

**Intellectual Property Quarterly  
Newsletter**  
January 2011



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# Trademarks and Brands

## Europe

### European Union

#### **ADVOCATE GENERAL: KEYWORD ADVERTISING BY EBAY DOES NOT CONSTITUTE A TRADEMARK INFRINGEMENT WITH RESPECT TO INFRINGING GOODS ON THE MARKETPLACE - ADVOCATE GENERAL OF THE COURT OF JUSTICE OF THE EUROPEAN UNION, OPINION OF 9 DECEMBER 2010, C-324/09, L'ORÉAL V. EBAY**

*Advocate General Jääskinen delivered his opinion in L'Oréal v. eBay, a case referred to the Court of Justice of the European Union for a preliminary ruling from the High Court of Justice of England and Wales. The case combines questions of primary liability (the use of signs by keywords in sponsored links) and secondary liability of the operator of an online marketplace for infringements by users of its service.*

In the national proceeding, L'Oréal argued that eBay should be liable (1) for the trade of infringing products by sellers on its platform and (2) for the use of keywords, such as trademarks, bought from paid internet referencing services. The keywords are displayed in so-called "sponsored links" when internet users type a trademark in a search engine.

In its decision, the Court of Justice of the European Union will have to balance the trademark owner's and the operator's contrary interests and consider aspects of Directive 89/104 (Trademark Directive), the scope of the exemption of the information service provider's liability, as contained in article 14 of Directive 2000/31 (E-Commerce Directive), and the scope of the right to obtain an injunction against an intermediary whose services are used by a third party referred to in article 11 of Directive 2004/48 (Directive on the Enforcement of Intellectual Property Rights).

In his opinion, the Advocate General took the view that the goods in question, i.e. perfume and cosmetic testers, which are not intended for sale to consumers, are not put on the market within the meaning of article 7(1) of the Trademark Directive. Therefore, the principle of exhaustion does not apply, so that the trademark owner can prohibit the sale of such goods by a third party. Likewise, the trademark owner was entitled to oppose the further commercialization of unpacked products if the outer packaging of perfumes and cosmetics was removed without his consent and if this was likely to damage the image of the goods and therefore the reputation of the trademark. Finally, the Advocate General assumed that offers for sale for products that are not meant to go on sale in the European Economic Area (EEA) infringed the trademark owner's rights if he could show that the advertisement was targeted at consumers within the EEA.

Whereas these assumptions could be made on the grounds of prior rulings of the Court of Justice, there were no guidelines regarding the questions on the use of signs in keyword

advertising and on the aspects of service provider liability of the operator of an internet auction marketplace.

Regarding keyword advertising, the Advocate General suggested that the display of a sign identical to a registered trademark in a sponsored link constitutes a "use" of the sign by the provider of an electronic marketplace within the meaning of article 5(1) (a) Trademark Directive. However, he held that the use of the sign by the provider of an internet auction marketplace did not have an adverse effect on the functions of the trademark, provided that the average consumer would understand on the basis of information included in the sponsored link that the operator of the electronic marketplace stores in his system advertisements or offers for sale by third parties.

With respect to the infringing offers for sale uploaded by users of the marketplace, the Advocate General found that the service of the operator of an internet marketplace amounted to nothing more than to the storage of information provided by a recipient of the service within the meaning of article 14 (1) E-Commerce Directive ("Hosting"). Therefore, the operator could not be charged with a general obligation to monitor the information stored. Thus, liability required either that the operator neglected his duty to take down an infringing content after notification or that the same user continued or repeated the same infringement in the form of subsequent listings relating to the same trademark.

We expect the ruling of the Court of Justice of the European Union to be rendered in April or May 2011. Although the Advocate General stressed that aspects of secondary liability may also need to be considered under national law, the decision of the Court of Justice could provide a benchmark for service provider liability in Europe and may be in contrast to prior ruling of national courts. ■

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#### **ADVOCATE GENERAL ON THE SCOPE OF A PROHIBITION FOR THE INFRINGEMENT OF A COMMUNITY TRADEMARK AND OF THE RESPECTIVE COERCIVE MEASURES - ADVOCATE GENERAL OF THE COURT OF JUSTICE OF THE EUROPEAN UNION, OPINION OF 7 OCTOBER 2010, C-235/09, DHL EXPRESS (FRANCE) SAS V. CHRONOPOST SA**

*Advocate General Cruz Villalón held that, in general, a prohibition issued by a national court against the infringing use of a registered Community trademark has effect as a matter of law throughout the entire area of the European Union. A territorial limitation only exists where the infringement or the action following the infringement is limited to a specific geographical or linguistic area.*

Chronopost, the owner of the French and Community trademarks "WEBSHIPPING" designating services for mail delivery, filed a lawsuit against DHL Express (France) SAS (DHL) before the Tribunal de Grande Instance de Paris for infringement of its trademarks. DHL used the words "WEBSHIPPING" and "WEB SHIPPING" for its internet based express mail management service without Chronopost's permission.

The court, acting as a Community trademark court, imposed an injunction against DHL as well as coercive measures, in particular a financial penalty, in case DHL failed to comply with the injunction. DHL appealed to the Cour de Cassation. Chronopost cross-appealed, claiming that the effects of the prohibition and the periodic penalty payment had been limited to French territory. The Cour de Cassation made reference to the Court of Justice of the European Union for a preliminary ruling in order to ascertain the territorial scope of the prohibition issued by a Community trademark court and of the coercive measures adopted in order to ensure that such prohibition was complied with.

The Advocate General first examined the territorial scope of the prohibition of a Community trademark court, and, second, discussed the scope of the coercive measures.

As to the territorial scope of a prohibition of a Community trademark court, the Advocate General held that a prohibition issued by a national court, acting as a Community trademark court, had, in general, effect throughout the whole Community unless it was explicitly limited by the circumstances of the case. It followed from article 102 of the Community Trademark Regulation (which provides a unitary legal system with a corresponding unitary protection for Community trademarks) that the scope of an infringement claim extends to the entire European Union.

As to the coercive measures, the Advocate General highlighted that these had the same territorial scope as the corresponding prohibition. Owing to the punitive character of these measures, the court of the Member State in which an infringement of the prohibition occurred was competent for the setting and enforcement of such measures according to national law. If its national law permits (Brussels I Regulation), the court simply had to recognize the order of the Community trademark court and to apply the financial penalty. If its national law did not provide for such measures, the court had to enforce the order in accordance with its national provisions to uphold the unitary protective system also with respect to coercive measures.

The Advocate General's opinion is not binding on the Court of Justice of the European Union. ■

**Tobias Dolde**

Counsel, Alicante

**Alexander Leister**

Associate, Alicante

**NO LIKELIHOOD OF CONFUSION BETWEEN FIGURATIVE MARK "GOTCHA" AND WORD MARK "GOTHA" AS CONSUMERS OF CLOTHING FOCUS ON VISUAL DISSIMILARITIES** - GENERAL COURT OF THE EUROPEAN UNION, JUDGMENT OF 25 NOVEMBER 2010, T-169/09, GOTCHA V. GOTHA

*The General Court considered the figurative trademark "gotcha" and the word mark "GOTHA" not similar in the field of clothing and accessories. The court stated that the consumers mainly focus on the visual dissimilarities. Furthermore, the conceptual connotation of "GOTHA" would exclude any likelihood of confusion with "gotcha."*

The Italian Company Vidieffe Srl applied for the registration of the word mark "GOTHA" as a Community trademark for goods in classes 18 and 25. Perry Ellis International Group Holdings, Ltd (Perry Ellis) opposed the application, relying on its figurative Community trademark, covering identical goods in class 25 and mostly similar goods in class 18 (different types of bags and purses, umbrellas, parasols, canes; clothing, footwear, headgear).



Perry Ellis' Community trademark

OHIM's Opposition Division rejected the opposition, holding that due to their visual, phonetic and conceptual differences the signs were not sufficiently similar to give rise to a likelihood of confusion pursuant to article 8 (1) (b) of Regulation 207/2009 (Community Trademark Regulation - CTMR). On appeal, OHIM's Board of Appeal held that the signs were confusingly similar for all contested goods, except for "leather and imitations of leather", due to their strong phonetic similarity, which would attract the consumers more than the visual or conceptual impression of the signs.

The General Court of the European Union annulled this decision.

Comparing the signs, the court emphasized that there was no general principle that the phonetic aspects of a sign had a greater impact than visual ones. In the sector of clothing and accessories the consumers mainly chose products because of the visual images on the products. The visual comparison was, therefore, of higher (or at least the same) importance than the phonetic comparison.

The court found that from a visual perspective the signs were very different.

The signs were phonetically dissimilar, as "GOTCHA" and "GOTHA" were pronounced differently - by the German and English speaking consumers who would link them with different meanings and by all other consumers owing to the different rhythm and intonation of the signs ("GOTHA" would be pronounced "GO" -"THA" and "GOTCHA" "GOT"- "CHA").

Conceptually, "GOTCHA" (derived from the English "Got You!") would be understood by the English-speaking consumer and Gotha was the name of a city in Germany. For the other relevant consumers in the European Union (in particular in France and Italy), "Gotha" was part of the common language meaning "elite."

Globally assessing the marks, the court concluded that mainly owing to the visual differences of the signs, but also due to their phonetic and conceptual differences, there was no likelihood of confusion pursuant to article 8 (1) (b) CTMR.

As a result, the General Court rejected Perry Ellis' opposition.■

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## Trademarks and Brands

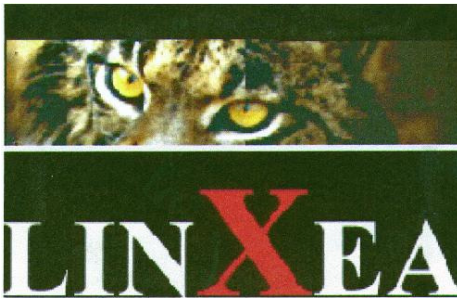
### Europe

### France

#### **DOMAIN NAME RESERVATION AND PURCHASE OF KEYWORDS: TRADEMARK INFRINGEMENT AND/OR UNFAIR COMPETITION PRACTICE? - COURT OF APPEAL OF PARIS (POLE 5 - CHAMBER 2), DECISION OF 1 OCTOBER 2010, FINANCE SÉLECTION V. DAVID CAPDEVIELLE AND LINXEA SARL**

*The Court of Appeal of Paris confirmed that the purchase of keywords is a trademark use in the course of trade. The reservation of domain names with the mere intention to prevent competitors from registering but not to use them cannot be considered a trademark use but constitutes an act of unfair competition.*

Linxea SARL is a French company operating in the insurance sector. M. David Capdevielle, who established Linxea, is the owner of the French composite trademark "Linxea", registered for, inter alia, insurance services.



David Capdevielle's trademark

In 2007, Finance Sélection, a French company also operating in the insurance sector, registered 24 domain names incorporating the trademark "Linxea" and purchased the keywords "linxea" and "linxeavie."

Linxea and M. Capdevielle initiated legal proceedings against Finance Sélection. Linxea requested Finance Sélection to transfer the domain names, basing its claims on unfair competition practice. M. Capdevielle claimed infringement of its trademark rights in "Linxea."

The Paris Court of First Instance held that the reservation of the domain names incorporating Linxea's company name and trade name constituted an act of unfair competition since its only purpose was to hinder Linxea to reserve new domain names and to further develop its internet activities, in particular as a use or exploitation of the 24 websites has never been planned. In addition, by purchasing the keywords "linxea" and "linxeavie" (which have no meaning in French) Finance Sélection tried to position itself in the wake of Linxea and to divert Linxea's customers for its own benefit. However, the court held that there was no trademark infringement. The absence of use of the domain names excluded any likelihood

of confusion. The mere reservation of domain names did not constitute a trademark use. The use of a trademark as a keyword was not a trademark use.

