

The European IP Bulletin

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The Second Board of Appeal annulled the decision made by the examiner regarding the registration of “BLADELESS”, since there was no public interest or other valid reason why the term could not be a trade mark. Furthermore, the Board found the meaning of the word mark, and its connection to the goods sought was not descriptive at all, but believed that no other competitors of the same goods would want to use the same word mark.

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The European Court of Justice has clarified the rules relating to comparative advertising in a case between supermarket chains Lidl and Colruyt. While general price comparisons were allowed and there was no necessity to display all individual prices, it was important that all information was verifiable and that different competitors could be distinguished in comparisons between several competitors.

Hot Topics

1. ENGLISH COURT OF APPEAL CLARIFIES POSITION IN RESPECT OF COMPUTER PROGRAMS AND BUSINESS METHODS

Dr Justin Hill is Head of IP Prosecution in the London office of McDermott Will & Emery and would be pleased to receive questions by email (juhill@europe.mwe.com)

On 27 October 2006, the English Court of Appeal handed down an important and timely decision clarifying its position as to the patentability of computer programs and business methods. In fact, this judgment consolidated issues arising in two first instance decisions: (i) *Aerotel Ltd. v Telco Holdings (and two others)*; (ii) and Macrossan's Application, Case Nos. A3/2006/1007 and A3/2006/1067, respectively (heard on 3 and 4th August 2006 by Lord Justice Chadwick, Lord Justice Jacob and Lord Justice Neuberger).

Both decisions appealed concerned the validity of claims directed to so called excluded matter, which includes, among other things, computer programs, methods of doing business and methods of performing mental acts. The Aerotel appeal arose from a patent action in which Aerotel sued Telco for infringement of its patent. Telco counterclaimed for revocation of the patent, alleging the claim related to excluded types of subject matter and was therefore invalid and unenforceable. The patent related to a method and apparatus for providing telecoms services via a special exchange which holds credits for individual customers and only connects calls where a code input by a caller is checked to indicate there is sufficient credit to make the call.

On the other hand, the Macrossan application under appeal related to a patent application rejected by the comptroller, and subsequently also rejected on first appeal to the High Court. The patent application related to an interactive (internet-based) computer system capable of generating the documents required to incorporate a business.

The Court of Appeal set out a four step test which it said clarified similar approaches from the same Court in a earlier decisions. The test is to: (i) properly construe the claim; (ii) identify what the contribution of the invention is; (iii) ask whether it falls **solely** within one of the types of excluded matter; and (iv) check the contribution is technical in nature.

In applying the test it concluded both Aerotel's apparatus and method claims to the telephone call system were something more than a business method, as such, and were therefore allowable. Hence, the appeal was allowed. In applying the test to Macrossan's computerised document generation, the Court found that the method claims were flawed on two counts; they were to an excluded business method and also to an excluded computer program as such.

This case has to some extent clarified the position in the UK. In particular, it has established that the English Court of Appeal continues to recognise a valuable level of protection for computer implemented inventions in which significant function is implemented in software; although, from this decision, we can see that the English Courts apply a slightly different test from that used by the European Patent Office (EPO) Boards of Appeals when making similar assessments. At the same time, and in the interests of longer term harmonisation, the Court of Appeal formulated certain questions which might be put to the EPO's Enlarged Board of Appeal on how to deal with such matters. Interestingly, the German BGH Court, in *Jesco Schwarzer*, 28 Sept 2004, Case No. 17W Pat 31/03, has also recently declined to follow aspects of the most recent EPO case law in this field.

2. YOUTUBE-DARE TO SHARE

YouTube, founded in February, 2005, as a venture capital firm, calls itself a consumer media company allowing users “to watch and share original videos worldwide” and “to broadcast their videos publicly or share them privately with friends and family upon upload”. YouTube describes itself as ‘building a community that is highly motivated to watch and share videos’. The company is primarily based on the advertisement revenue business model.

