and 1998 could have been acquired only progressively, which suggested that the situation

was not appreciably different in 1996 (when L&D filed its application to register the AIRE LIMPIO mark).

Additionally, the ECJ considered it necessary to dismiss L&D's contentions against the basis upon which the CFI had rejected L&D's argument seeking to show that the Board was wrong to find that the earlier mark had a particularly distinctive character in Italy by relying solely on general indications regarding the sales figures and volume of advertising. The ECJ found that, in fact (as the CFI correctly found) the Board, in order to establish whether the ARBRE MAGIQUE mark was well known, took into account not only indications concerning the sales figures and volume of advertising, but also the prolonged use of that mark. That finding in itself justified the conclusion reached by the CFI.

The ECJ also rejected L&D's challenge to the CFI's analysis of the similarities between mark No 91 991 and the AIRE LIMPIO mark. According to L&D, the CFI had been wrong in holding that the graphic element of the AIRE LIMPIO mark had a clearly dominant character in the overall impression that noticeably prevailed over the word element. Not only was this an assessment of the facts which, unless L&D claimed those facts were distorted, could not be reviewed by the ECJ, but contrary to L&D's contention, there was no rule to the effect that the name used in a trade mark must be regarded as distinctive and fanciful where it is devoid of any specific meaning. Moreover, as the ECJ had already stated, there was no case law showing that the word element of a complex mark is systematically dominant in the overall impression given by that mark.

COMMENT

This judgment is notable for several reasons. It is an ECJ decision that warns against any assumption that word elements are dominant in composite marks. It demonstrates a willingness on the part of the CFI and ECJ to take into account, when assessing the acquired distinctiveness of a mark, evidence of market share after the relevant date on the basis that this can still be indicative of market share and therefore acquired distinctiveness as at the relevant date since market share tends to be "acquired only progressively."

DOMAIN NAMES

Gripe Sites and Legitimate Interest

Grievances arising from overzealous criticism on so-called gripe sites dedicated to criticising businesses and individuals are not necessarily resolved by recourse to the Uniform Dispute Resolution Policy (UDRP) complaints procedure. Nevertheless, whilst determining the lawfulness of actual statements made on criticism websites is beyond the ambit of the UDRP, such is the inconsistency of Panel rulings in this area that the possibility of blocking a criticism site from

operating under a domain name that contains the trade mark or name of the target of the criticism should never be ruled out. This is true even if the domain name also contains a distinguishing element like "watch" or "sucks". These issues were recently considered in *MLP Finanzdienstleistungen AG v WhoisGuard Protected*, WIPO Case No D2008-0987.

BACKGROUND

The Complainant, MLP, was a supplier of financial services to academics and "other discerning clients" in Europe, particularly Germany. It held international trade mark and Community trade mark registrations for the mark MLP. The disputed domain name, mlpwatchblog.com, resolved to a website that was highly critical of MLP and its officers and representatives. Exactly who registered the domain name was not known because the respondent's whois information had been anonymised using the service provided by Whoisguard.com. A request for registrar verification in connection with the domain name revealed that the domain name had been placed on "lock" pending resolution of the dispute and that WhoisGuard Protected appeared in the records as the registrant. Accordingly, WhoisGuard Protected was substituted as Respondent.

DECISION

Whilst MLP succeeded in persuading the UDRP Panellist that the domain name was confusingly similar to their trade marks, they failed to convince him that WhoisGuard held no rights or legitimate interests in the domain name. Although it was not necessary to address the issue of bad faith, the Panellist also considered that the domain name had not been registered and was not being used in bad faith.

IDENTICAL OR CONFUSINGLY SIMILAR

MLP contended that the addition of a descriptive term such as "watchblog" to a trade mark used in a domain name could never be anything other than confusingly similar to the trade mark. WhoisGuard contended that the term "watchblog" was well known to signify a criticism or gripe site like the so-called "sucks" domain names. There was some argument over whether the German public would understand such a term and in this respect WhoisGuard identified a significant number of popular "watch" or gripe sites targeted at the German public, including 11 based on "watchblog" such as "www.googlewatchblog.de".

The Panellist conceded that the question whether such a domain name is confusingly similar to trade mark rights has provoked a degree of controversy among WIPO panels.

Having regard to the prevalence of "watch" or gripe sites identified by WhoisGuard, the Panellist conceded that there could be considerable sympathy for WhoisGuard's contention that there would be no confusion as to source from the domain name at least amongst those, whether German, American or otherwise, who were regular or frequent browsers of the web.

This particular Panellist did not, however, consider that this was a complete answer. In his view, it did not take into account the potential for confusion amongst those who might be less familiar with the internet. Additionally, it assumed that the only relevant confusion was confusion as to source. In this respect, the Panellist referred to the concern, that such domain names can be used for the same abusive or extortionate purposes the UDRP was designed and intended to stop, specifically the adoption of a domain name precisely because of the association that will be made with the trade mark.