On appeal, the Court of Appeal of Paris partially annulled this decision, stating that the purchase of the keywords "linxea" and "linxeavie" was a trademark use in the course of trade since it has been made within the context of a commercial activity. The purpose of the purchase of the keywords was to re-direct Linxea's customers to its own website which offers insurance services. The court, however, agreed with the Court of First Instance that the mere reservation of domain names was not a trademark use since there were no goods or services offered for sale.

The Court of Appeal also confirmed the Court of First Instance's ruling that the reservation of the domain names and the purchase of keywords constituted acts of unfair competition.■

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## Trademarks and Brands

### Europe

#### Germany

#### **ASSESSMENT OF DISTINCTIVENESS OF A WORD MARK SHALL ALSO TAKE INTO ACCOUNT THE COMMON KINDS OF ITS USE - FEDERAL COURT OF JUSTICE, DECISION OF 24 JUNE 2010, I ZB 115/08**

*The Federal Court of Justice ruled that for the assessment of the distinctiveness of a trademark, the common kinds of its use shall also be taken into account. The registration of a word sign cannot be refused on the ground that one of the several options to apply it to the goods or the packaging, and as such to serve as an indication of origin, might also be registered as a position mark. For the registration of a trademark, it shall be assessed whether the public perceives the sign as an indication of origin or as merely descriptive of the goods in question - regardless of its specific use on labels, tags, patches or the packaging of the goods.*

The applicant applied for the cancellation of the German word mark "TOOOR!" ["GOAAAL!"], registered for goods and services in classes 9, 16, 25, 28, 35, 38 and 41, mainly claiming lack of distinctiveness. The German Patent and Trademark Office cancelled the trademark registration. The Federal Patent Court confirmed the decision, holding that the word "TOOOR!" was a general expression of the public when cheering for goals and it was also used in advertisements for a range of goods and services. Furthermore, the scope of protection of a trademark depended on its registration - therefore, if the distinctiveness of a word sign only resulted from its specific application on goods, the sign could only be registered as a position mark but not as a word mark.<sup>1</sup>

On further appeal, the Federal Court of Justice annulled the decision with regard to clothing, shoes and sportswear in class 28. The court held that for the assessment of the distinctiveness of a trademark, the common kinds of use - and not only one specific kind of use - should also be taken into account. It was sufficient if the sign could be used in some significant and obvious ways that the public perceived as an indication of origin - regardless of whether there were also other kinds of use the public might perceive as being descriptive. Furthermore, the registration could not be refused if one of these options to apply it to the goods or the packaging could also be registered as a position mark. Since the Federal Patent Court had not assessed if there were such significant and obvious ways to apply the "TOOOR" trademark to clothing, shoes and sportswear so that the public perceived it as an indication of origin, the Federal Court of Justice referred this question back to the Federal Patent Court.

With respect to all other classes, the court confirmed the decision of the Federal Patent Court, holding that the word "TOOOR" was descriptive of the goods and services in question.

In the decision, the Federal Court of Justice affirmed its approach that a sign which is perceived as an indication of origin because of its use on the product could be registered as a trademark. As in the past, the court applied a generous standard by accepting more than one kind of use indicating origin if the sign could be applied to the product in different positions.

Nevertheless, it is hard to predict whether the public perceives a sign in a specific position as an indication of origin. Therefore, the distinctiveness of signs that can be applied to products remains uncertain and, as a consequence, needs to be assessed on a case-by-case basis. ■

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#### **TRANSIT OF COUNTERFEIT ESTÉE LAUDER PRODUCTS STOPPED UNDER GERMAN TORT LAW - COURT OF APPEAL OF BERLIN, DECISION OF 12 OCTOBER 2010, 5 U 152/08**

*The Court of Appeal of Berlin held that the transit of counterfeit products through Germany under customs surveillance, threatening to infringe trademark rights in the country of destination, constitutes a tortious act in Germany. Therefore, the trademark owner may enjoin the transport company in Germany from transporting the products to the country of destination. Moreover, the transport company is obliged to surrender the products for the purpose of destruction.*

Estée Lauder Cosmetics Ltd, the world-famous producer of cosmetics, owns various worldwide trademarks for its products, in particular in Germany and Russia. In 2007, the customs office at Berlin Airport informed Estée Lauder Companies GmbH (Estée Lauder) about the retention of a shipment consisting of counterfeit perfumes. The defendant, a German transport company, intended to transport these perfumes to Moscow. The transport through Germany should have taken place under so-called external transit proceedings, i.e. from a customs law perspective without a formal import of the products.

Estée Lauder claimed that the products would infringe its trademark rights both in Germany and in Russia and requested the defendant to refrain from transporting the products to Russia and to surrender them for the purpose of destruction. As the defendant did not comply with the request, Estée Lauder started legal action against the defendant, based on claims of infringement of its German

<sup>1</sup> Decision of 12 November 2008, 29 W (pat) 85/07



trademarks and on German tort law on the ground that transport of the products through Germany to Russia contributed to the trademark infringement and was therefore an illegal act in Russia.

In its decision, the Court of Appeal of Berlin ordered the defendant to cease and desist from transporting the counterfeits to Russia and to surrender the products for the purpose of destruction.

The court rejected the claims of trademark infringement in Germany. It held that according to the Court of Justice of the European Union (CJEU) and the German Federal Court of Justice, the mere transit did not amount to the use of the trademark in the transit country. This case-law was also applicable in this case, although, unlike the facts in the cases decided by the CJEU and the German Federal Court of Justice, the goods at issue would also infringe trademarks in the country of destination.

A trademark infringement in the transit country could only be found if the trademark owner provided evidence that the counterfeit products were to be put into the course of trade in the transit country "*with certainty*." The fact that the products were also illegal in the country of destination was not sufficient to serve as such evidence. While the court acknowledged that the illegality of the products in the country of destination clearly showed the willingness of the counterfeit traders to infringe Estée Lauder's trademarks, this would only allow for finding an increased risk of the products to be put into the course of trade already in the transit country, yet, it would not constitute evidence that this was to happen "*with certainty*."

However, the court said that the right to enjoin the transport company from transporting the products to Russia and the right to request the destruction of the products could be based on German tort law. The court held that this was long established German case-law which had not become obsolete by the recent decisions of the CJEU and the German Federal Court of Justice which stated that the mere transit of products with a sign protected in the transit country did not constitute a trademark infringement while in transit. In none of these decisions the products at issue threatened to infringe trademark rights in the country of destination, which were the circumstances of the present case.

The court also held that although the defendant as a transport company was generally not obliged to check the originality of the products it transported in the first place, it would have been obliged to do so once Estée Lauder notified it about the counterfeit character of the goods. Hence, its liability arose when, after the notification by Estée Lauder, it neither made any inquiries to verify or falsify this allegation, nor surrendered the goods to Estée Lauder.

In practical terms, this decision is of high importance. It clearly strengthens the position of trademark owners in transit cases in Germany which was formerly very uncertain after the

CJEU decision in *Montex Holdings/Diesel*<sup>2</sup>. It confirms that in cases where the products are also to infringe trademarks in the country of destination trademark owners might already stop and destroy counterfeit products in transit in Germany. This is very important since, otherwise, trademark owners might be forced to seek protection in the country of destination which in many cases will either be unattainable or - at least from a practical perspective - often not available in time.

The decision is, however, not yet final as the defendant filed a further appeal to the Federal Court of Justice. ■

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#### THE "GENERAL PUBLIC LICENSE" DOES NOT GRANT USE OF THIRD PARTY TRADEMARKS FOR ADVERTISING MODIFIED VERSIONS OF OPEN SOURCE SOFTWARE - COURT OF APPEAL OF DÜSSELDORF, DECISION OF 28 SEPTEMBER 2010, I-20 U 41/09

*Free Software and Open Source Software programs (F/OSS) allow the general public to copy, distribute and modify the copyright-protected source code within the limits of the respective public copyright license. In a recent decision, the Court of Appeal of Düsseldorf clarified the relationship between the "General Public License" (GPL) and trademark law and confirmed that the GPL does not provide authorization for the use of third party trademarks.*

One of the F/OSS programs subject to the proprietary GPL is "xt:Commerce", a program for the administration of online shops, marketed by xt:Commerce GmbH (xt:Commerce). xt:Commerce claimed infringement of its Community trademark

**xt:Commerce**

xt:Commerce's Community trademark

by the defendant who develops software programs for supplementing the "xt:Commerce" software and advertised his programs and services with "xt:Commerce SEO ADMIN MODUL", "xt:Commerce SP 2.1a Update" or "xt:C MORE THAN A SHOP SYSTEM." In order to develop the programs the defendant had used xt:Commerce's source code in accordance with the terms of the GPL.

The Regional Court of Düsseldorf rejected the infringement claims. On appeal, the Higher Regional Court of Düsseldorf

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<sup>2</sup> Decision of 13 November 2006, C-281/05

granted the requested injunctive relief, holding that the defendant's use of the signs "xt:Commerce" and "xt:C" infringed xt:Commerce's trademark rights pursuant to article 9 (1) (b) Community Trademark Regulation (CTMR).

The court said that the defendant had used the signs "xt:Commerce" and "xt:C" in the course of trade in a way establishing a likelihood of confusion with xt:Commerce's Community trademark. The sign "xt:C" contained the dominant distinctive element of the trademark "xt:Commerce". The letter "C" was a commonplace abbreviation for "Commerce." Internet users would therefore wrongly assume that "xt:C" was the short form of the trademark "xt:Commerce."

The court rejected the defendant's argument that he used xt:Commerce's trademark merely as a legitimate reference to his offer of supplementary software and services for xt:Commerce's software. The court pointed out that under article 12 CTMR, a distributor of services, accessories and spare parts is not permitted to create the misleading impression of a commercial relation between himself and the trademark owner. The defendant therefore should have emphasized that "xt:Commerce" is a third party trademark used by him merely for describing the intended purpose of his own offer. Instead of the prohibited form of use "xt:Commerce SEO ADMIN MODUL" the defendant could have chosen a permissible descriptive reference such as "*SEO ADMIN MODUL is a computer program that supports online shop-systems such as 'xt:Commerce.'*"

xt:Commerce's trademark rights were not exhausted either. The defendant did not use the trademark for the distribution of an unmodified copy of the software "xt:Commerce" - an act that would have been subject to exhaustion. Rather, he created modified copies of the original source code. The right of copying, other than the right of distribution, is not subject to exhaustion. It is exclusively reserved - under copyright law as well as under trademark law - to the owner.

Finally, the court confirmed that the GPL does not contain consent for trademark use – neither expressly nor implied. Rather, the license merely regulates copyright. The court held that such a limitation to copyright law without any corresponding permission for the use of trademarks does not render the GPL useless. The developers of F/OSS programs could still market their modified versions under different names.

The relationship between consent under copyright and under trademark law in the context of the use of F/OSS programs raises various legal and socio-political questions. Like the widely used GPL, many public licenses contain no rules for the use of the corresponding trademarks. Many voices in the open source community call for a maximum degree of unfettered freedom, demanding free use of trademarks and title rights along with the free use of the F/OSS source code. Granting maximum freedom where copyright of F/OSS

programs is concerned is desirable for advancing the development of source code, and hence of technical progress. But in the context of trademark law, such a permissive practice would run contrary to its protective functions. The function of trademarks as guarantors of origin and quality would be substantially impaired if it was freely permissible under trademark law to market any number of different versions and modifications of an original computer program. For it would then be impossible for users to derive the necessary conclusions from a mark about the commercial origin of the corresponding software program as well as its properties and quality.