The site is neither technically nor conceptually unique, as it is based on Web 2.0 (user generated content) and similar ideas have been previously tried by GoogleVideo, Yahoo, MySpace, MSN video and other such sites. However, YouTube reportedly has up to 72 million hits a month, with 100 million videos watched and 65,000 videos being uploaded daily, overtaking other web networking sites like, MySpace, in terms of the online video market in the US.

Apart from sharing home made videos, the site was also being used for the sharing of copyrighted materials which prompted speculation that the site would be sued out of business by large entertainment houses whose materials were being shared in line with previous cases like *Napster* and *Grokster*, particularly after the acquisition of YouTube by Google in October 2006.

Potential arguments in favour of YouTube are that it is within the “safe harbour” provisions of section 512(c) of the US Digital Millennium Copyright Act 1998. Essentially these provisions offer protection to online service providers from infringement liability resulting from copyright materials transmitted or posted by users, provided that the provider reacts promptly to notices of infringement and removes or prevents access to the relevant copyright materials and also fulfils certain conditions. To qualify for safe harbour protection the provider: (i) must not have actual knowledge that the material is infringing, must not be aware of facts or circumstances from which infringing activity is apparent, or upon gaining such knowledge or awareness, respond expeditiously to take the material down or block access to it; (ii) must be unaware of the facts or circumstances from which infringing activity is apparent; (iii) must expeditiously remove or block access to the infringing material upon being notified of the infringing material; (iv) if the provider has the right and ability to control the infringing activity, must not receive any financial benefit directly attributable to the infringing activity; and (v) must designate an agent to deal with infringement notices by filing an appropriate notice with the US Copyright Office and publicly display the information sent to the US Copyright Office on a website.

Unlike in the *Grokster* case last year (*MGM v Grokster*), in which the US Supreme court held that *Grokster* promoted the infringing use of copyrighted materials, YouTube provides guidelines to its users which discourages uploading of copyright infringing materials. Moreover, unlike the *Napster* case (*A&M Records v Napster*), where the 9th Circuit Court of Appeals held that *Napster* did nothing to prevent the use of infringing materials, YouTube will remove infringing, copyrighted materials upon being notified of the same. Further, technologically, YouTube allows only streaming of videos and not downloads and is thus different from the peer to peer file sharing technologies.

YouTube has made significant commercial gain through the advertisements on the site, which may prejudice YouTube’s claim to be merely an online service provider that falls within the safe harbour provisions. This may also depend on whether the users abide by the notice posted on the site, and refrain from infringing copyright

materials of third parties. The onus of policing would fall on the copyright owners who might find this task of notifying YouTube every time a infringing material is uploaded, a burden on their resources. Therefore, there could be an argument for suggesting, as in *Grokster* where the safe harbour defence was set aside, that YouTube could be held to be liable for contributory infringement by inducing infringement.

A significant move has been the deal struck between certain of the large entertainment houses such as the Universal Music Group, Sony BMG, Warner Music, NBC and CBS Corp. with YouTube, which allows it to distribute approved copyrighted material in exchange for a share in revenue. This is indicative of the changing business strategies by content owners in their distribution and promotion patterns which may see them increasingly working with the changing technologies rather than in opposition.

Copyright & Technology

3. SPAIN AND ITALY FORCED TO ADOPT A MORE RESTRICTIVE PUBLIC LENDING EXEMPTION

Paragraphs 1 and 2 of Article 5 of the Rental and Lending Directive (92/100/EEC) provide that Member States can introduce provisions that derogate from the exclusive right to authorise or prohibit public lending of copyright works, as long as the authors receive some kind of remuneration for such lending. Article 5 (3) goes beyond this and provides Member States with the possibility to exempt certain categories of establishments from the payment of the said remuneration.