Thus the comparison at this stage was between the proved trade mark rights and the domain name, not how the domain name was being used. Nonetheless, it was necessary to take into account the potential uses of the domain name. On that basis it could be argued that it was the making of the association between the domain name and the trade mark that was sufficient to supply the confusing similarity.

In this case, the disputed domain name consisted of the trade mark MLP and the term “watchblog”. The Panellist considered that whilst many people would no doubt recognise that term as signalling a “watch” or gripe site, it could also plausibly identify a website operated by the trade mark owner. In such circumstances, the Panellist was satisfied that the domain name was confusingly similar to MLP’s trade mark rights.

RIGHTS OR LEGITIMATE INTERESTS

The Panellist was not, however, satisfied that MLP had established that WhoisGuard had no rights or legitimate interests in respect of the domain name. Paragraph 4(c) of the Policy sets out non-exhaustive examples of rights or legitimate interests including making legitimate non-commercial or fair use of a domain name, without intent for commercial gain, to misleadingly divert consumers or to tarnish the trade mark or service mark at issue.

The Panellist noted that the content of the website to which the domain name resolved in this case was highly critical of MLP and its activities. There was no suggestion, however, that WhoisGuard was engaging in these activities for commercial gain. Nor would the Panellist accept that the fact that the domain name was identical or confusingly similar to MLP’s trade mark precluded the WhoisGuard from having any rights or legitimate interests in the domain name. The Panellist conceded that this approach had been taken in a previous decision cited by MLP, namely *Bett Homes v Bill McFadyen*, WIPO Case No D2001-1018. Nonetheless, it was a view that had not attracted universal acceptance.

Moreover, unlike in the present case, many of the cases denying that the registrant of a gripe site has rights or legitimate interests in a domain name concerned a domain name that was identical or virtually identical to the complainant’s trade mark. The Panellist stressed that the domain name in the present case was not identical to MLP’s

trade marks. In this respect, the Panellist noted that in *Monty & Pat Roberts v J Bartell*, WIPO Case No D2000-0300, the Panel stated that the “right to express one’s views is not the same as the right to use another’s name to identify one’s self as the source of those views”. He also noted that some Panels had been willing to extend that principle to domain names that were confusingly similar, not just identical. However, in the Panellist’s view, the problem with such an approach was that it could have the effect of reading the “legitimate non-commercial or fair use” defence out of the Policy. In this respect, the Panellist preferred the view expressed in *Standard Chartered plc v Purge IT*, WIPO Case No D2000-0681, as follows:

Complaints sites are only likely to be set up against businesses with considerable reputations. Those who have genuine grievances against others or wish to express criticisms of them—whether the objections are against commercial or financial institutions, against governments, against charitable, sporting or cultural institutions, or whatever—must be at liberty, within the confines set out by the laws of relevant jurisdictions, to express their views. If today they use a website or an email address for the purpose, they are entitled to select a Domain Name which leads others easily to them, if the name is still available.

The Panellist also acknowledged that some Panels had found the defence inapplicable because the criticism of the complainant’s goods or services, particularly if expressed intemperately, tarnished the trade mark. The Panellist, however, rejected this approach on the basis that the object of the criticism would often be to warn potential customers from dealing with the trade mark owner just as the object of parody is to lampoon. Thus, if the policy contemplated criticism with the trade mark owner as a valid defence to some extent, characterising any effect of lost sales or negative opinion of potential customers as tarnishing would render the legitimate non-commercial or fair use defence nugatory. In this respect, the panellist noted that in *Aspis v Neon Network*, WIPO Case No D2008-0387, the dissenting Panellist pointed out that the Staff Report underlying the adoption of the Policy specifically limited tarnishing “to acts done with intent to commercially gain”. On this basis, the current Panellist came to the conclusion that the Respondent had demonstrated rights or legitimate interest in the domain name.

BAD FAITH

As such it was not necessary to address whether the domain name had been registered and used in bad faith. Nonetheless, given the nature and the use of the domain name, the Panellist stated that he would have found that the domain name had not been registered and was not being used in bad faith.

COMMENT

Such is the inconsistency in UDRP gripe site decisions that this latest decision arguably makes little difference. However, it does provide balanced consideration of the arguments that have divided panels over the issues of confusing similarity and legitimate interests. The fact that legitimate non-commercial use is not precluded on the basis of tarnishing is an important point against trade mark holders, as is the weight given by the Panellist to lack of identity between mark and domain name when assessing legitimate interest. The Panellist accepted that MLP must have found the content of the Respondent's website "galling", particularly as MLP contended that the allegations were untrue. However, as he also quite rightly pointed out, it was not his place to express an opinion on those views and UDRP proceedings were not the vehicle to resolve the rights and wrongs of the parties' grievances. The policy is designed to resolve issues of abusive registration and not to examine evidence as to the veracity of statements made on websites.

SPORT

Ambush Marketing at the Beijing Olympics

The Beijing Olympics had the potential to capture worldwide audiences and promote brands and images more than ever before. In the aftermath of the event, the question to be considered is whether it was worth being an official sponsor as opposed to a rival brand who "just turned up" and jumped on the bandwagon.