It is for this reason that those few F/OSS licenses that contain express rules on trademarks only grant the use of trademarks for copies of the unmodified original software, but not for developed versions of the source code. The Apache Foundation, for instance, permits its users the use of the trademark "APACHE" for modifications only in a descriptive form, such as "based on Apache Xerces" or "powered by Apache Tomcat". Likewise, the Mozilla Foundation complements its copyright license, the "Mozilla Public License" with rules on trademark use. Under the "Mozilla Trademark Policy", the trademarks of the Mozilla Foundation, such as the well-known trademark "FIREFOX" for browser software, may not be used for modified versions or for software downloads that are not offered free of charge. For the protection of trademarks from dilution and exploitation of reputation as well as for the preservation of the essential trademark functions, such a restrictive trademark policy is indispensable. ■

**Anthonia Zimmermann**  
Senior Associate, Hamburg

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## Trademarks and Brands

### Europe

### Italy

#### NO GENERIC CHARACTER OF BAYER'S TRADEMARK "ASPIRINA"; INFRINGEMENT BY SALE OF HOMEOPATHIC PILLS UNDER THE NAME "HERBASPRINA" - COURT OF APPEAL OF MILAN, DECISION OF 30 MARCH 2010

*Bayer AG and its Italian subsidiary Bayer S.p.A. (Bayer) claimed infringement of Bayer's trademarks containing the well-known name "Aspirina" by Elaborados Dieteticos S.A. (ED), a Spanish pharmaceutical company specializing in homeopathic products, who manufactured and sold in Italy homeopathic pills under the name "Herbasprina" for which it had registered in 1998 the Italian trademark "HerbAsprina" (No 845.511) for classes 5 and 30.*



ED's homeopathic products

In 2005, the Court of Milan declared ED's Italian trademark "HerbAsprina" invalid and granted Bayer's claims for damages in the amount of 40,000 Euros, holding that Bayer's rights in its trademark "Aspirina" were infringed.

ED appealed to the Court of Appeal of Milan, arguing that the trademark HerbAsprina was not invalid and the marketing of its products did not amount to an infringement since Bayer's "Aspirina" trademark was widely used by Italian consumers for indicating a large range of drugs used to cure generic diseases and, therefore, had become the generic name to identify the products. Furthermore, ED claimed that the core part of its "HerbAsprina" trademark was graphically and phonetically different from Bayer's "Aspirina" trademarks.

In its decision, the Court of Appeal of Milan held that due to the early registrations of Bayer's "Aspirina" trademark - the Italian and International trademark registrations date back to 1921 - and due to Bayer's wide and continuous advertising campaigns during the last decades "Aspirina" was a very strong and extremely well-known trademark. The court maintained that even if "Aspirina" was sometimes used in the current Italian language to describe a category of medicinal remedies, Italian consumers were aware that such name "remained the sign used to distinguish only one drug marketed [by Bayer] in Italy." The court added that Bayer's

continuous legal enforcement of its "Aspirina" trademarks over the years was sufficient to establish that "Aspirina" has not become the generic name of the product and, therefore, the trademark could not be revoked.

As to the claimed infringement of Bayer's trademark by ED's sign, the court said that the word "Herb" in ED's trademark was perceived by the relevant section of the public as a mere indication of the substance constituting the pills, whereas "Asprina" was the core part of the trademark and as such confusingly phonetically and conceptually similar to "Aspirina." Thus, there was a likelihood of confusion between Bayer's and ED's trademarks.

The Court of Appeal of Milan concluded that the manufacture and sale of ED's homeopathic pills under name "HerbAsprina" in Italy amounted to an infringement of Bayer's trademark rights in "Aspirina" and dismissed ED's appeal. ■

**Maria Luce Piattelli**  
Associate, Milan

**Alberto Bellan**  
Associate, Milan

#### VOLKSWAGEN'S "GTI" TRADEMARK IS NOT DESCRIPTIVE; NO INFRINGEMENT BY "GTYPE TUNING LINE" TRADEMARK - COURT OF MILAN, DECISION OF 31 MARCH 2010

*Volkswagen AG is the owner of the International word trademark "GTI" (No. 717592) which has also been extended to Italy. Bottari S.p.A., an Italian company which produces and sells car components owns the Italian trademark "GTYPE TUNING LINE."*



Bottari's Italian trademark

In 2009, Volkswagen requested Bottari S.p.A to refrain from using its trademark, claiming infringement of its trademark rights in "GTI".

Bottari initiated legal proceedings before the Court of Milan, seeking the invalidity of the Italian part of Volkswagen's International word trademark "GTI" on the grounds that "GTI"

had a mere descriptive character ("*GTI*" originally meant "*Gran Turismo Injection*") and lacked distinctiveness because it was commonly used by a number of competitors in the automotive sector. Volkswagen counterclaimed the infringement of its "GTI" trademark by Bottari's trademark.

With regard to Bottari's claim for invalidity, the Court of Milan said that according to Italian trademark law letters or group of letters were eligible to be protected as trademarks as long as they did not constitute an illicit use of a sign normally used in the common language. "GTI" matched these requirements as it was not an expression used in other fields than in the automotive sectors and since it had acquired a strong secondary meaning following the success of some Volkswagen car models.

The court maintained that even if "GTI" originally meant "*Gran Turismo Injection*" this injection system was nowadays used for many automotive products and, therefore, not anymore perceived as a distinguishing feature of Volkswagen's cars. Consequently, according to the court, "*GTI represents for the relevant section of the public something different from what it originally stood for.*" The informed user would usually refer "GTI" to a certain model of Volkswagen Golf rather than to a specific technical feature of a car. The court concluded that Volkswagen's "GTI" trademark was valid.

With regard to Volkswagen's counterclaim of infringement, the court held that Volkswagen's and Bottari's trademarks were not likely to be confused. Bottari's trademark was characterized by a strong graphic element, which was not the case in Volkswagen's trademark. Furthermore, "GTI" and "GTYPE TUNING LINE" were clearly phonetically different.

As a result, the Court of Milan dismissed both Bottari's and Volkswagen's claims. ■

**Maria Luce Piattelli**  
Associate, Milan

**Alberto Bellan**  
Associate, Milan

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## Trademarks and Brands

### Europe

### Netherlands

#### NON-COMMERCIAL USE OF TRADEMARK "DIGID" BY DUTCH GOVERNMENT DOES NOT INFRINGE DUTCH TRADE NAME RIGHTS IN "DIGI-D" - DISTRICT COURT OF THE HAGUE, DECISION OF 17 NOVEMBER 2010, NR. 371238, KG ZA 10-891

*The District Court of The Hague rendered a decision in the summary proceeding DigiD v. Digi-D. In particular, it gave guidance on the use of a sign in the course of trade.*

The company Digi-D, founded in 2003, offers commercial services with regard to the design and visualization of logos, labeling prints and the styling of collections, fabric patterns for furniture, curtains and textiles, the development of means of communication as well as printed matter support and website construction and internet services.

In 2004, Digi-D was confronted with the use of the sign "DigiD" (as an abbreviation for "Digital Identity") by the foundation ICTU founded by the Ministry of the Interior and Kingdom Relations and the VNG (Association of the Netherlands Municipalities) for the development of the "electronic government." The electronic government aims to improve the work processes of the authorities, the service provided to society and interaction with citizens. By using a "DigiD", users can access a large number of online services by the Dutch government agencies. The Dutch government has registered the logo "DigiD" at the Benelux Office for Intellectual Property as a figurative trademark.



Dutch government's "DigiD" trademark

Digi-D claimed that the use of the sign "DigiD" by the Dutch government infringed the rights in its trade name as it was detrimental to its trade name reputation. It also claimed unfair competition practice as it suffered damage from receiving and answering emails addressed wrongly.

The District Court of The Hague rejected the claims. It stated that the use of the sign "DigiD" for the Dutch government's digital authentication service was a non-profit activity which could not be qualified as an infringement of an undertaking on a trade name. The registration of the sign as a trademark did not constitute use of Digi-D's trade name as the logo and the word "DigiD" were not used in the market for the goods or services protected by the trade name.

The court said that according to the decisions of the Court of Justice of the European Union *Arsenal Reed*<sup>1</sup> and *Opel v. Autec*<sup>2</sup> a sign was used in the course of trade if it was used in the scope of a commercial activity in order to gain an economic advantage. This was not the case if the sign was only used with regard to governmental tasks.

With regard to Digi-D's claim that the use of the very similar mark constituted an unfair competition practice, the court held that this was only the case if there was an actual and evident likelihood of confusion and additional circumstances showing the wrongful act.

The court noted that this view was not contradicted by the measures taken by the Dutch government after consultation with Digi-D in order to counter the confusion with the public, in particular, by offering 100,000 EUR as a compensation for the measures taken by Digi-D to end the confusion, such as a change of name. Digi-D claimed that this amount was not sufficient; however it was not able to prove this claim.

As a result, the District Court of The Hague rejected all of Digi-D's claims and ordered Digi-D to pay the costs of the proceedings.

The decision was appealed by Digi-D. ■

**Caroline Hooper**  
Associate, Amsterdam

<sup>1</sup> CJEU, decision of 12 November 2002, C-206/01

<sup>2</sup> CJEU, decision of 25 January 2007, C-48/05

# Trademarks and Brands

## Europe

### United Kingdom

#### INTELLECTUAL PROPERTY ENFORCEMENT IN SMALLER UK FIRMS

*A brief summary of the UK Strategic Advisory Board for Intellectual Property Policy (SABIP) report on IP enforcement highlighting recent trends and obstacles faced by smaller UK firms in IP disputes.*

This report was commissioned by SABIP and published by the UK-IPO in October 2010. It details the results of online and telephone surveys as well as reviews of patent and registered design cases between 2003 to 2009. A total of 1,858 small firms were contacted and over 80% rated IP as important to their business. Approximately 25% of the firms had been involved in an IP dispute in the past 5 years. However, 75% of firms did not have insurance to help meet the costs of IP disputes stating high costs as the main reason.

The IP disputes were as likely to be with firms of a similar or smaller size as they were to involve larger firms. An exchange of letters between solicitors was by far the most common solution tried, resolving the dispute in approximately 40% of cases. High level negotiation between firms was used in a third of the cases, but other methods such as mediation, use of the UK-IPO, small claims or county courts were rarely used. Only 13% of disputes ended up in the High Court. A significant proportion of listed patent cases – approximately 50% – involved UK vs foreign firms and settlement occurred in about 40% before trial. Whilst SMEs and larger companies had similar success rates, micro firms had a marginally lower success rate, especially if the micro firm was a claimant. Micro firms were also more likely to settle before trial.

The research was complemented by a series of interviews with a selection of managers who had replied to the surveys. The key points highlighted were:

- 1) Costs deter enforcement: The financial costs of IP litigation, and in particular the costs of professional advice, were mentioned as a significant deterrent to litigation. A small number of interviewees said that they had effectively stopped enforcing their IPRs because of the costs involved.
- 2) Reputation and R&D impacts: Damage to reputation and the commercial costs of failure are further risks of litigation, as well as time taken up by senior management and R&D personnel.
- 3) Overseas enforcement is unaffordable: Managers often stated that using IPRs to prevent infringement overseas was even more costly than UK litigation and often beyond their resources. Some interviewees speculated on possible forms of government support in IP enforcement, either through legal aid or via improved systems of communication and advice for smaller firms.

The interviews confirmed the survey findings that, for smaller firms, IP disputes rarely end up in court, yet IP disputes are relatively common. Some smaller firms interviewed found that they could protect their IP simply and at low cost. At the other extreme, some firms faced crippling litigation costs when enforcing their rights, in addition to the risk of losing the IPR itself. There was little evidence of a middle way. IP enforcement appears to consist of either small scale, easily resolved disputes, or lengthy, expensive and high-risk litigation.

