

Intellectual Property News.

EU

Trade marks: Hosting defence now narrower

The ECJ's ruling that online marketplace providers such as eBay will generally not be liable for trade mark infringements by their customer-sellers broadly follows Advocate General Jääskinen's Opinion (see [Intellectual Property News, January 2011](#)). However, the ECJ introduced two important qualifications. First, the hosting defence available under the E-Commerce Directive (2000/31) to joint liability under national law for infringement appears to be narrower than a straightforward reading of the provision would suggest. Second, the scope of the injunction available against providers under the Enforcement Directive appears to be broader than that suggested by the A G ([C-324/09, L'Oréal v eBay](#), 12 July 2011).

Hosting

Article 14 E-Commerce Directive precludes liability for information stored by providers which do not have knowledge of the information, or act expeditiously to remove it once they do. The ECJ held that the exemption does not apply where an online marketplace provides assistance to sellers such as "optimising the presentation of offers for sale" or promoting them (examples may include products such as 'eBay Shops' and 'Power Sellers', but this would be for national courts to decide). Such activities went beyond a neutral (or merely technical, automatic and passive) role to an active one which imputed knowledge or control to the marketplace and thus deprived it of the defence (applying [C-236/08, Google](#) (paragraphs at 113-114) which concerned a search engine rather than an auction site). Thus it appears that it is unnecessary for the marketplace to have the actual knowledge expressly referred to in Article 14(1)(a). Constructive knowledge will suffice to preclude engagement of the exemption at all, since in those circumstances the marketplace will no longer be "merely storing" information.

While the ruling is obviously helpful for brand owners, its correctness may be subject to challenge. As the A G explained, neutrality is relevant only to the "mere conduit" and "caching" defences (see Articles 12 and 13 and Recitals 42, 43 and 46 of the Directive). He found it "surreal" that by intervening and guiding the contents of listings with various technical means, a marketplace would be deprived of the protection of Article 14 for storage. Nevertheless,

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the award of 'Power Sellers' status to an infringer, for example, may render eBay unable to rely on lack of knowledge of infringement, even though the award is an automated process.

If an online marketplace is able to show that its role in any infringement is neutral, it may still be deprived of the Article 14 defence if it has actual knowledge. The test is similar to that for deciding whether a trade mark was applied for in bad faith, but applies a different standard: ask first what acts the marketplace knew of and then ask whether a *diligent economic operator* would have realised that those acts were unlawful.

Injunction

Article 11 Enforcement Directive (2004/48) entitles rightholders to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right. The ECJ held that Article 11 empowered Member State courts to grant relief against service providers not only to stop infringements by its users but also to prevent "further infringements of that kind". As well as endorsing the A G's view that such relief would include "further infringements by the same seller in respect of the same trade marks", the ECJ held that it also included "measures to make it easier to identify its customer sellers" (apparently not necessarily infringing sellers) and further in this context that "the *infringer* ... operating in the course of trade ... must be clearly identifiable". Article 6 E-Commerce Directive requires that sellers making commercial communications forming part of an information society service (such as eBay's) should be clearly identifiable, yet the extent to which online traders may conceal their identities remains a source of tension between providers and brand owners.

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Infringement

The ECJ confirmed:

- > Low volume sales on online marketplaces by private sellers would not be "in the course of trade", and thus not infringing.
- > To be infringing in a territory, an offer for sale on a website needed to be *targeted* at consumers in that territory; mere accessibility of the website from the territory was insufficient. This was a question of fact, but including within an offer details of the territories to which the seller was willing to dispatch was of particular importance in the assessment. (This is consistent with English and French case law: see e.g. *Euromarket Designs Inc v Peters* [2001] F.S.R. 20 and [Intellectual Property News, May 2011](#).)
- > Reselling unboxed – whether or not in breach of the Cosmetic Products Directive (76/768) – but otherwise lawfully marketed luxury products could be opposed by the trade mark owner under Article 7(2) Trade Marks Directive (2008/95) only where the identity of the manufacturer or reseller was missing or the image and thus reputation of the product was damaged. (See *Dior* [1997] ECR I-6013, which suggests that luxury products are to be treated differently from, for example, pharma products.)

By [Alex Batteson](#), London

Trade marks: Rights in bottle marks fail to prevent refilling

The ECJ has held that rights in a registered shape mark protecting a reusable gas bottle and in word and figurative marks affixed to the bottle are exhausted when the bottle is sold ([C-46/10, *Viking Gas v Kosan Gas*](#), 14 July 2011).

Kosan Gas produces and sells bottled gas to private and commercial customers. It markets bottled gas in Denmark in bottles whose shape is registered as a three-dimensional Community trade mark for gaseous fuels and containers used for liquid fuels. Kosan Gas also affixes its name and logo (registered as Community word and figurative marks for gas) to the bottles.