Following on from Euro 2008, it was clear that official sponsors were going to do their utmost to ensure that only official brands were associated with the Olympics. The Beijing Organising Committee for the Olympic Games (BOCOG) was plagued with requests by companies who had paid to partner, sponsor or officially supply the Olympics to the amount of U.S. \$866m to make sure this was upheld. The 10 first level Olympic sponsors are alleged to have spent £36m each on sponsorship for the Olympics. BOCOG and the China Advertising Association responded with a joint press conference on 3 June 2008, asking businesses "to abide by the lawful and ethical behaviours and to contribute to the spirit of the Olympic Games". This effectively was a plea to prevent ambush marketing.

ACCIDENTAL AMBUSH MARKETING?

This sometimes occurs when athletes through jubilation and self promotion "accidentally" promote products. Everyone remembers the gold Nike shoes that Michael Johnson wore when he won Olympic gold at 200 metres and 400 metres at the Atlanta Olympics in 1996. Nike was not an official sponsor of the Atlanta Olympics. At Beijing, history repeated itself with Usain Bolt. The favourites in the 100 metres final were "ironically" wearing rival brands; Asafa Powell was sponsored by Nike and Tyson Gay was sponsored by the official sponsor

of the games, Adidas. However, in a major blow for Adidas, Gay did not even qualify for the final, while Usain Bolt, sponsored by Puma, demolished the world record. In what was surely the most iconic image of the Olympics, Bolt blew away the rest of the field then held up his gold Puma running shoes, to the adulation of the crowd and captured by every photographer at the games. Puma had crashed the Adidas party and there was nothing Adidas could do about it. To rub salt into the wound, Bolt repeated the gesture again when he broke the 200 metre world record and a third time when he was part of the Jamaican relay team that broke the world record.

Unfortunately for Adidas, this was the second time this happened during the Olympics. During the impressive opening ceremony when legendary Chinese gymnast turned sportswear designer, Li Ning, lit the Olympic torch, the lasting image he left was of his own brand. Although he was reportedly only representing himself, it is notable that Li Ning's company's shares increased by a healthy percentage on the Hong Kong stock exchange the Monday after the ceremony.

THE NEXT EVENT

Some may question whether, with all the benefits to be gained from ambush marketing, it is worth sponsoring events anymore. The simple answer to this question is yes. The companies that do sponsor get fantastic coverage at the event and ambush marketing policing is constantly improving. Non-official sponsors were restricted as much as possible at the Olympics. Although it is impossible to predict what a company not associated with the event will do during the event, careful enforcement of sponsor's rights can be effective. The banning of non-associated products inside the stadiums is possible and was achieved with a degree of success at the Olympics.

However, overzealous enforcement can backfire and result in bad press. During World Cup 2006 in Germany, Dutch fans had to remove orange lederhosen given by a Dutch brewery, which had no official sponsorship deal with FIFA, as they were deemed to be infringing articles. As a result, the fans had to watch the game in their underwear.

The difficulty in preventing ambush marketing is that, as many advertisers recognise, if ambushers are not copying certain images, trade marks or logos it is difficult to stop them. In 1997, the International Olympic Committee decided that for future Olympic Games, the city proposing to host the event would have to purchase all surrounding space for official sponsors for the month of the Olympics. However, the measures that were initially proposed to combat ambush marketing at the London Games went too far. The London Olympic Games and Paralympic Games Act 2006 was designed so that exclusive rights could be granted to authorised persons to use words, items and objects associated with the Olympic Games. Controversially, it was initially proposed that if there was a clear case where a combination of associated

words such as “Olympic” and “gold” were used together by an unauthorised person, there would be an automatic presumption of infringement. However, an amendment had to be made during the Bill’s passage as this automatic presumption was at odds with English legal principles and practice. The amendment now means that combinations of words such as “Olympic” and “gold” could be a possible infringement of the Act rather than creating an automatic presumption of infringement. The Act nevertheless continues to attract fierce criticism.

COMMENT

The London Olympic Committee will watch with interest all major music festivals, the World Cup in South Africa, the Rugby World Cup in 2011 in New Zealand and the Cricket World Cup 2011 held in cricket-playing Asian countries. Ambush marketing will, however, continue to occur and there is only so much that specific legislation, no matter how prescriptive, can do about it. Certainly the necessity to introduce some form of legislation in host countries has increased in recent years, to the obvious benefit of corporate sponsors.

The attempt to introduce the “automatic presumption” legislation for London 2012 failed due to pressure from the House of Lords and the advertising industry. However, other countries that rely heavily on corporate sponsorship appear to be moving towards increasingly restrictive anti-ambush marketing laws. The problems associated with ambush marketing and the criticism of measures designed to combat it therefore look likely to persist until a country unveils specific legislation that achieves the almost impossible balance of being fair and effective. The commercial reality, however, may be that the will to find that balance does not exist. In any event, as each potential “solution” occurs, you can bet that a marketing executive will come up with innovative ways to take a slice of the marketing pie at a fraction of the cost needed to officially sponsor the event.

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