#### Implications of IP Enforcement Procedures

The report concludes that in seeking to balance the ability to enforce IP rights across firms of different sizes, there is a need to do so in ways that do not add significantly to the social costs of enforcement. If too many costs are incurred as a result of grants to smaller firms, society may end up subsidizing an excess of litigation. An alternative policy would be to have cheaper enforcement procedures that are attractive to smaller firms. A key finding of the survey was the very limited use of arbitration or mediation and opinions sought from the UKIPO on patents. In addition, where litigation occurred it was predominantly pursued through the High Court rather than the County Courts. Encouragement for smaller firms to use such less expensive procedures might also be accompanied by advice and information to smaller firms on how to view their IP strategically, so that it becomes a better means of extracting value from their inventions, rather than merely a means of protecting them from infringement. ■

#### David Choi

Trademark Administrator, London

## Trademark and Brands USA

### LITIGANTS AND AMICUS PARTIES FILE ARGUMENTS IN CLOSELY WATCHED KEYWORD ADVERTISING APPEAL - CASE NO. 10-2007 (4TH CIR.), ROSETTA STONE LTD V. GOOGLE INC.

*Between October and December 2010, briefs by the parties and over 30 amici were filed in Rosetta Stone's appeal to the Fourth Circuit Court of Appeals of a decision of the U.S. District Court for the Eastern District of Virginia, which granted a motion for summary judgment by defendant Google Inc. against plaintiff Rosetta Stone Ltd on the grounds that Google's sale of "Rosetta Stone" keywords for use in Google "AdWords" advertisements did not constitute direct or secondary trademark infringement or dilute Rosetta Stone's marks.*

In an opinion issued on August 3, 2010, the District Court held that *"no reasonable trier of fact could find that Google's practice of auctioning Rosetta Stone's trademarks as keyword triggers to third party advertisers creates a likelihood of confusion as to the source and origin of Rosetta Stone's products."* The court also held that *"because Google uses Rosetta Stone's trademark to identify relevant information to users searching on those trademarks, the use is a functional and non-infringing one."*

On appeal, Rosetta Stone argued that the District Court failed to analyze each of the nine confusion factors, even those that were undisputed, and that as to those where a dispute existed, the district court impermissibly resolved them in favor of Google. As part of its argument that confusion is likely, Rosetta Stone pointed to previously redacted information indicating that Google's internal studies showed the confusion rate to be *"very high,"* in addition to complaints from other brand owners and instances of actual confusion. Rosetta Stone has also argued that the functionality doctrine has no application to keyword advertising, but rather applies to characteristics of the trademark owner's product (such as particular colors or other product features or trade dress).

Over two dozen amicus parties, including INTA and several brand owners, filed five amicus briefs in support of Rosetta Stone's request to vacate the District Court's decision. In addition to generally supporting Rosetta Stone's lead arguments on appeal, the collective briefing provided in-depth discussion of the application of initial interest confusion, functionality, dilution and secondary liability through inducement in the area of trademark law. The United Kingdom Intellectual Property Law Society filed a brief in support of neither party regarding the district court's construction and application of the functionality doctrine and its relationship with principles of fair use.

Google's response generally argues that its customers' uses of Rosetta Stone's marks made to describe or compare Rosetta Stone products are insulated from infringement by principles of fair use. It has also pointed out that to the extent Google has been made aware of uses by counterfeiters, it has not acted in conjunction with these bad actors but rather has taken action. Google argued that, moreover, the evidence offered to show consumer confusion was minimal.

Five *amici* have filed three briefs in support of Google. Yahoo! and eBay argued that online services have a right to engage in keyword advertising pursuant to nominative fair use principles, inducement secondary liability does not apply to Google's activities, and that monitoring for infringing uses without brand-owner assistance would be prohibitively difficult if not impossible. The organizations Public Knowledge and the Electronic Frontier Foundation have argued that use of keywords was not "trademark use" - notwithstanding that virtually all courts to consider the issue have held that such use is "use in commerce" - and that Google is not secondarily liable because its customers' uses are fair uses. Finally, Public Citizen has taken a free speech approach to its main arguments in support of the district court's decision in favor of Google, putting forth the position that keyword advertising and the sale of keywords are forms of commercial speech that must be interpreted consistent with the free speech rights granted under the First Amendment to the U.S. Constitution.

Additional briefing on reply is to come from Rosetta Stone, followed by oral argument and an ultimate decision from the Fourth Circuit Court of Appeals. We will keep you apprised of developments in this important and closely watched case. ■

**Eleanor M. Lackman**  
Associate, New York

## Patents Europe France

### FRENCH PATENTEE-FRIENDLY APPROACH WITH REGARD TO SUFFICIENCY OF DESCRIPTION OF PATENT CLAIMS - COURT OF APPEAL OF PARIS, DECISION OF 27 OCTOBER 2010, JOHNSON & JOHNSON MEDICAL LIMITED, JOHNSON & JOHNSON VISION CARE, INC. AND ETHICON V. NOVARTIS AG

*The Court of Appeal of Paris decided in an infringement action brought by Novartis AG relating to a patent for "extended wear ophthalmic lenses." The decision in particular confirms the long practice of French Courts with regard to sufficiency of description of patent claims, which tend to decide in favor of the patent owners.*

Novartis AG is the owner of the European patent EP 0819258 B1 relating to "extended wear ophthalmic lenses." The patent mainly covers a contact lens made of a polymeric material formed from polymerizable materials comprising a specific composition. It was granted in 2001, revoked in an opposition proceeding in 2003 and maintained in its original form by the Technical Board of Appeal in its decision of 12 July 2007<sup>1</sup>.

Novartis initiated proceedings against Johnson & Johnson Vision Care, Inc., Johnson & Johnson Medical Ltd and Ethicon for the infringement of the French designation of its patent by marketing Johnson & Johnson's ophthalmic lenses under the name "Acuvue oasys with hydraclear plus", in particular in France, through its European subsidiaries, the UK company Johnson & Johnson Medical Ltd and the French company Ethicon. Novartis claimed that Johnson & Johnson's contact lenses reproduced the characteristics covered by claim 1 of its patent.

The litigation was not limited to the French case but also took place in other jurisdictions. The Court of Jacksonville in Florida, USA, found the patent valid and Johnson & Johnson's lenses to be infringing. The German Federal Patent Court found the patent invalid for lack of novelty. The decision of the English Court of Appeal of 29 September 2010 confirmed the first instance decision of the High Court and revoked the patent for insufficiency of description.

In the case at issue, the Court of Appeal of Paris upheld the decision of the First Instance Court of Paris which had ordered a permanent injunction against Johnson & Johnson, holding Novartis' patent valid and infringed by Johnson & Johnson's contact lenses<sup>2</sup>.

In particular, the Court of Appeal rejected all Johnson & Johnson's claims of insufficiency of description and lack of

novelty, thereby taking an opposite view to the English Court of Appeal and German Federal Patent Court.

With regard to sufficiency of description, under article L. 614-12 of the French Intellectual Property Code, "*a European patent may be revoked with effect for France on any one of the grounds set out in article 138(1) of the Munich Convention [the European Patent Convention].*" Article 138 (1) (b) of the European Patent Convention provides that the national designation of a European patent may only be revoked under the law of a contracting state "*if the European patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art.*"

Consequently, in France, sufficiency of description, according to which a patented invention must allow a person skilled in the art to put the invention into practice, is a formal validity requirement of a European patent.

The decision of the Court of Appeal of Paris confirms the long practice of French Courts which tend to favor the patent owners, aiming to give the patent descriptions and claims a coherent and understandable scientific meaning despite any understanding difficulty or any gap in the explanation. As an example, in a distinct earlier case, the First Instance Court of Paris set aside the literal wording used in the patent and replaced it with the only technically coherent wording in order to properly scientifically construe the claim of the patent whose nullification was sought<sup>3</sup>.

In the case at issue, Johnson & Johnson had argued that the ion permeability of the polymeric material of the contact lenses was of importance in the patent claims and therefore needed to be clearly quantified. In this respect, two formulas for calculation were disclosed in the patent but they led to different results due to the fact that the second formula described was actually erroneous.

Novartis did not contest what the court called a "*blatant error.*" Nevertheless, instead of finding insufficiency of description, the court held that a person skilled in the art "*had the basic scientific knowledge enabling him to rectify that error himself.*"

The Court of Appeal of Paris concluded that Novartis' European patent disclosed the invention in a manner sufficiently clear and complete and, thus, could be carried out by a person skilled in the art. Therefore, the court found Novartis' patent valid. ■

**Stanislas Roux-Vaillard**  
Senior Associate, Paris

<sup>1</sup> T 246/04

<sup>2</sup> Decision of 25 March 2009

<sup>3</sup> First Instance Court of Paris, 1 February 2008, Sogeval v. Novartis santé animale

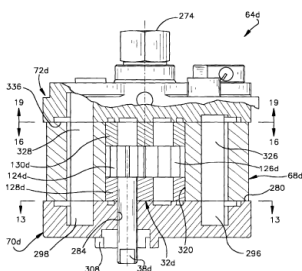


## Patents Europe Germany

### COURT TO CONSIDER LIMITED VERSION OF A PATENT IN INFRINGEMENT PROCEEDINGS EVEN BEFORE A FINAL DECISION IN PARALLEL NULLITY PROCEEDINGS IS RENDERED - FEDERAL COURT OF JUSTICE, DECISION OF 6 MAY 2010, XA ZR 70/08 (MACHINE ASSEMBLY)

*The Federal Court of Justice decided on the controversial question of whether a non-final limitation of a patent can be considered in infringement proceedings. The court held that the patentee is able to enforce his patent - at least in its limited version - without having to wait for a final decision in parallel nullity proceedings and with a reduced risk of a stay of proceedings.*

The plaintiff brought an infringement action on the basis of his European patent for an electro-hydraulic machine assembly and requested injunctive relief, rendering of accounts and destruction of the defendant's infringing products as well as a declaratory judgment regarding the defendant's liability for damages.



Plaintiff's patent

The District Court of Düsseldorf found no infringement, holding that there was no congruence between the attacked embodiment and the protected technical solution.

In the meantime, the defendant had attacked the patent in suit (the patent underlying the infringement action) by way of nullity proceedings. In these proceedings, the claims of the patent were limited so that the patent was only maintained in this limited form for the territory of Germany. Both parties appealed this decision.

In the infringement proceedings, the plaintiff appealed the decision of the District Court of Düsseldorf; however, now based on the limited claims of the patent in suit, as upheld by the Federal Patent Court.

The Court of Appeal of Düsseldorf confirmed the decision of the District Court, but allowed a further (legal) appeal to the Federal Court of Justice. The court said that the question how the scope of a patent shall be construed for the purposes of infringement proceedings on the basis of a limited version of patent claims before a final decision in parallel nullity

proceedings has been rendered was a "fundamental" question of law under the German Code of Civil Procedure.

The Federal Court of Justice now confirmed that it is possible to consider the limitation of a patent in infringement proceedings, even before a final decision in parallel invalidity proceedings has been rendered. However, the limited version of patent claims can only form the basis of the assessment of infringement if the formal request has been limited accordingly. The subject matter of the infringement proceedings is limited to the question whether the patentee is entitled to its claims on the basis of the limited patent. Therefore, limiting the formal request corresponding to the limitation of the patent claims is the only way to take the subject and scope of the limited patent in suit into account before the limitation is finally established in the nullity proceedings.

In German infringement proceedings, the court is generally bound by the patent as granted without any competence to decide on the validity of the patent in suit. Nevertheless, the patentee is free to limit the matter in dispute by asserting the limited patent claims and phrasing the request in the statement of claim correspondingly. Such limitation may be made from the very beginning or during the infringement proceedings by an amendment of action.

Such restriction might also be relevant for the decision to stay the infringement proceedings pending a final decision in the nullity proceedings. The decision to stay the infringement proceedings essentially depends on the chances of success (of the nullity plaintiff) in the nullity proceedings and, therefore, must be made on the basis of the version of the patent which is defended in the nullity proceedings. As a consequence, the decision to stay the proceedings depends not only on the patent's validity, but also on the admissibility of its limitation.