Spain's implementation of the provision can be found in Article 37 of the Royal Legislative Decree 1/1996. Under this provision, museums, archives, libraries, newspaper libraries, sound recording libraries and video recordings libraries, which are public or belong to non-profit-making cultural, scientific or educational bodies of general interest or to teaching institutions within the Spanish educational system, do not need to have right holders' authorisation and are not required to pay remuneration for the lending which they effect.

Along similar lines, Article 69 (1) of the Italian Copyright Law states that libraries, and record libraries, belonging to the State and other public bodies, which lend works with the exclusive goal of cultural promotion and personal study, do not require authorisation from the right holder and no remuneration is due. This however applies only to printed works (except sheet music), and sound recordings and videograms that have already been on the market for a certain number of months.

In *Commission of the European Communities v Kingdom of Spain* (Case C36/05) and *Commission of the European Communities v Italian Republic* (Case C198/05), analysing these national provisions, the European Court of Justice (ECJ) agreed with the Commission that a restrictive interpretation of Article 5 (3) had to be adopted. In this sense, Italy and Spain had failed to fulfill their obligations under Articles 1 and 5 of the Directive. The Court found that the most likely effect produced by the Spanish and Italian rules was to provide an overly lenient application of the exemption. This was to be avoided because it clearly contravened the overall aim of the Directive of ensuring that appropriate legal protection is given to right holders as a necessary precondition for maintaining a satisfactory level of creative production (Recital 7).

While Italy did not try to defend its position on the matter, Spain produced arguments that validly questioned the meaning of Article 5(3), in particular by

arguing that the expression 'certain categories of establishments' was not to be interpreted as having a quantitative connotation. Arguably, the beneficiaries of the exemption could be large in number, provided that they belonged to 'generally separate, differentiated or defined categories of establishments'. The Court disagreed with this view and confirmed that while cultural promotion should be pursued, the protection of the right holders is also an objective of the Directive and this cannot be attained if the meaning of the provision is so broad as to exempt almost all, if not all, categories of establishments from payment of the remuneration. This leaves no doubts that the exemption contained in Article 5(3) is a quantitative as well as qualitative matter.

4. SONY PUTS GREY IMPORTERS OUT OF BUSINESS

In *KK Sony Computer Entertainment v Pacific Game Technology* [2006] EWHC 2509 (Pat), the Chancery Division of the High Court recently awarded judgment in favour of Sony against Pacific, a Hong Kong company, in respect of their grey market exports of Japanese PlayStation Portables (PSP). This is another 'exhaustion of rights' case with a factual variation in that it involves sales of the claimants' goods into the European Economic Area (EEA) via an internet website.

Pacific Game Technology ran a popular website which gave gamers outside of Japan a chance to buy the genuine Sony PSP consoles that were intended for sale in only Japan. The consoles were in packaging and with instructions printed largely in Japanese. They were also marked "FOR SALE AND USE IN JAPAN ONLY".

Sony, via its UK subsidiaries, markets the latest version of its highly successful PSP consoles in over 100 countries, including countries within the EEA. Sony owns an extensive portfolio of intellectual property rights in respect of the PSP, including a number of registered trade marks, registered designs and a variety of copyright works. Sony alleged that, by targeting customers in the EEA, in particular, the UK, the defendant had infringed its IP rights.

Following an unsuccessful application by the defendant for the court to decline to exercise its jurisdiction, the court had to consider (i) whether Sony had agreed to the sale of those PSPs in the EEA, in which case its IP rights would have been exhausted; and (ii) whether Pacific, by offering the goods for sale on its website, had committed any infringing acts.

The Court allowed Sony's application for relief. The Judge held that the offer for sale had taken place, not in Hong Kong, but in the EEA. It was also evident that the offer had been made without Sony's consent. The offer to sell was made via the intermediary of a website which did not mean that the offer had not been made within the EEA.