On the first purchase of a bottle filled with gas from a Kosan Gas dealer, the purchaser pays for the bottle, which thus becomes the purchaser's property. Kosan Gas also refills empty bottles. A consumer can thus exchange an empty bottle for a new one filled by Kosan Gas and will pay only the price of the gas purchased.

Viking Gas sells gas. It has one filling station in Denmark from which used Kosan bottles are dispatched to independent dealers after being filled with gas. It attaches an adhesive label bearing its name to the bottles, but neither removes nor covers the Kosan Gas word and figurative marks on the bottles. A consumer can go to a dealer cooperating with Viking Gas and, on payment for the gas, get an empty gas bottle exchanged for a similar one filled by Viking Gas.

Kosan Gas sued Viking Gas for trade mark infringement in Denmark and the Højesteret (Danish Supreme Court) referred a number of issues to the ECJ.

The ECJ held that purchasers of the bottles were not precluded from filling them with gas supplied by competitors, who could also use them to sell their gas, provided that no legitimate reasons existed for the trade mark owner to oppose further commercialisation of the bottles (under Article 7(2) Trade Marks Directive (2008/95)), for example, in a way which gave the impression that there was a commercial connection between the trade mark owner and the competitor (following *Portakabin v Primakabin*, reported in [Intellectual Property News, July 2010](#)).

In deciding whether the average consumer would consider there to be a commercial connection between the trade mark owner and the competitor or that the gas filled by the competitor came from the trade mark owner (or its licensee), it was necessary to take into account sector practice and whether customers were accustomed to gas bottles being filled by other dealers. On the facts, consumers who went to the defendant refiller to have their bottles refilled were likely to be aware that there was no connection between it and the trade mark owner.

Further, co-branding by a competitor which did not affect the visibility of the trade marks and thus did not mask the bottles' origin precluded any change in

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the condition of the bottles which could otherwise be prevented under Article 7(2).

By [Alex Batteson](#), London

ICANN

Top-Level Domains: The beginning of a new internet age?

What has happened?

On 20 June 2011, ICANN, the international body governing internet naming policy, gave official approval to the new Top-Level Domain (TLD) programme. The policy will allow domain names to terminate with almost any word and in any language or script, thus enabling companies and communities to create their own customised domain names, for example, *.company*, *.trademark*, *.industry* or *.anything*. This expansion of the domain name system will have a significant impact on the structure of the internet and will affect all businesses with an online presence. Now that the programme has been officially approved, it is important for businesses to consider the opportunities and threats that this new policy creates and to ensure that appropriate strategies are implemented.

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What are the benefits?

Brand owners may find many advantages in acquiring a new TLD. For example, it could create a secure name space which could help reduce the sale of counterfeit goods. It could also help strengthen the association between their brand and their location on the internet, simplify complex URL strategies and create novel opportunities for online interaction. Even if a business has decided not to apply for a new TLD, it may still consider investigating whether its sector is protected by a TLD belonging to a trusted online community such as, for example, *.bank* or *.pharmacy*, which it could adopt in the future.

What are the concerns over the new programme?

There is a concern that the release of a potentially unlimited number of TLDs will result in an increase in cyber squatting activity. However, it is doubtful whether this will be a significant problem in reality given the high costs involved in registering a TLD (discussed below). Opponents of the policy also argue that consumers will end up confused by the new system. If this turns out to be true, then it could mean that the *.com* will become even more reliable and valuable than it is now.

How much will a new TLD cost?

Acquiring a new TLD will not be the same as simply registering a domain name. The applicant will be creating and operating a registry business which will entail significant responsibilities and costs, including an application fee of US\$185,000 (£115,000), annual ICANN fees of US\$25,000 (£15,500) as well as ongoing operational registry costs. The cost of simply getting a TLD up and running is estimated to be in the region of £1 million. It is also important to note that ICANN expects all new TLDs to become and remain operational,

so it will not be possible simply to reserve one for defensive purposes. Failure to keep the domain operational could lead to ICANN re-delegating a trademarked TLD to a third party in order to keep it alive.

When can I apply for a TLD?

Applications will be accepted from 12 January 2012 to 12 April 2012. On 27 April 2012, a list of applications will be published, at which point there will be an opportunity for right holders to object. Following a further analysis period, the first TLDs are expected to go live in early 2013. It is important for brand owners to pay close attention to the objection deadlines. It is not yet clear how much the objection process will cost but the window to oppose will be short, so brand owners will need to be vigilant.

Can I adopt a wait and see approach?

For those who prefer to stay out of the domain name race and adopt a wait and see approach, it is important to bear in mind that it could be another two to four years before the next application round. With such long timelines, competitors could take the advantage and gain greater online presence by being among the first in the sector with a TLD.

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How will the internet be affected by the programme?