The decision conveys important consequences for German patent law. It brings more clarity for the patentee in deciding on the best litigation strategy while the outcome of the nullity proceedings is still uncertain. Furthermore, the patentee can avoid formal limitation procedures according to section 64 of the German Patent Act / article 105a EPC. The implication for the infringement court to rely on a - strictly speaking - "unexamined" right is justified by the consideration that the competent granting authority has established the patentability with regard to the original, unlimited version. Provided that the limitation leads to a sufficient distinction from the relevant prior art, this finding will usually also apply to the limited version. From the defendant's perspective, there is no unreasonable disadvantage. Should the patent turn out to be invalid even in the limited version, the defendant is entitled to claim compensation if the plaintiff has already enforced the judgment. ■

**Miriam Gundt**  
Senior Associate, Düsseldorf

**GERMAN PATENTEE-FRIENDLY APPROACH IN "ADDED MATTER" CASES** - FEDERAL COURT OF JUSTICE, DECISION OF 21 OCTOBER 2010, XA ZB 14/09 (*ANGLE MEASURING DEVICE*)

*The Federal Court of Justice confirmed that a feature of a patent claim which has not been sufficiently disclosed in the originally filed documents can remain in the claim provided that this constitutes a limitation of the content of the patent application. Such patent would not be considered as invalid on the basis of "added matter". This approach differs from the standpoint of the Enlarged Board of Appeal of the European Patent Office which would revoke the patent in such an "added matter" scenario.*

Both the German Patent Act (GPA) and the European Patent Convention (EPC) provide that a patent is invalid if the subject-matter of the claim goes beyond the content of the original application. In such "added matter" scenarios, the subject-matter of the claim can usually be limited during the nullity proceedings so that it is eventually covered by the content of the original application and therefore complies with the legal requirements. In scenarios where such limitation can only be accomplished by deleting the - originally not disclosed - feature from the claim, such deletion would broaden the scope of the patent, which is again inadmissible under the GPA and the EPC. The patent owner is therefore faced with the dilemma that his patent is invalid either under the added matter rule or owing to inadmissible broadening.

In its decision, the Federal Court of Justice again confirmed the practice of the Federal Patent Court according to which a claim feature which has not been sufficiently disclosed in the application can, under certain conditions, remain in the claim without rendering the patent invalid.

The court emphasized that in order for the patent to be valid, the added feature of the patent claim needs to be a limitation of the subject-matter of the patent compared to the invention disclosed in the original patent application. It specified this "limitation" requirement in more detail, stating that the patent would not be maintained if the relevant feature rendered the protected invention into an "*aliud*", thus an invention different to the one disclosed in the original application. A limiting feature would be considered as an "*aliud*" unless it had been disclosed in an actual embodiment of the invention or in a more abstract form in the original application. On the contrary, an (admissible) limitation of the content of the patent application would be given in cases where the added feature made the technical teaching of the patent simply more comprehensible.

Furthermore, the court held, the patent owner did even not need to include an explicit note in the patent specification stating that he will not derive any rights from the (inadmissible) amendment of the claim (which would correspond to the so-called footnote solution of the Federal Patent Court). Such an explicit disclaimer was not conclusive

or required by law but it was sufficient that the patent owner would in fact not derive any rights from this inadmissible feature (in particular that this feature would not be apt to be considered for the assessment of the validity of the patent).

The court also mentioned that his solution differed from the view of the Enlarged Board of Appeal of the European Patent Office which would declare the patent invalid even in cases where the added feature limited the scope of the patent. However, the court explicitly stated that this differing solution may lead to unreasonable consequences on the part of the patent owner and was not justified by any public interest, at least from a German law perspective.■

**Sabine Boos**

Senior Associate, Düsseldorf

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### RECENT DECISIONS AND AMENDMENT OF THE ITALIAN PATENT LAW SUGGEST NARROWER APPROACH ON EQUIVALENCE IN ITALY

*The Forel/Lisec decision of the Italian Supreme Court<sup>1</sup> is the most authoritative precedent in Italian patent law when considering patent infringement by equivalents. However, recent decisions by the Court of Milan and other lower courts as well as the recent amendment of the Italian patent suggest a more tailored approach of the Italian doctrine of equivalence.*

In the *Forel/Lisec* decision, the Supreme Court had held that a contested technical solution was equivalent to and therefore constituted an infringement of a patent if it obviously applied the same idea of the technical solution. It was not equivalent if, although reaching the same final technical effect, it was characterized by an inventive step and thus offered a non-obvious or non-repetitive response to the previous solution exceeding the skills of a technical expert in the field. Only in such case it could be assumed, so the court, that the technical solution was not part of the inventive concept of the patent. The assessment should be based on "the concept of the solution." This approach was presumably influenced by German case law according to which the question on equivalence is "whether a person skilled in the art is able to solve the problem with equally effective means, i.e. to achieve the desired success with other means also leading to the same result."<sup>2</sup> However, whereas the German Federal of Court of Justice based its assessment "on the invention protected by the claims", referring specifically to the "means" adopted by the contested device, the Italian Supreme Court provided for a wider approach.

In a decision of 20 April 2010, the Court of Milan addressed again the issue of equivalence.<sup>3</sup> It held that an allegedly infringing element was equivalent if it performed substantially the same function of the patented element, in the same way and with the same result (so-called triple test: "same function, same way, same result"). The court concluded that the mere fact that the contested device solved the same technical problem and reached the same result was not sufficient to lead to an infringement if the result was achieved in a totally different way.

The approach by the Court of Milan could appear as a return to the U.S. doctrine of equivalents, implicitly discarded by the *Forel/Lisec* decision of the Supreme Court. However, a more comprehensive examination of the court's reasoning does not

allow such conclusion. In fact, the starting point of the assessment remains "the concept of solution" or the "inventive idea" of the patent which should be considered in its implementation through the specific means outlined in the claims. Accordingly, the Court of Milan, rather than departing from the approach of the Supreme Court, completed it with a closer examination of the subject matter of the patent as defined by the claims.

The same interpretation was applied by a number of lower courts' decisions in the last years.<sup>4</sup>

More recently, the rules for assessing the scope of protection of a patent have been revised by the Italian legislator who amended article 52 of the Italian Intellectual Property Code (IPC) which now provides that "for the purpose of determining the extent of protection conferred by a patent, due account should be taken of any element which is equivalent to an element specified in the claims." The new provision narrows the assessment of the equivalence from the inventive concept disclosed in the patent to the specifically claimed solution. However, it does not question the principle established by the Supreme Court that for the assessment of equivalence it needs be considered whether the contested solution offers "a non-obvious or non-repetitive response to the previous solution" in the light of the understanding of a person skilled in the art.

In conclusion, the recent developments of the Italian patent law on equivalence confirm the approach increasingly adopted by the lower courts and make room for an Italian doctrine of equivalence along the lines of the doctrine developed by the German courts. ■

**Riccardo Fruscalzo**

Associate, Milan

<sup>1</sup> Cass. 13 January 2004, n. 257, in Giur. It., 2004, 16

<sup>2</sup> Federal Court of Justice, decision of 29 April 1986 - "Formstein"

<sup>3</sup> Not published yet

<sup>4</sup> e.g. by the Court of Rome, Decisions of 9 September 2004, 9 April 2006 and 13 April 2006; and by the Court of Bologna, Decision of 19 January 2006

## Patents Europe Netherlands

### **PUBLICATION IN A DATABASE FOR PHARMACEUTICALS PRIOR TO PATENT EXPIRY CONSTITUTES PATENT INFRINGEMENT** - COURT OF APPEAL OF THE HAGUE, DECISION OF 2 NOVEMBER 2010

*The Court of Appeal of The Hague rendered a decision in Glaxo Group Limited (Glaxo) v. Pharmachemie B.V. (Pharmachemie) relating to the meaning of the term "offer" under the Dutch Patent Act 1995 (DPA 1995).*

Glaxo is the proprietor of a European patent which protects, in essence, its product Zofran (active ingredient Ondansetron). In view of the forthcoming expiry of Glaxo's patent, Pharmachemie, a subsidiary of the Teva Group, applied for a market authorization for its generic product Ondansetron. After obtaining the market authorization, Pharmachemie had included its product in "G-Standard", a database for pharmaceutical products published by Z-index (a subsidiary of the Royal Dutch Association for Advancement of Pharmacy). "G-Standard" was published before the expiry of Glaxo's patent. Also, at the request of Pharmachemie, a so-called Taxe letter was sent to all the users of "G-Standard" which included a disclaimer stating that Pharmachemie would not sell Ondansetron before the expiry date of the patent.

Glaxo brought proceedings against Pharmachemie before the District Court of The Hague, seeking a declaration that Pharmachemie had infringed its patent by offering generic Ondansetron before the expiry date of the patent.

The parties agreed that "G-Standard" plays a crucial role with regard to the marketing of medicines: in principle, every medicine available in the Netherlands is included in the database and it is used by all public and hospital pharmacists, general practitioners, health care insurers, pharmaceutical wholesale companies, medical-pharmaceutical companies, the Dutch government and several schools, universities and research institutes.

Pursuant to article 53 (1) (b) DPA 1995, the patentee has the exclusive right *"to use the patented process in or for his business or to use, put on the market, or resell, hire out or deliver the product obtained directly as a result of the use of the patented process, or otherwise deal in it in or for his business, or to offer, import or stock it for any of those purposes."*

At first instance, the District Court of The Hague held that the mere publication of the generic product Ondansetron in "G-standard" did not constitute a patent infringement. The insertion of the generic drug in "G-Standard" was not intended to be an *"offer (...) for one of those purposes"* pursuant to article 53 (1) DPA 1995, but Pharmachemie was forced to do so in order to be able to market its generic Ondansetron

product immediately after Glaxo's patent expiry. For this purpose, it did not make any difference that Pharmachemie had sent the Taxe letter.

The Court of Appeal of The Hague overruled this decision. It said that the term *"offer"* in article 53 (1) DPA 1995 should be interpreted in view of the European Patents Convention, i.e. in a broad sense and meaning *"offering in general"*, regardless of the grounds and what the person the product in question is offered to might do with it in the future. Thus, article 53 (1) DPA 1995 intended to prohibit the offering of patented products in the broadest sense.

Furthermore, the court considered the purpose of a publication in "G-Standard" to inform the market about generic products sold in the near future. The announcement in the Taxe letter, i.e. the disclaimer that the product would only be for sale after the expiry of the patent, could not alter this. To the contrary, by way of this announcement users of "G-Standard" would take notice of the generic product soon to be marketed. Given that it was well known that generic drugs are significantly cheaper than branded products, it was likely that the market behavior would be affected by the publication.

The Court of Appeal of The Hague concluded that the disclosure of a generic pharmaceutical product in "G-Standard" constituted an *"offer (...) for one of those purposes"* pursuant to article 53 (1) (b) DPA 1995. Since Glaxo did not grant permission to Pharmachemie to offer its generic pharmaceutical products, the publication of Ondansetron in "G-Standard" constituted an infringement. Although it agreed with Pharmachemie that this meant that (former) patentees could still profit from their monopoly position notwithstanding the expiry of their patents, the Court of Appeal of The Hague considered this to be an interest justified by law. ■

**Dirk-Jan Ridderinkhof**  
Associate, Amsterdam

# Patents Europe United Kingdom

## THE PATENTS COUNTY COURT - OPEN FOR BUSINESS

*A review of some early decisions from the newly re-launched PCC and some hints from His Honour Judge Colin Birss QC on how he sees the PCC operating going forward.*

In the October edition of this newsletter, we wrote about the re-launch of the Patents County Court (PCC) on 1 October 2010, under new rules, and under the auspices of a new judge, HHJ Colin Birss QC.<sup>1</sup> Since then, HHJ Birss QC has issued a number of judgments giving guidance on the applicability of the new rules. He also gave an address to members of AIPPI on 24 November 2010.