This decision represents a resounding victory for Sony against parallel importers of electronic products, who seek to capitalise on the price differences between Sony's products in the Asian and European markets. The judgment is clear that websites aimed at selling goods into the EEA would be caught by the law in the same way as they will be if they were a shop located in the EEA. It confirms that there is no concept of world-wide exhaustion of rights, and that consent to such exhaustion will not be permitted without "unequivocal" renunciation of rights by the trade mark proprietor and indeed the proprietor of design right and copyrights.

Patents

5. IS TREATING PAIN A NOVEL ISSUE?

On 30 October 2006, the English Patents Court handed down its decision in *Merz Pharma GmbH & Co. KGaA v Allergan Inc.*, concerning a patent (the “Patent”) held by Allergan.

The Patent, with a priority date of 28 December 1993, relates to the use of botulinum toxins and, in particular, the active component of such toxins in medicaments to relieve pain related to muscle activity or contracture. Botulinum toxins comprise an active component, called the neurotoxic component in a complex with other proteins which are known as neurotoxin associated proteins (NAPs). Allergan said that the patent concerned the component stripped of all NAPs whereas Merz contended that the patent covered the component either with or without the NAPs to make a medicament and alleged that the patent was invalid for the following reasons:

- 1) the Patent was a second generation divisional patent, filed some 9 years after the original application, the Patent disclosing additional matter over original application;
- 2) the patent lacked novelty over another international application, three articles, the known use of BOTOX and DYSPORT and the prior disclosure and use of the invention by two experts in the field;
- 3) the patent was obvious over the common general knowledge, the disclosures and uses mentioned above; and
- 4) if the Patent was not invalid for added matter, anticipated or obvious, it was insufficiently disclosed.

The court, after having heard the expert witnesses, reached the conclusion that in December 1993 the following was common general knowledge:

- 1) the existence, composition and operational mode of the seven various serotypes (from A to G) of the botulinum toxin complex;
- 2) that the neurotoxic component could be separated from the botulinum complex;
- 3) that BOTOX and DYSPORT were commercially available and were formulations of botulinum toxin A;
- 4) that DYSPORT was 3-5 times less potent than BOTOX and there were significant side effects in using these products with one widely accepted explanation being that the toxin was diffusing from the site of the injection;
- 5) by 1993 the concern as to the side effects stemming from a high dosage had been replaced by concern over secondary non responders, that is patients that had become resistant to the medicament after a first period of apparently good results.

The claims of the Patent at issue were numbers 1 and 5, where the former concerned the use of the neurotoxic component of botulinum toxin for the manufacture of a medicament for the treatment of pain associated with muscle activity or contracture, and the latter, the specification that the neurotoxic component is the neurotoxin component of botulinum type A to G.

According to the court, claim 1 covers the use of the neurotoxic component whether or not it forms part of the toxin complex and is not limited to the use of a neurotoxic component stripped of all the NAPs and claim 5 requires the use of a neurotoxic component of one of the seven serotypes known at the priority date.

As to the allegation of added matter, the court found that the disclosure of the original application was concerned with the use of the botulinum toxin and not the

neurotoxic component stripped of the NAPs; therefore the disclosure of the Patent constituted added matter over the original application. As to the anticipation, the court held that claims 1 and 5 are anticipated by another of Allergan's prior patent applications, by the manufacture, sale and use of BOTOX and DYSPORT and by the prior disclosure of a physician to a colleague. As to the inventiveness of the Patent, the court found that it was obvious, in 1993, to use the neurotoxic component to make a medicament for the treatment of pain. Finally, the insufficiency allegation failed.

The Court therefore held that claims 1 and 5 were invalid for added matter, lack of novelty and obviousness and revoked the Patent.

Trade marks & Domain Names

6. LOOK ALIKES AND SMELL ALIKES

On 4 October 2006, the English High Court, Chancery Division, handed down an interesting decision concerning trade mark infringement and passing off by "smell-alikes" and "look-alikes" in *L'Oréal S.A v Bellure N.V* [2006] EWHC 2355 (Ch).