It is unclear how the internet will develop in 2013 and beyond. In 2010, ICANN estimated that they were expecting at least 400-600 TLD applications, although so far only Canon, Deloitte, Hitachi and UNICEF have announced their intention to apply, with most companies keeping their intentions private. The benefits of the new TLD may turn out to be exaggerated, as demonstrated by the last round of TLDs such as *.biz*, *.travel* and *.jobs* which so far have not been taken up as much as had been expected. To quote Rob Beckstrom, the President and Chief Executive of ICANN, "No one can predict where this historic decision will take us."

By [Stephen Clipsham](#), London

UK

Copyright: UK court has jurisdiction over non-EU infringement claim

The Supreme Court judgment in the Star Wars "Stormtrooper" helmet case has been widely reported in the mainstream media. The substantive copyright issue was uncontroversial: did the helmet props used in the film amount to sculptures for the purposes of the Copyright Designs and Patents Act 1988? The Court of Appeal had answered "no" to this question (see [Intellectual Property News, February 2010](#)) and this was endorsed by the Supreme Court. Of more significance was the Supreme Court's rejection of the Court of Appeal's ruling on jurisdiction ([Lucasfilm v Ainsworth \[2011\] UKSC 39](#)).

The Supreme Court held that in a claim for infringement of non-EU copyright (whose registration, if any, was purely procedural), the English Court would have jurisdiction provided that there was a basis for 'in personam' jurisdiction over the defendant; there was no common law rule that precluded such

jurisdiction. (A claim ‘in personam’ is one brought against a person to compel him to do a particular thing, for example, pay damages. The court will have jurisdiction to entertain such a claim if the defendant is served with process in England or abroad in accordance with English law.) In this case the court had jurisdiction over the defendant in the claim for infringement of US copyright since he was domiciled in England.

The Supreme Court’s ruling is likely to extend to infringement of other non-EU intellectual property rights (whose registration, if any, is purely procedural), but not necessarily to infringement of other registrable intellectual property rights, for example, patents. The Court left open the question of whether the principle might also extend to claims in relation to the validity of non-EU patents.

The ruling is only relevant to cases concerned with non-EU intellectual property rights. Where EU rights are concerned, the scheme established by Article 22 of the Jurisdiction and Recognition and Enforcement of Judgments Regulation 44/2001 applies.

Since the Supreme Court decided that the court did have jurisdiction over the defendant, it was unnecessary to consider the broader question of whether Article 2 of the Regulation (which provides that persons domiciled in a Regulation State shall be sued in the courts of that State) conferred jurisdiction even though the subject matter of the dispute concerned acts done outside Member States. (The ECJ had not answered this question in *Owusu v Jackson*, C-281/02.)

The decision is likely to expand the opportunity for claimants to use the UK as a forum for litigating non-EU unregistered intellectual property rights.

By [Alex Batteson](#), London

Copyright: Meltwater confirmed

The Court of Appeal has upheld a decision of the High Court (see [Intellectual Property News, January 2011](#)) that copyright may subsist in a newspaper headline (*Newspaper Licensing Agency v Meltwater* [2011] EWCA Civ 890, 27 July 2011).

Of particular interest is the Chancellor of the High Court’s observation that he did not understand the ECJ’s decision in *Infopaq* to have qualified the long-standing English test of originality (that in order to attract copyright protection, a work must originate from the author and not have been copied from someone else) approved by the House of Lords in *Ladbroke (Football) Ltd v William Hill (Football) Ltd* ([1964] 1 W.L.R. 273). The Chancellor’s statement should not be interpreted as endorsing *Ladbroke v William Hill* in its entirety. In that case, Lord Reid observed that it was wrong to dissect a claimant’s work, taking each part which had been copied and asking whether each part could be the subject of copyright if it had stood alone (a point described as fundamental by the Court of Appeal in *Baigent v The Random House Group* ([2007] F.S.R. 24). However, this approach conflicts with the ruling in *Infopaq* (interpreting the scope of the author’s exclusive reproduction right under

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Article 2 Information Society Directive (2001/29)) that a *part only* of a work may attract copyright protection.

The Chancellor's observation is also premature in light of the Court of Appeal's pending reference to the ECJ in *Football Dataco v YAHOO!* on the meaning of originality (see [Intellectual Property News, January 2011](#)).

Finally, the Court of Appeal declined to rule on whether an internet user was bound by a website's terms and conditions of use of posted material: it was unnecessary "to enter into that controversy" the court said.

By [Alex Batteson](#), London

Copyright: Website blocking

The war against online piracy is being waged on many fronts. In addition to enforcement action against suppliers and consumers of pirated materials, rights holders are increasingly turning their sights on internet service providers.

One UK example is the successful application for an order requiring BT to block access to the pirate website Newzbin2 (see [Twentieth Century Fox v British Telecommunications \[2011\] EWHC 1981](#)). However, there are concerns that this might lead to censorship of the internet and that it is technically ineffective in any event.