### The New Rules

HHJ Birss QC addressed the question of which rules should apply to existing PCC cases in the absence of transitional provisions for the new rules, in *Technical Fibre Products and another v. David Walton Bell and others* [2010] EWPC 011. In this decision, he made it clear that the new rules would apply to all cases commenced in the PCC after 1 October 2010. The new rules consisted of a package of measures, (addressing statements of case, statements of truth, case management, conduct of trials, costs and other matters), and were intended to operate as such and must, therefore, be applied to cases as a whole.

It is not possible to apply the new rules as a whole to existing cases in the PCC. Therefore, PCC actions commenced before 1 October 2010 will be dealt with under the old rules.

The new provisions on transfer set out in Practice Direction 30, which supplements CPR Part 30, apply to all cases from 1 October 2010, whenever they were commenced.

HHJ Birss QC further elaborated on the nature of the PCC and the new rules in his address to the AIPPI. He said that they were intended to create a quick and cheap forum for the resolution of all types of intellectual property dispute, which was to be a continental style court, (with a written procedure, and an involved judge), which also retained key features of British justice, such as, and where appropriate, cross-examination and disclosure.

The new rules relating to pleadings would require parties to state concisely all of the facts and arguments on which they relied. HHJ Birss QC indicated that for patent claims which included allegations of infringement, or invalidity by virtue of anticipation, he would almost certainly expect the pleadings to include a claim chart.

HHJ Birss QC said that he envisaged that these longer-type pleadings would interact with the case management conference (CMC), so that directions would be given, based on a consideration of all of the issues in the pleadings. Once the directions had been set, parties would not be able to diverge from them without the permission of the court, so parties must plead their cases fully to enable appropriate directions to be given at the CMC.

The new provisions requiring the statements of truth on pleadings to be signed by persons with knowledge of the facts alleged are designed to allow statements of case to stand as evidence.

### Transfer out of the PCC

In *ALK-Abelló v. Meridian Medical Technologies and Dey Pharma* [2010] EWPC 14, HHJ Birss QC considered the various rules<sup>2</sup> and case law governing transfer from the PCC to the High Court. He identified the following factors to be considered by the court:

- the financial position of the parties, including but not limited to considering whether a party can only afford to bring or defend a claim in the PCC;
- whether the claim is appropriate to be determined by a PCC, which involves considering:
  - the value of the claim;
  - the complexity of the issues; and
  - the estimated length of the trial; and
- the importance of the outcome of the claim to the public in general.

A factor which did not need to be considered was the availability of specialist judges, since they are available in both courts.

In ruling that *ALK-Abelló* should be transferred out of the PCC, the key factors which appeared to influence HHJ Birss QC's decision were the financial position of the parties and the value of the case on the evidence.

This has been borne out by HHJ Birss QC's later comments to the AIPPI, where he made it clear that the PCC has been set up for the benefit of small and medium enterprises (SMEs), and that he would transfer cases not fit to be dealt with by the PCC to the High Court.

### Transfer into the PCC

In *Vivienne Westwood v. Anthony Knight* [2010] EWPC 16, HHJ Birss QC ruled that the new rules as a whole will apply to cases transferred to the PCC on or after 1 October 2010. He indicated that provided statements of case filed in the High

<sup>1</sup> Article by Adam Cooke and Mark Marfé

<sup>2</sup> Including the provisions under the new PCC rules contained in paragraphs 9.1 and 9.2 of Practice Direction 30 (referred to in new Part 63.18)

Court set out concisely all facts and arguments on which a party relies, they would not need to be re-drafted, however, he would permit amendments to ensure the pleadings complied fully with the new rules. HHJ Birss QC reserved his position on the question of costs, and in particular, whether the whole costs of the proceedings started in the High Court and transferred to the PCC should be covered by the PCC costs cap, or whether the costs incurred before transfer should be treated differently.

#### Experience so far

HHJ Birss QC said in his address to the AIPPI that his diary was filling up, and that parties were filing more and more claims in the PCC. The time between a directions hearing on a case and trial was shorter than that in the High Court, and he intended to continue on this basis, with the aim of hearing cases between 4 and 6 months after the CMC.■

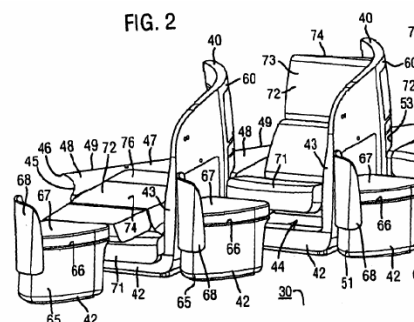
#### Sarah Johnson

Associate, London

### THE VIRGIN ATLANTIC UPPER CLASS SEATING SAGA - AN UNUSUAL UK SUMMARY JUDGMENT - HIGH COURT, DECISION OF 30 NOVEMBER 2010, VIRGIN ATLANTIC AIRWAYS LIMITED V. DELTA AIRWAYS, INC. [2010] EWHC 3094 (PAT)

*This is the latest case in a long-running series of IP disputes relating to the design of Virgin Atlantic's business class "flat bed" seat module. In a very unusual judgment for the UK, the UK High Court (Arnold J) granted summary judgment to the defendant in a patent infringement case. Summary judgment is not usually granted (or even applied for) in patent actions since it is generally accepted that the complexity of patent cases and the typical reliance on expert witness evidence makes it impossible for a judge to come to a summary determination of the strength of either party's case. What was different in this case was the long history of litigation on the same patent asserted by Virgin. This allowed the judge to decide the issues on a summary basis without recourse to further expert evidence.*

Virgin Atlantic Airways Limited (Virgin) developed its seat, known as the Upper Class Suite in the early 2000s and sought to protect the design of the seat, seating systems incorporating these seats, and aircraft cabins containing such seating systems with a number of related European patents and unregistered design rights.



Virgin's patent showing the UCS seat system in seat and in bed mode

It asserted its patents against the manufacturer of the Upper Class Suite, Premium Aircraft Interiors (trading as Contour), who had also manufactured seats for several other airlines. Virgin claimed that these seats infringed its rights, and had taken the battle to the UK Courts on several occasions over the alleged infringements and the validity of its patents and oppositions were also brought in the EPO by Contour and other airlines.

The defendant in this latest case, Delta Airways, Inc., had bought seats from Contour. Virgin alleged that Delta was jointly liable for the infringing acts of Contour in making seat systems and/or supplying a "kit of parts" to assemble a seat system from individual seats. For the purposes of application, Delta accepted the findings of the UK courts in the previous action against Contour and that it was jointly liable for any infringing act Contour had committed.

The scorecard in the action against Contour was a mixed bag. The High Court had found no design right infringement and found the patent valid but not infringed. On appeal the Court of Appeal had maintained the validity of the patent but found that Contour's seats did infringe. However, enforcement of the Court of Appeal judgment (and any further appeal) was stayed pending the decision of the Technical Board of Appeal in the opposition. The TBA decision amended the patent to remove the claims to single seats rather than seat systems. It was on these single seat claims that the UK Court of Appeal had found infringement.

As this was an application for summary judgment, the judge had to consider whether Virgin had a real prospect of success in proving that Delta had infringed its patent.

Arnold J construed the amended claims on the basis of the expert evidence provided in the Contour action and held that it was limited to seat systems assembled and arranged on an aircraft. Since Contour had never assembled multiple seat systems on an aircraft in the UK, and it was possible for an arrangement of those seats to fall outside the claims, there was no possibility of infringement by Contour which Delta could be jointly liable for. Delta themselves bought the seats and then assembled them on aircraft outside the jurisdiction.

Arnold J then considered the allegation that Contour had supplied Delta with a complete "kit of parts"<sup>3</sup> suitable for assembling an infringing seat system and therefore infringed the patent under section 60 (1) (a) Patents Act 1977.<sup>4</sup> He held that the supply of individual seat units in the UK for assembly into a seat system when installed in an aircraft which would form the infringing product only once installed was not the supply of a complete kit, since the aircraft and more importantly the layout the seats were installed in was a key element of the amended claim. There was therefore no real prospect of establishing infringement since the missing part - in this case the aircraft - was supplied by the customer and the assembly took place outside the UK. Although there was no territorial requirement in the case law establishing the concept of "kit of parts" infringement under section 60 (1) (a) of the Patents Act, to circumvent the territorial requirement found by analogy in section 60 (2) of the Patents Act would be inappropriate.

Summary judgment was therefore granted in favor of the defendant, Delta. It is very unusual for summary judgment to be granted in a UK patent action and the multi-action context of this particular case which gave rise to a shifting background of judgments must be seen as the catalyst for this decision rather than a change in the general practice of the Patents Court.■

**Laura Whiting**  
Associate, London

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<sup>3</sup> This allegation was based on the interpretation of s60(1)(a) in two cases: *Rotocrop International Ltd v Genbourne Ltd* [1982] FSR 241 and *Lacroix Duarib SA v Kwikform (UK) Ltd* [1998] FSR 493

<sup>4</sup> Indirect infringement by Contour under section 60 (2) Patents Act 1977 which would arguably have made Delta a joint tortfeasor was not alleged.

## Patents USA

### **i4i L.P. v. MICROSOFT CORP. - U.S. SUPREME COURT TO REVIEW THE CLEAR AND CONVINCING STANDARD FOR PATENT INVALIDITY - COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECISION OF 29 NOVEMBER 2010**

*The U.S. Supreme Court granted Microsoft's petition for certiorari in the patent infringement case i4i L.P. v. Microsoft Corp., the outcome of which case could potentially affect the strength and value of all issued U.S. patents. Affirming the trial court decision, the Court of Appeals for the Federal Circuit (CAFC) upheld the established standard of proof for invalidity challenges and denied a rehearing en banc.*

At trial, Microsoft sought a jury instruction that the burden of proof for invalidity based on prior art that the Patent and Trademark Office (PTO) examiner had not reviewed, was "by a preponderance of the evidence." The court denied Microsoft's request and instructed that the required standard of proof was "by clear and convincing evidence." Following the Texas jury's verdict in favor of i4i that awarded \$200 million in damages, the trial judge awarded an additional \$40 million for willful infringement and entered a permanent injunction against Microsoft.

In its petition for writ of certiorari to the Supreme Court, Microsoft framed the question presented as "whether the court of appeals erred in holding that Microsoft's invalidity defense must be proved by clear and convincing evidence," when the invalidity argument is based upon evidence that was not specifically considered by the PTO. Microsoft urged the Supreme Court to grant the petition for certiorari for three major reasons:

1. The CAFC's decision disregards the Supreme Court's decision in *KSR Int'l Co. v. Teleflex Inc.* and conflicts with decisions in all twelve regional circuits.

In its decision in *KSR* in 2007 the Supreme Court had noted that the rationale for the presumption of patent validity "seems much diminished" when an invalidity defense rests on evidence that the PTO never considered. But, in *KSR*, the court did not directly address the required standard of proof. Microsoft contends that the heightened standard of proof, required by the CAFC since 1982, conflicts with pre-1982 decisions in all twelve regional courts of appeal. According to Microsoft, each of the regional courts of appeal had rejected the heightened standard of proof for invalidity based on prior art that was not before the PTO.

2. The selection of an appropriate standard of proof for invalidity is essential to avoid distorting the patent system.

Microsoft contends that invalid patents stifle, rather than promote, the progress of useful arts and that the PTO is overburdened with the inevitable result that it makes an

increasingly large number of mistakes. Thus, because too many dubious patents are granted, accused infringers must prove invalidity by clear and convincing evidence, the standard hinders rather than promotes progress.

3. The standard of proof issue is clearly presented and is ripe for review in this case.

Microsoft urges that the issue will not benefit from further percolation in the circuits because the regional courts of appeal do not hear patent cases since the establishment of the CAFC.

i4i, opposing the petition for certiorari, asserts that a "weakened" presumption of validity based upon prior art that was not considered by the PTO is already a part of the CAFC's jurisprudence and points out that Congress has had 26 years to reject the heightened standard imposed by the CAFC, but has not done so.