The Claimants are all members of the L'Oréal Group, a manufacturer of high quality beauty products. Among them are "Trésor", "Miracle", "Anaïs Anaïs" and "Noa" luxury perfumes, for which a number of UK and Community word and device trade marks are held. In this case, L'Oréal complained that the Defendants imported, distributed and marketed in the UK "smell-alike" products, the bottle and packaging of which intended to give "a wink of an eye" to the abovementioned successful fragrances.

First of all, the Court confirmed that, even if smells can theoretically be protected as trade marks, they cannot be granted protection under either copyright law or the tort of passing off in the UK. Moreover, since no likelihood of confusion had been established, it was unable to find trade mark infringement under ss 10(1) and 10(2) of the UK Trade Marks Act in relation to the bottles and packaging of the "smell-alike" perfumes.

However, L'Oréal did establish trade mark infringement with regard to the Trésor packaging mark and the Miracle bottle mark, under s 10(3). Having concluded that the trade marks in question already enjoyed a reputation in the marketplace, the Court found that the Defendants' respective products were sufficiently similar as to give rise to an association in the mind of the average consumer. Thus, even in the absence of any evidence of confusion, there was a deliberate intention by the Defendants to take unfair advantage of and "free ride" on the back of the famous brands. Finally, the passing off claims failed as there was no deception or misrepresentation involved.

This case is significant in that it confirms that taking unfair advantage of another product's reputation can amount to trade mark infringement, without the need to establish any likelihood of confusion. The latter, however, is one of the main conditions to prove passing off. This difference emphasises the importance of trade mark registration. Thus, brand owners, bearing in mind the difficulty of protecting smells, should rely on the registration of the packaging and get-up of their perfumes in order to protect them from look-alike products. Manufacturers, on the other hand, should make sure that their products and packaging do not mimic already famous brands and that they do not seek to benefit from their reputation.

7. RECKITT & COLMAN LTD- APPEAL FOR “BLADELESS”

On 5 September 2006, the Second Board of Appeal of the Office of Harmonization of the Internal Market (OHIM) annulled an examiner’s decision which declined the eligibility of BLADELESS as Community Trade Mark.

Reckitt & Colman had applied for “BLADELESS” as a Community Trade Mark in classes 3, 8 and 21, which covered cosmetics, non-medicated toilet preparations, depilation preparations, cosmetic spatulas, and household utensils. The application was refused by the examiner on two grounds:

1. When the mark was placed in the context of the claimed goods, without any additional element that could be regarded as fanciful, it did not perform the essential function of indicating the origin of goods and therefore was devoid of any distinctive character under Article 7(1)(b) of Council Regulation 40/94/EEC.
2. The mark did not enable a consumer to make a decision on the purchase of a particular product from among the competing goods and so the mark should remain free for use by other competitors.

Reckitt & Colman applied for an annulment of the decision on the following grounds:

1. Since its relevant products did not contain blades, “BLADELESS” was a fanciful term for the goods applied for and so the mark was capable of distinguishing its goods from its competitors.
2. The mark was also registered in the United Kingdom without the need to prove distinctiveness. If this was the case in an English-speaking country, then it should also be so in other European countries.

The Board explained as in the case of *Rewe Zentral AG V OHIM* (T-79/00), that signs which were devoid of distinctive character were those incapable of performing as trade marks to identify the origin of goods. Whilst there were some circumstances in which “BLADELESS” would be descriptive, none of the goods in question could sensibly have “BLADELESS” attached to them. On that basis, the mark was therefore meaningless in relation to those goods, and so not void under Article 7(1)(c). Further, as the idea of “bladeless” goods such as these was fanciful (“bordering on the bizarre in some cases” – paragraph 11), there was no basis for saying it could not act as a badge of origin. The examiner’s decision was therefore annulled.