Newzbin2

The Newzbin2 website provides index files allowing its users to download copyright works from Usenet. It is well known for committing large-scale piracy. An injunction was issued against an earlier incarnation of the website, Newzbin1, after it was found to be: (a) authorising infringement by its users; (b) jointly liable for its users' infringements; and (c) a primary infringer by communicating infringing works to the public (*Twentieth Century Fox v Newzbin Ltd* [2010] EWHC 608). Shortly after that injunction Newzbin1 went into liquidation and the Newzbin2 website was set up.

The Newzbin2 site operates in essentially the same manner and under the same domain name. It has a substantial UK user base, requires payment in sterling and only uses the English language. The content indexed by the site includes movies, TV and music, the vast majority of which is pirated. The judge, Arnold J, stated that it was "*quite hard to find any content of Newzbin2 that is not protected by copyright. BT's best shot was to point to a reference to the 1891 Lancashire census*".

The original owner of Newzbin1 denies any involvement in Newzbin2, which is operated by unknown persons, offshore and beyond the reach of the court.

Application to block access

The Newzbin2 website therefore presented the perfect target for an application to block access. Not only was it involved in large-scale piracy, its operations also appeared to have been deliberately moved out of jurisdiction to frustrate the earlier injunction against Newzbin1.

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There was also no immediate technological obstacle to the injunction. BT already operates a system called Cleanfeed which uses a combination of IP address blocking and URL blocking using deep packet inspection (see below for details) to block access to child abuse sites notified to it by the Internet Watch Foundation. It would be relatively straightforward to add the Newzbin2 website to the list of blocked sites.

The rights holders therefore sought an injunction against BT to use the Cleanfeed technology to block access to Newzbin2. The content holders relied on section 97A of the Copyright, Designs and Patents Act 1988 and had to show that BT had “*actual knowledge of another person using their service to infringe copyright*”. Section 97A implements Article 8(3) of the Information Society Directive, which states that rights holders should be “*in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe copyright*”.

This was clearly a test case and other ISPs were informed in advance to see if they wished to intervene but none did. However, despite the uphill battle facing it, BT chose to oppose the application on the basis of a number of points:

- > *Was BT’s service being used to infringe copyright?* BT argued that the users were using Newzbin2’s services to infringe copyright, not its own. Moreover it was not an “intermediary” for the purposes of Article 8(3). However, Arnold J. said this argument was a false dichotomy. BT subscribers used both BT’s services and Newzbin’s services. Moreover, the ECJ had already decided that internet service providers are intermediaries (*LSG v Tele2 C-555/07*).
- > *Did BT have actual knowledge of the infringements?* BT suggested that it was not sufficient that it should be aware Newzbin2 was generally infringing and instead must have knowledge of “*a particular infringement of a particular copyright by a particular identified or identifiable individual*”. However, section 97A refers to the use of a service “to infringe” and not to particular infringements so, while details of such infringements may be relevant, it is not essential to provide actual knowledge of a specific infringement of a specific copyright work by a specific individual. Similarly, the court had the jurisdiction to issue an injunction preventing general access to Newzbin2, not just to specific named works (see *L’Oréal v eBay C-324/09*).
- > *Was BT subject to a general monitoring obligation?* Article 15(1) of the E-Commerce Directive prevents ISPs from being subject to a general monitoring obligation. However, the court considered that measures requested by the rights holders were specific rather than general and were not active monitoring as Cleanfeed did not involve detailed inspection of the communications of its subscribers.
- > *Would an order infringe BT’s subscribers’ freedom of expression?* There was no question that any interference with the subscribers’ freedom of expression was potentially justified by the need to protect

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the rights of rights holders. However, BT relied on the Advocate-General's opinion in *Scarlet Extended* (C-70/10) to argue that section 97A was not sufficiently clear and did not provide the "quality of law" necessary to justify this measure. The court considered that section 97A was sufficiently clear and, while the ECJ has yet to rule on *Scarlet Extended*, the facts of that case are sufficient to distinguish it in any event.

Accordingly, Arnold J gave judgment to the rights holders and will order BT to use Cleanfeed to block access to Newzbin2 once he has had further submissions on the terms of that order. However, this is not the end of the matter. Questions remain about the extent to which this might lead to web censorship and whether the blocking is effective.

Censorship of the internet

The content holders stated that this was a test case and future injunctions will be sought, both against other ISPs and against other pirate websites. Indeed, a significant number of blocks would be required to cover the many pirate websites currently operating on the internet, and the pirate websites are likely to adapt their operations in a way that will require further blocks to be added in the future.

The potential for a flood of future requests was one of the concerns raised by BT when opposing the injunction. However, Arnold J felt that the content holders would not undertake future applications lightly and he did "*not anticipate a flood of such applications*". An application would need to be supported by proper evidence to show that the website was, in fact, committing significant infringements. Furthermore, the application would be costly and ISPs may be able to recover some of their costs in dealing with this application (see *Totalise v Motley Fool* [2001] EWCA Civ 1897).