Eleven amicus briefs were filed by parties (some by multiple parties) supporting Microsoft's petition for certiorari, including a number by leading computer and software companies. The number of amicus briefs filed is just one indication of the interest generated by this case. Companies both large and small that assert patents, or defend against them, will watch with great interest to see if the Supreme Court makes it easier to invalidate a U.S. patent. ■

**Veronica Mullally**  
Partner, New York



# Patents

## Asia

### China

#### CHINA PROVIDES TAX INCENTIVES TO PROMOTE ITS "ADVANCED TECHNOLOGY SERVICE" OUTSOURCING INDUSTRY

Recent Chinese regulations have provided reduced requirements for enterprises to qualify as "Advanced Technology Service Enterprises" (ATSEs) in China. For technology outsourcing services enterprises, these new regulations provide an easier path to tax savings and additional tax reductions than measures passed in 2008 which allow enterprises to qualify as "High and New Technology Enterprises" (HNTEs). In this article, we will introduce ATSEs, the benefits to obtaining ATSE certification, how companies obtain such certification and why obtaining ATSE certification appears easier and provides advantages over obtaining HNTE certification.

The Enterprise Income Tax Law which became effective on 1 January 2008 provided in article 28 that enterprise income tax (EIT) for recognized HNTEs is 15% as compared to the normal rate of 25%. Later in 2008, the Chinese government issued the *Certification of High and New Technology Enterprises Administrative Measures and Working Guidance on Administration of Recognition of High and New Technology Enterprise* which set forth in detail requirements and procedures for being recognized as an HNTE.

Recently, on 5 November 2010, a number of Chinese government agencies jointly promulgated the *Circular on Issues Regarding Enterprise Income Tax for Advanced Technology Service Enterprises [Caishui(2010)No. 65]* which provides tax incentives to recognized ATSE. This, together with *Notice Regarding Income Tax Exemption of Advanced Technology Service Enterprise's offshore outsourcing services in Demonstration Municipalities [Caishui(2010)No. 64]* issued on 28 July 2010, are to a large extent a restatement of the previously promulgated *Circular on Issues Regarding Tax Policies for Advanced Technology Service Enterprises [Caishui(2009)No. 63]* but provide lowered standards for ATSE qualification and an additional tax incentive.

When compared to qualifications for obtaining HNTE status, the ATSE standards are more favorable, especially for foreign invested enterprises (FIEs). First, the ATSE standards do not require any local IPR ownership, which is a challenging requirement for FIEs in China where corporate IPR ownership is often structured globally. Second, in addition to the EIT preference, ATSE certification offers EIT deduction for education and training expenses and a business tax exemption. Thus, if an enterprise, especially an FIE, in China offers technology outsourcing services, it should consider applying to obtain ATSE status over HNTE status.

#### Comparison - ATSE vs. HNTE

	ATSE Standard	HNTE Standard
<b>Tax Preference</b>	A reduced EIT rate of 15 percent; EIT deduction on staff education and training expenses up to 8 percent of the ATSE's annual salary expenses. The non-deductible portion can be carried forward to subsequent years. Income generated from providing offshore outsourcing services is exempt from business tax. This benefit was introduced in the 2010 Notice.	A reduced EIT rate of 15 percent;
<b>Selected Conditions for qualification</b>	Performing <b>services</b> falling within a "Recognized Scope" including: a) information technology outsourcing (ITO), b) technological business process outsourcing (BPO), c) knowledge processing outsourcing (KPO) Having at least 50 percent of its employees with college degrees and above; Having at least 50 percent of its total revenue deriving services within the "Recognized Scope." In contrast, the 2009 Circular requires at least 70 percent of total revenue to fall within the "Recognized Scope." Having at least 50 percent of its total revenue arising from offshore outsourcing services.	Owning independent intellectual property right ("IPR") in connection with its core products or services. The intellectual property right can be obtained through self research and development ("R&D"), assignment or M&A within the last three(3)years or by holding an exclusive right to use for more than five(5) years; Having at least 30 percent of its employees with college degrees and above, of which, at least 10 percent of entire staff engage in R&D activities; <b>The R&amp;D expenditures</b> for the past three financial years, compared to the total sales revenue, should meet minimum proportions <b>from 3-6% of annual sales revenue.</b> Having at least 60 percent of its total revenue arising from high and new technical products or services
<b>Geo-graphical Location</b>	Only 21 Demonstration Municipalities	Available across the whole nation

**Geoffrey Lin**

Partner, Shanghai

**Shuya Wang**

Associate, Shanghai

## Designs and Copyright Europe European Union

### INVALIDITY OF A COMMUNITY DESIGN DUE TO UNAUTHORIZED USE OF A DESIGN PROTECTED UNDER COPYRIGHT LAW - OHIM INVALIDITY DIVISION, DECISION OF 8 DECEMBER 2010, ICD 7085

*In a rare case, OHIM's Invalidation Division decided on the invalidity of a Community design, based on claims of unauthorized use of a work protected under French and Belgian copyright law.*

AS GmbH is the owner of a Community design for fabrics.



AS' Community design

Prodeco Sarl claimed invalidity of the Community design due to lack of novelty and infringement of French and Belgian copyright law. In particular, Prodeco claimed it was the owner of the copyright in the earlier design of a very similar fabric and that AS had filed the Community design following the seizure of counterfeit fabrics imported by it from China in an attempt to undermine Prodeco's rights in its earlier design. As evidence, Prodeco provided

- an invoice from the company TEMPO relating to the sale of the rights in the design of the following fabric to Prodeco,



- a statement of a Belgian designer that this fabric was created by her before the filing date of the Community design and
- a contract between the designer and TEMPO on the grant of the rights to use and reproduce this fabric.

It also submitted a decision by the Belgian Court of Appeal of Mons which had rejected claims by AS against the seizure of the counterfeit fabrics and confirmed that the design of the fabric was protected under Belgian copyright law and that Prodeco had acquired the rights of use of the fabric from TEMPO.

According to the article 25 (1) (f) of the Community Design Regulation, a Community design shall be declared invalid if it constitutes an unauthorized use of a work protected under the copyright law of a EU Member states.

OHIM's Invalidation Division confirmed that the evidence submitted by Prodeco was sufficient to support its claims. The earlier design of the Prodeco's fabric was a work of applied arts which enjoyed protection under French and Belgian copyright law - which was also confirmed by the decision of the Belgian Court of Appeal of Mons.

The Invalidation Division said that according to French case-law, use of a copyright-protected work was established if the main features constituting the originality of the work were copied. Comparing the earlier design and AS' Community design, the Invalidation Division found that they shared the number, width and direction of the stripes, the olive and olive leaves patterns and the design of the stripes and patterns. Since these features constituted the originality of the earlier fabric design, the Community design made use of this work.

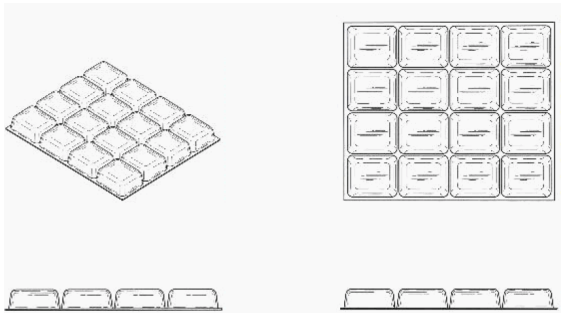
OHIM's Invalidation Division concluded that AS' Community design was invalid. ■

**Juliane Diefenbach**

Professional Support Lawyer, Hamburg

### PRIOR ART DOES NOT INVALIDATE WRIGLEY'S COMMUNITY DESIGN FOR BLISTER CARDS - OHIM INVALIDITY DIVISION, DECISION OF 12 NOVEMBER 2010, ICD 000006799

*WM. Wrigley JR Company (Wrigley) is the owner of a Community design for blister cards. Cadbury Holdings Ltd (Cadbury) applied for the declaration of invalidity on the grounds that the Community design lacked individual character and that its features were solely dictated by its technical function.*

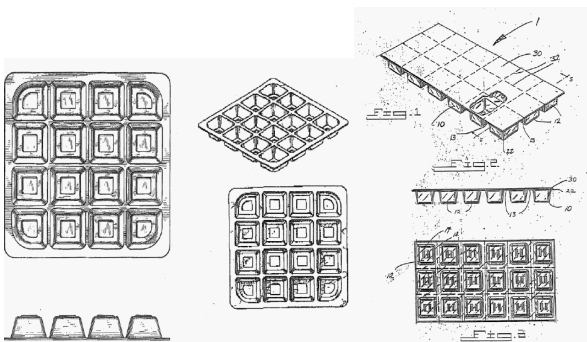


Wrigley's Community design

As evidence, Cadbury provided several examples of prior designs, inter alia pictures of blister cards from different databases and earlier U.S., European and Spanish patents.



Nicomed blister card



U.S. and European patent

Wrigley replied that its Community design was new and had individual character since there were a number of differences between its design and the prior designs, in particular *"in the prior art the packaging of the cells was significantly less tight."*

With regard to the technical function of Wrigley's Community design, OHIM's Invalidation Division said that the shape of the design was not solely dictated by its technical function. The technical function of a blister card was to hold one or more tablets in individual compartments and was not dependant on the number of blister cells. This function might also be

achieved by alternative designs with a different arrangement of the cells.

Comparing Wrigley's Community design with the various designs of blister cards Cadbury had submitted as evidence, OHIM said that because of the differences between the designs which did not only concern immaterial details, the designs could not be considered identical and therefore Wrigley's Community design did not lack novelty.

With regard to the individual character, OHIM held that the freedom of the designer, in particular as to the shape, size and material of the design, was limited by the requirement that a blister cell needs to hold a tablet, while the backing card must seal the cells around the open ends. Therefore, different elements or shapes could produce a different overall impression.

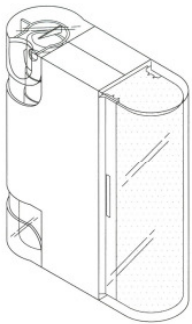
OHIM found that Wrigley's Community design was very compact and streamlined, with tightly packed square cells and a narrow border of the backing cards around the cells, whereas the earlier designs showed widely spaced cells with either large areas of backing sheets visible or no backing cards visible at all. The tight spacing in Wrigley's design enabled the arrangement of 16 cells in a 4x4 configuration, whereas in the earlier design this result was not reached. These differences had an impact on the global aspect of the Community design, thus producing a different overall impression. Therefore, Wrigley's did not lack individual character.

OHIM's Invalidation Division concluded that Wrigley's Community design was valid and dismissed Cadbury's application. ■

**Juliane Diefenbach**  
Professional Support Lawyer, Hamburg

**THREE-DIMENSIONAL COMMUNITY TRADEMARK INVALIDATES COMMUNITY DESIGN FOR CLEANING DEVICES** - OHIM INVALIDITY DIVISION, DECISION OF 17 SEPTEMBER 2010, ICD 00007030

*OHIM's Invalidation Division decided on the validity of Kuan-Di Huang's Community design for cleaning devices, based on AM Denmark A/S' claims that there was a likelihood of confusion with its earlier three-dimensional Community trademark, registered for containers and equipment for cleaning.*



Kuan-Di Huang's Community design



AM Denmark's Community trademark

According to article 25 (1) (e) Community Design Regulation (CDR) and article 5 Trademark Directive 89/104/EEC, a Community design shall be declared invalid if it uses a sign identical with or similar to the sign of an earlier trademark if the use in the course of trade relates to any of the goods for which the trademark is registered and, if the signs and goods are not identical, leads to a likelihood of confusion.

OHIM's Invalidity Division said that Kuan-Di Huang's Community design included the three-dimensional shape of a cleaning device similar to the shape protected by AM Denmark's three-dimensional Community trademark. Both consisted of a compact rectangular body rounded at the edges, with a spray device on one side and a cylindrical sponge on the other side. The various additional features in the Community design did not change the similar appearance, in particular with regard to the geometric form, dimensions and shape.