This decision gives interesting guidance on the boundaries of non-descriptive and distinctive marks, and demonstrates the importance of selecting the correct class for a trade mark application.

8. STONEYGATE 48 LIMITED AND WAYNE MARK ROONEY V HUW MARSHALL

This case was an Administrative Panel Decision by WIPO Arbitration and Mediation Centre.

The Complainants in this case were Stoneygate 48 Limited (“the First Complainant”) and Wayne Mark Rooney (“the Second Complainant”). The Respondent was Huw Marshall (“the Respondent”).

The First Complainant, a company incorporated in England on February 22, 2002, is the registered proprietor of Community Trade Mark number 00298905 dated December 23, 2002, WAYNE ROONEY (words) covering a variety of goods and services. The Second Complainant assigned to the First Complainant his trade mark rights, along with certain other image/merchandising rights in January 2003. The Second Complainant is a very famous professional footballer in England. The Respondent who is an actor, registered the Domain Name waynerooney.co.uk on 16 April 2002. At the date of the Complaint, the Domain Name was connected to a directory site operated by the Registrar which featured links to a variety of other sites ranging from football related sites to on-line dating sites.

For this Complaint to succeed, the Complainants had to prove that:

1. The Domain Name is identical or confusingly similar to a trade mark or service mark in which the Complainants have rights; and
2. The Respondent has no rights or legitimate interests in respect of the Domain Name; and
3. The Domain Name was registered in bad faith and is being used in bad faith.

Regarding the identical or confusingly similar, the Panel referred to the passage in paragraph 1.4 of the World Intellectual Property Organisation (WIPO) Overview of WIPO Panel Views on Selected Uniform Dispute Resolution Policy Questions and found that the Domain Name was identical to a trade mark in which the Complainants have rights. Regarding rights or legitimate interests, the Panel further found there were no legitimate interests for the Respondent to the Domain Name. In relation to the issue of bad faith registration, the Respondent argued that he had registered the Domain Name, knowing it to be the name of the Second Complainant, the name under which the Second Complainant carried on his profession, and intending to use it to connect to a commercial website. The Panel was not convinced of this explanation and ordered that the Domain Name waynerooney.com be transferred to the Complainants.

Media & Advertising

9. LIDL – EUROPEAN COURT SETS REASONABLE STANDARDS OR COMPARATIVE ADVERTISING

In its recent ruling in Case C-356/04 Lidl Belgium GmbH & Co v Etablissements Franz Colruyt NV, the European Court of Justice (ECJ) has clarified the comparative advertising rules as set out in the EC Comparative Advertising Directive (97/55/EC).

Lidl Belgium and Colruyt both operate low cost retail chains in Belgium. Colruyt carried out an advertising campaign which contained a shopping comparison between it and three other retailers. The advertisement stated that if a family had shopped with them, instead of Aldi, Lidl or Makro, they would have saved between €155 and €293. Colruyt also claimed that, based on their price checking system, their customers could always enjoy the lowest prices. A complaint was filed by Lidl, and the Belgian court referred several questions to the ECJ asking for a correct interpretation of the Directive.

The ECJ found that it was acceptable to compare two sets of comparable products, and not just pairs of products, as long as it is possible to identify the products and verify the accuracy of comparison. Furthermore, it is not necessary to list the precise details of the comparison in the advertisement, but the ad should indicate where the details are available. However, it was held that the comparison could be found to be misleading, if it suggested that a comparison had

been to all of a competitors' products when, in reality, only a sample of products had been compared; or if the source of information was not indicated; or if the comparison was made between more than two competitors and there was no indication of the individual prices of each of the respective competitors.

This is quite a practical approach to comparative advertising. It was noted that consumers were likely to be more interested in comparisons on prices of 'shopping baskets' than individual products. Furthermore, to require that all comparative advertisements display exhaustive lists of prices and other relevant details, rather than merely stating where that information could be accessed, would make it much more difficult to use comparative advertising.

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