So it is likely that applications under section 97A will be limited and directed to the more egregious infringements. In practice, the decision could have wider ramifications. For example, ISPs might wish to avoid the time and expense of contesting future applications and instead block access on a voluntary basis.

Limited technical effect

A more significant problem for the rights holders is the ease by which these website blocking techniques can be avoided. These issues are considered in detail in a recent Ofcom report, which was drafted to assist the UK Government to decide whether to bring into force further website blocking powers under the Digital Economy Act 2010. The report considers four main techniques to block access to sites:

- > **Blocking IP addresses.** Computers on the internet communicate with one another using IP addresses. Those addresses are similar to telephone numbers on a normal telephone network save that they are often shared due to a shortage of available addresses. For example, the IP address for Ofcom is 194.33.179.25. One technique is to block any access to IP addresses used by infringing websites.

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- > *Blocking DNS resolution.* Most users do not use IP addresses directly as they are hard to remember and can change. Instead, they type in a domain name (such as www.ofcom.org.uk) and the domain name system returns the IP address (194.33.179.25). The DNS system is therefore like a giant internet telephone directory. DNS blocking acts to make certain domain names “ex-directory” by removing the IP address associated with that name.
- > *URL blocking.* Resources on the internet are often accessed by not just specifying a domain name, but also specifying a particular file at that domain. One example might be www.ofcom.org.uk/piratedfilms. URL blocking acts at a more granular level by blocking particular URLs rather than entire domains. Thus, it would be possible to block the previous URL whilst still providing access to www.ofcom.org.uk/consultations.
- > *Packet inspection.* This looks at the content of the communication to determine if it is directed at an infringing website. For example, the BT Cleanfeed system inspects the URLs contained within packets of data sent by users to see if they are directed at a blocked website.

These solutions are all far from perfect. They can have a negative impact on the performance of an ISP’s network due to the extra work involved in inspecting and filtering traffic. More importantly, there is a real risk of “over-blocking”, particularly in the case of IP address blocking, as this will also block access to any legitimate sites sharing that IP address.

There are also a range of measures users and website owners can take to evade these blocks. Some of the measures listed in Ofcom’s report include:

- > Websites can change IP addresses. This is relatively simple to arrange. Indeed, some websites, such as www.kickasstorrents.com, are set up to cycle regularly through a range of different IP addresses.
- > Websites can change their domain names, for example, changing www.ofcom.org.uk to www.ofcom.gov.uk. This, again, is not a difficult exercise.
- > It is possible for users to connect to the internet *via* a proxy server. All of the user’s traffic goes to the proxy server in the first instance and is forwarded on to its final destination. The ISP only knows that the user is contacting the proxy server; it does not know what the final destination is.
- > Rather than using the DNS service provided by the ISPs (in which pirate websites may be “ex-directory”), it is relatively easy for users to specify an alternative DNS service, such as the Google Public DNS service. This avoids DNS blocking.
- > Users can encrypt their internet session to prevent packet inspection of their contents.

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Following Ofcom's report, the Government decided not to bring into force new website blocking measures in the Digital Economy Act 2010. The report was made public after the judgment in *Twentieth Century Fox v British Telecommunications* but it appears that similar points were raised during the case and made little difference to the decision.

In particular, Arnold J. considered that even if website blocking only caused a limited increase in the cost and difficulty in accessing pirate websites, that would at least narrow the gap with legitimate services. There is some truth in this. A user may now have to pay for: (a) access to Newzbin2; (b) a Usenet service; and (c) use of a proxy server; so may well prefer to opt for something simpler such as a subscription to LOVEFiLM®. In any event, Arnold J. considered the order would be justified "even if it only prevented access to Newzbin2 by a minority of users".

Conclusions

This is the first time rights holders have sought an injunction under section 97A, so the decision in *Twentieth Century Fox v British Telecommunications* provides a useful summary of its operation. However, there are a number of open questions about how website blocking will operate in practice. Will future sites be blocked as part of an open judicial process or as part of a private treaty between the rights holders and ISPs? How effective will these changes be in practice?

The decision is also an interesting prelude to the eagerly anticipated decision of the ECJ in *Scarlet Extended*, which will consider the more ambitious proposition that ISPs ought actively to monitor and filter users' communications to prevent the exchange of infringing material.

By **Muzaffar Shah**, London

A version of this article first appeared in the September 2011 issue of World Data Protection Report.

General IP: Government response to Hargreaves Review

The Government has responded to the Hargreaves Review of Intellectual Property and Growth (see [Intellectual Property News, July 2011](#)) by accepting all of its recommendations (available at <http://www.ipo.gov.uk/ipresponse-full.pdf>).

Highlights of the Response include the following:

- > A commitment to a functioning Digital Copyright Exchange by the end of 2012, which is intended to make it easier to market and license digital content. However, the Response recognises that the DCE would need to be implemented internationally in order to be effective.
- > Implementation of more of the fair dealing defences available under the Information Society Directive (2001/29) including the private copying and parody exemptions and the broadening of the non-commercial research exemption to cover text- and data-mining (to the extent permissible under the Directive, which does not expressly cover this

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concept). In a move which is likely to be controversial, while under the Directive the implementation of a private copying exemption is permitted on condition that the rightholders receive fair compensation, the Government has proposed that the compensation level in the UK be set at zero, avoiding the need for a copyright levy (for example on blank media). Legislative proposals are due by the end of 2011.

- > Assessment of the continuing need for a UK unregistered design right: any repeal here is still likely to result in complex transitional provisions being put in place. Proposals are due by the end of 2011.
- > Abandoning plans to introduce site-blocking under the Digital Economy Act 2010 as unworkable: this sits awkwardly with the decision in *Twentieth Century Fox v British Telecommunications* (discussed above).
- > Introduction of a copyright opinions service from the UKIPO by which the UKIPO would be empowered “to clarify the applicability of copyright law in ways that can be taken account of by business and the courts”, in particular, in relation to new technologies. The precise details of how the opinions would be able to influence judicial interpretation have yet to be addressed. The proposals appear to be different from the opinions service currently available from the UKIPO (under section 74A Patents Act 1977), which deals with validity and infringement of patents in specific cases.
- > A fresh attempt to make orphan works available for commercial use. (Orphan works are those to which access is restricted because the copyright owner cannot be traced.) The initiative overlaps with the Commission’s proposal for an orphan works directive included within its “[Blueprint for Intellectual Property Rights](#)” published in May.
- > A White Paper is due in spring 2012.

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By [Alex Batteson](#) and Stephanie Tang, London

Patents: The scope of product-by-process claims

The Patents Court has held that a seller of products cannot avoid liability for infringement of a product-by-process claim on the basis that the whole of the inventive concept lies in the claim to the identification of a molecule which it does not infringe and that the product-by-process claim adds only an uninventive manufacturing step to the identification claim (*Medimmune v Novartis Pharmaceuticals UK*, [2011] EWHC 1669 (Pat), 5 July 2011).

The scope of product-by-process claims

Medimmune, the exclusive licensee of the Medical Research Council’s “phage display” patents, sued Novartis for infringement on the basis of its sales of eye treatment product ranibizumab. A seller of products will infringe a product-by-process claim if the product has been *directly* obtained from the patented process (Article 64(2) European Patent Convention (“EPC”). Novartis argued that ranibizumab was not directly obtained from the process

of identifying the molecule claimed by Medimmune's patent, which process, even if inventive, had been carried out by Genentech in the US and not Novartis. Thus Novartis submitted that it could not be infringing a sub-claim (to the identification claim) with no independent validity covering a conventional manufacturing process through which the ranibizumab product was obtained (albeit directly).

The Patents Court rejected the submission. There was nothing to prevent a patentee from framing its claims beyond the manufacture of an inventive intermediate product to an entire process. The sale in the territory covered by the patent of end products directly obtained from the final stage of the process would be infringing even if the process were carried out in a patent-free jurisdiction.

Product-by-process applied to gene material

Novartis also tried to rely upon a defence to infringement under Article 8(2) Biotechnology Directive (98/44), which applies the product-by-process approach of Article 64(2) EPC to biological material (defined as that containing genetic information and capable of reproducing itself or being reproduced in a biological system (Article 2(1)(a) Directive)). Thus Article 8(2) extends the protection conferred by a patent on a process that enables biological material to be produced, to biological material directly obtained through that process. Novartis argued that since Medimmune's process claims involved production of biological material, they could not protect non-biological material such as ranibizumab.

The Patents Court rejected this argument: the claims were not ultimately directed to biological material and the fact that the processes involved biological material was immaterial. If Novartis were right, it would be difficult to obtain patent protection for recombinant methods of obtaining proteins since proteins were not 'biological materials' within the meaning of Article 2(1)(a), yet recombinant methods of producing them involved the production of biological materials: the purpose of Article 8(2) was to extend and not limit protection (see C-377/98, *Netherlands v European Parliament*, ECR I-7079, A G's Opinion). Thus Novartis would have infringed, if Medimmune's patents had not been held invalid following the Court's finding of no entitlement to priority.

The role of experts

Elsewhere in the judgment, Arnold J emphasised the heavy responsibility on lawyers to ensure that expert witnesses gave a balanced account in their reports, for example, of prior art, and revealed similar inventions of which they were aware. Arnold J found that the evidence of Medimmune's experts did not reflect that of any of the members of the skilled team and that one of the reports fell short in not reflecting the expert's opinions on the prior art excluding knowledge of the invention, and on the priority documents excluding knowledge of the patents-in-suit. Medimmune's other expert had gained his knowledge in phage display after the claimed priority dates. Neither report adequately cross-referred to the views of the other members of

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protection

the team. By contrast, Arnold J rejected criticism of Novartis' expert that he had not put himself in the position of the skilled man.

The need for expert witnesses to put forward the skilled person's perspective is questionable. In *SKB v Apotex* ([2005] F.S.R. 23), Jacob LJ emphasised that the expert's "primary function is to educate the court in the technology—they come as teachers, as makers of the mantle for the court to don. For that purpose it does not matter whether they do or do not approximate to the skilled man. What matters is how good they are at explaining things". It seems from Arnold J's judgment that all of the experts were at least capable of doing the latter.

By [Alex Batteson](#), London

Registered IP: Consequences of failure to register exclusive licence

The adverse consequences of failing to register a patent transaction have been highlighted once again, this time by the Court of Appeal in relation to the exclusive licence that was the subject of the *Schütz v Werit* ('manufacture or repair?') patent infringement action (*Schütz v Werit* [2011] EWCA Civ 927, 29 July 2011). (In *Lundbeck v Norpharma*, the Patents Court had considered the failure by an assignee to register the assignment of a granted European patent designating the UK at the UKIPO - see [Intellectual Property News, May 2011](#).)

The claimant was an exclusive licensee under a patent licence granted in 1994. It failed to register the licence until July 2008, shortly before it commenced patent infringement proceedings. Shortly before judgment in the case, the defendant told the claimant that it would be taking a point under section 68 Patents Act 1977 which states that where a person becomes the proprietor or exclusive licensee and the patent is subsequently infringed before the transaction is registered, the court shall not award the person costs or expenses in proceedings for the infringement unless (among other things) the transaction was registered within six months of its date. The Court of Appeal held first of all that the defendant could take the section 68 point even though it was raised late, since it was not a defence as such to infringement, but a bar on the court's jurisdiction to award costs.

The Court of Appeal interpreted section 68 to mean that in so far as an infringement claim covered a period for which a relevant transaction had not been registered when it should have been ('non-registration period') then any costs incurred during that period could not be recovered; costs for periods outside the non-registration period were recoverable in the usual way. As the defendant pointed out, this rendered section 68 "toothless", since the claimant that got its licence registered before it started the action would not lose much if anything. The court responded that it had considered whether Parliament had intended some sort of apportionment (presumably in terms of before and after registration, which would have been a natural reading of the section) but held persuasively that this would be impractical.

the claimant that got its licence registered before it started the action would not lose much

The amended section 68 came into force in April 2006, prior to which the bar on recovery was more draconian: it prevented recovery of damages (or an account of profits). The amendment was not retrospective (see *Thorn Security v Siemens Schweiz*, discussed in [Intellectual Property News, January 2009](#)), so the claimant was unable to recover damages accruing to April 2006. However, this had no effect on the recovery of costs, which was determined on the principle set out by the Court of Appeal above.

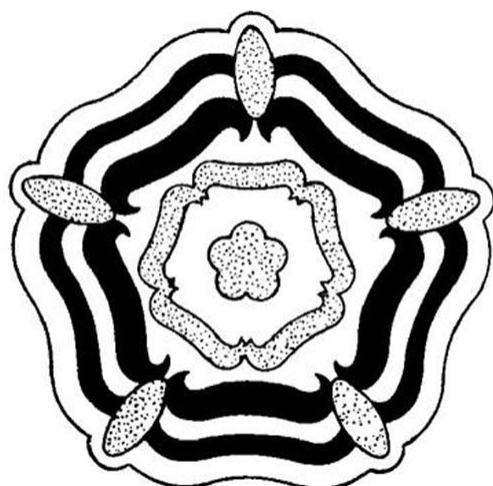
As a final twist in the story, it seems the claimant's exclusive licence was replaced by another which (at the time the judgment was handed down) had not been registered. Consideration of the consequences of this was adjourned for further argument.

By [Alex Batteson](#), London

Trade marks: Likelihood that 'some' consumers confused is sufficient

A recent decision of the High Court raises the question of through whose mind the global assessment of likelihood of confusion should be considered in trade mark infringement actions. Arnold J's ruling suggests that it is sufficient that only some consumers would be confused, (*Samuel Smith Old Brewery v Lee t/a Crompton Brewery*, [2011] EWHC 1879 (Ch), 22 July 2011).

The claimant, Samuel Smith, is the owner of the following rose device trade mark registered in relation to beers:



the claimant was unable to recover damages accruing to April 2006

The defendant, Cropton Brewery, marketed bottled beers with the following labels:



Samuel Smith sued Cropton Brewery for trade mark infringement. The High Court found that, as far as Yorkshire Bitter was concerned, while the identity of the goods and the distinctive character of the trade mark counted in favour of a likelihood of confusion, the differences between the defendant's white rose device and the trade mark, the remainder of the defendant's label and the identification of Cropton Brewery as the producer on the front of the label counted decisively against it. On the other hand, Arnold J found that, in relation to the defendant's Yorkshire Warrior product, while the majority of consumers would not be confused, overall there was a likelihood that *some* consumers would be confused into believing either that Yorkshire Warrior was a Samuel Smith product or that it had some other connection with Samuel Smith. Arnold J noted the correct test – that of the *average* consumer (*Sabel v Puma*, Case C-251/95) – earlier in his judgment, so it is surprising that he referred to a 'some consumers' test in his conclusion.

The test of "some consumers" can be found in *Arsenal v Reed* (Case C-206/01). In that case the ECJ said that its conclusion, that the use of the sign "Arsenal" created the impression that there was a material link in the course of trade between Mr Reed's goods and the trade mark proprietor, was not affected by the presence on Mr Reed's stall of a notice stating that the goods were not official Arsenal FC products: there was a clear possibility that *some* consumers, particularly if they came across the goods after they had been sold by Mr Reed and taken away from the stall where the notice appeared, might interpret the sign as designating Arsenal FC as the source of the goods. However, *Arsenal* can be distinguished on the basis that it was concerned with use of an identical sign in relation to identical goods. If a 'some consumers' test were applied in considering likelihood of confusion under Article 5(1)(b) Trade Marks Directive, this would make it easier for claimants to establish infringement.

Arsenal can be distinguished on the basis that it was concerned with use of an identical sign in relation to identical goods

Turning to Cropton Brewery's descriptiveness defence under Article 6(1)(b) Trade Marks Directive, it was accepted that the white rose was descriptive of the defendant's products' geographical origin. However, the question remained whether under the proviso to the defence the defendant had nevertheless used the device "in accordance with honest practices". Arnold J set out the factors which he had treated as material in earlier decisions. He noted that under the ECJ's approach, the essential requirement was a duty to act fairly (see, for example, *Gillette*, ECR I-2337). Among other things, Arnold J held that the defendant could not rely on advice from its solicitors that it was not infringing (and in respect of which it was claiming legal professional privilege) without disclosing it. In coming to this conclusion, the judge emphasised that he was not drawing any adverse inference from Cropton Brewery's refusal to waive privilege.

By [Alex Batteson](#), London

Trade marks: Meaning of use 'in relation to' goods

A recent decision of the High Court provides guidance on the meaning of use of a trade mark 'in relation to' goods in the context of the assessment of trade mark infringement (*Schütz v Delta Containers* [2011] EWHC 1712 (Ch), 5 July 2011).

The case arose out of the same facts that concerned patent infringement proceedings between Schütz and Werit in the English High Court (see above and [Intellectual Property News, May 2011](#)).

The claimants, Schütz, are the leading manufacturers and suppliers of rigid composite intermediate bulk containers ("IBCs") in the UK. IBCs are used for the transportation and storage of liquids. They consist of metal cages containing plastic bottles:



Schütz displays the "Schütz" trade marks conspicuously on their cages. The defendant, Delta, replaced the original bottles in the claimants' used IBCs with third party bottles (a practice known as "cross-bottling") and sold them.

Briggs J held that that, in selling cross-bottled IBCs, the defendant Delta was using the Schütz trade mark (stamped on the cages) *in relation to* not only the

the defendant could not rely on advice from its solicitors that it was not infringing

cages but also the non-Schütz bottle contained within it and, as a whole, the non-Schütz IBC. Thus Delta was unable to rely on the defence of exhaustion which might have been available to it had the use been in relation to the cages only (compare the position in “EU-Trade marks: Rights in bottle marks fail to prevent refilling” above).

Delta’s disclaimer labels attached to the cages stating that the bottles might not be sourced from Schütz were insufficient to avoid infringement on the basis of use of an identical mark in relation to identical goods (Article 9(1)(a) Community Trade Mark Regulation (207/2009)): the font was too small and the labels could come off in washing. However, obliterating the Schütz marks would have sufficed to preclude infringement. Delta preferred the labelling option because it was cheaper. Briggs J acknowledged that removal might become even more expensive if Schütz increased the number or size of its marks on the cages, but this was something that it was entitled to do. While not an issue in the case, it is arguable that if the size and number of the marks stamped on the cages were sufficiently large, this would amount to abuse under Article 102 Treaty on the Functioning of the European Union, given Schütz’s dominant position in the IBC market.

By **Alex Batteson**, London

disclaimer
labels attached
to the cages
stating that the
bottles might
not be sourced
from Schütz were
insufficient

Conference Papers

Marianne Schaffner spoke at a conference in Paris in July on social networks.

Author: Alex Batteson

This publication is intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. Should you have any questions on issues reported here or on other areas of law, please contact one of your regular contacts, or contact the editors.

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