The goods for which the Community design was registered - cleaning devices - were identically included in the list of goods for which the Community trademark was registered, i.e. cleaning agents and equipment and containers for cleaning.

OHIM concluded that due to the similarity between the Community design and the Community trademark and the identity of goods there was a likelihood of confusion. Consequently, AM Denmark could therefore prohibit the use

of its sign in Kuan-Di Huang's Community design. As a result, OHIM Invalidity Division declared the Community design invalid.■

**Juliane Diefenbach**

Professional Support Lawyer, Hamburg

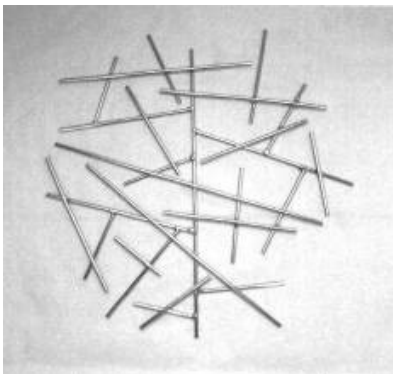
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## Designs and Copyright Europe Germany

### INFRINGEMENT OF ALESSI'S DESIGN FOR "BLOW UP" COASTER; ON THE ASSESSMENT OF THE SCOPE OF PROTECTION - FEDERAL COURT OF JUSTICE, DECISION OF 19 MAY 2010, I ZR 71/08

*The Federal Court of Justice decided on the infringement of a Community design for coasters. In its decision, the court gave guidance on the scope of protection of a Community design, and, in particular, how this scope of protection shall be assessed.*

Alessi S.p.A. is the owner of a Community design for the coaster "Blow up."



Alessi's Community design for "Blow Up" coaster

It claimed infringement of its design by Koziol ideas for friends GmbH (Koziol) who produced and sold the plastic coaster "STIXX."



Koziol's "STIXX" coaster

The Regional Court of Frankfurt rejected the claim; the Court of Appeal of Frankfurt granted the claim.

On further appeal, the Federal Court of Justice confirmed the validity of Alessi's Community design, holding it was new, had

individual character and there were no other reasons to exclude its protection under the Community Design Regulation.

With regard to the scope of protection, the court clarified that this neither depended on the level of individual character nor on the grounds on which the individual character of the Community design was established. Rather, the assessment of the scope of protection of a Community design shall be based on a comparison of its overall impression with the overall impression of the allegedly infringing design. For the assessment of the scope of protection (and equally for the assessment of its individual character), the degree of freedom of the designer with regard to the prior art at the time of the registration of the Community design shall be taken into account.

The court held that the degree of the freedom of the designer for coasters was relatively wide, given that the number of possible designs for coasters was almost unlimited. Taking this wide degree of freedom of the designer into account when comparing Alessi's Community design with Koziol's design for the coaster "STIXX", the court found that they shared the same overall impression and that Koziol's design for its "STIXX" coaster was not sufficiently different.

The Federal Court of Justice concluded that Koziol's "STIXX" design infringed Alessi's Community design. It ordered Koziol to pay damages and granted Alessi's additional claims for disclosure and rendering of accounts.■

**Juliane Diefenbach**

Professional Support Lawyer, Hamburg

### "GAME OVER" FOR USED SOFTWARE? - FEDERAL COURT OF JUSTICE, DECISION OF 11 FEBRUARY 2010, I ZR 178/08 (HALF LIFE 2)

*The resale of "used" software is a market with a potential value of billions of Euros worldwide. Software manufacturers often exclude resale in their end user license agreements ("EULAs"). Recently, such restrictions were subject of a number of groundbreaking court decisions in the U.S. and across the Atlantic. The decisions deal with the impact of the "first resale" protection in the U.S. and the "exhaustion principle" in Europe, respectively, according to which the legitimate owner of a copy is entitled to resale.*

On 10 September 2010, the U.S. Court of Appeals for the Ninth Circuit ruled in the case *Vernor v. Autodesk* that exclusion of resale in EULAs was valid in case the software was licensed rather than sold. As for Germany, the German Federal Court of Justice had indicated in a decision made in the year 2000 that such clauses may be illegal.

Now, in a judgment regarding the computer game "Half Life 2", the Federal Court of Justice approved a contractual ban on resale.

Subject of the decision was the sale of "Half Life 2" on DVD-ROM in Germany. Use of the game requires opening a user account. The account can be opened only once and, pursuant to the EULA provisions, may not be assigned to a third party. The Federal Court of Justice had to decide whether such restriction was invalid for breach of the exhaustion principle.

In its decision, the court made a strict distinction between the DVD and the user account. It held that the restriction was legal since it only affected the user account rather than the physical copy, and therefore the exhaustion principle was not affected.

With its decision, the court paved the way for manufacturers to prevent resale of any software delivered on CD-ROM/DVD through a registration requirement in connection with a contractual exclusion of an assignment of the account. While the effect of the exhaustion principle on software download was expressly not addressed in the judgment, the decision indicates that the Federal Court of Justice will consider restrictions on resale in such EULAs legal. According to this reading, the judgment would constitute a precedent for all digital media including software, computer games, music, text and films - their resale may be controlled through user accounts in case of offline sales and through mere licensing conditions in case of online distribution. ■

**Torsten Kraul**  
Associate, Berlin

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## Copyright Europe United Kingdom

### USERS OF ONLINE NEWS MONITORING SERVICES REQUIRE A COPYRIGHT LICENSE - HIGH COURT OF JUSTICE CHANCERY DIVISION, DECISION OF 26 NOVEMBER 2010, [2010] EWHC 3099 (CH)

*In the NLA case, UK's High Court ruled in favor of the Newspaper Licensing Agency (NLA) against online news aggregator Meltwater and the PR Consultants Association (PRCA). The outcome is that companies will need a license to use Meltwater's news monitoring service (Meltwater News) and similar services. The ruling is likely to be appealed in 2011.*

Meltwater monitors various news websites. It then generates customized reports for its customers (users), providing links to relevant news articles. These reports contain:

- A hyperlink to each article (in the form of the article's headline)
- The opening text of the article
- An extract from the article in which the particular "keyword" selected by the User appears.

The High Court of Justice found that newspaper headlines could be protected by copyright if they expressed "the author's own intellectual creation." The short extracts which Meltwater included in its reports would also be protected by copyright if "[the extract] demonstrates the stamp of individuality reflective of the creation of the author."

The High Court found that the receipt and use of Meltwater News by users would infringe copyright in the absence of a license. In particular, the court held that the following acts could constitute copyright infringement:

- Receipt of a report by email;
- Accessing the report on Meltwater's website.

In addition, clicking through the hyperlink in the report to access the full article was "more likely than not" to infringe copyright.

The High Court action is part of an ongoing dispute between Meltwater, PRCA and the newspaper industry. PRCA announced on 10 December 2010 that it would be appealing the decision and so a Court of Appeal ruling is likely in 2011.

For now, any company that subscribes to news monitoring services should check carefully the relevant terms of service. In particular, subscribers should check whether:

- they are granted an express license to access and use third party content which they receive as part of the services;

- the service provider provides an IPR non-infringement warranty and indemnity.

Where there is no such license, or where the license does not come directly from the content owner (or a licensing body such as the NLA), then a subscriber may need to take further action itself to ensure that the necessary licenses are in place.■

**Tom Wood**  
Associate, London

### HIGH COURT ON WHERE THE ACT OF "MAKING AVAILABLE" TAKES PLACE FOR INTERNET TRANSMISSIONS - HIGH COURT, DECISION OF 17 NOVEMBER 2010, FOOTBALL DATA CO LTD & OTHERS V SPORTRADAR GMBH, [2010] EWHC 2911 (CH)

*In this recent decision, Mr. Justice Floyd held that the act of copyright infringement by making a work available to the public by online transmission is committed only where transmission takes place (and not where reception occurs). In doing so, Floyd J has gone against precedent cases in Canada and the United States, which held that the permission of the copyright owner was required in the country where works were accessible on a website even where the website is hosted in another country. The approach also varies from that taken in UK defamation cases, where accessibility in the UK is sufficient to found jurisdiction, even if the content is hosted in another jurisdiction.*

In this case, the plaintiffs are the various English and Scottish football leagues and Football DataCo Ltd, which is a company owned by the FA Premier League and which exploits intellectual property rights related to matches organized by the Leagues. The plaintiffs brought an action against Sportradar in relation to its competitor website, which provides live scores, results and other statistics relating to UK football matches, for infringement of copyright and database rights in a database belonging to Football DataCo comprising the statistics (goals scored, penalties, substitutions etc) from UK football matches. Sportradar stored the data on web servers in Germany and Austria but the website could be accessed from anywhere, including the UK.

The judge had to decide whether the claimants had a good arguable case in order to determine whether the English court had jurisdiction. The judge held that there was a good arguable case for authorization and joint infringement by Sportradar with UK customers but that there could be no primary liability for UK copyright infringement by Sportradar for communication to the public as no act of making available to the public had taken place in the UK. The act of transmission had taken place in Germany. The judge applied the same theory as is applied to broadcasts within the EU,

which is that the place where the act of broadcasting takes place is the place where the signals are introduced into an uninterrupted chain of transmission: the so-called "emission theory."

The decision is good news for website operators who, if the approach is followed in other jurisdictions, will only need permission to make available copyright works from copyright owners in the country in which the transmission is made and not in every country in which the works are available. However, the Judge's reasoning does seem to have overlooked some potential problems with this approach.

The WIPO Treaties and the EC Information Society Directive do not specify where the making available of an online transmission takes place, leaving a great deal of uncertainty and complexity in cases involving cross-border internet transmissions. Difficulties arise in determining the place of transmission, in particular, where there are multiple transmission points and many interlinked sites with servers in various jurisdictions. Floyd J's approach means it will become more difficult for copyright owners to bring action against infringing websites. If the "emission theory" for internet transmissions is adopted more widely, website operators will be likely to take advantage of being able to operate in their jurisdiction of choice but host content and make transmissions from foreign jurisdictions with unsophisticated and slow legal systems and laws which provide copyright owners with a lower level of protection.

UK copyright owners will be faced with complex issues of jurisdiction and applicable law when attempting to tackle website operators who could be based in the UK and targeting UK consumers but simply hosting the website on servers based in a foreign jurisdiction. The issue needs to be decided ultimately at international level so that a common approach applies globally. It is disappointing therefore that the judge decided not to refer the issue to the Court of Justice of the European Union for a decision at European level at the minimum. However, the decision has been appealed. ■

**Penelope Thornton**  
Senior Associate, London

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## Designs and Copyright USA

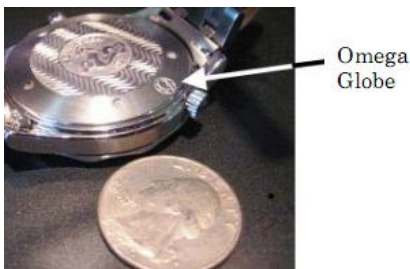
### SUPREME COURT AFFIRMS NINTH CIRCUIT DECISION HOLDING FIRST SALE DEFENSE NOT AVAILABLE WHEN THE COPIES ARE MADE OUTSIDE THE UNITED STATES - U.S. SUPREME COURT, DECISION OF 13 DECEMBER 2010, COSTCO WHOLESALE CORPORATION V. OMEGA, S.A.

On December 13, 2010, the U.S. Supreme Court issued a *per curiam* opinion stating that it was equally divided on the issue presented in *Costco Wholesale Corp. v. Omega S.A.*<sup>1</sup> The split court, therefore, affirmed the decision of the Ninth Circuit Court of Appeals that the first sale doctrine is not available as a defense to a claim for copyright infringement for imported goods featuring copyrighted material if the goods were manufactured abroad.

#### Background

In 2004, Costco began to sell gray market Omega "Seamaster" watches for just \$1299, nearly \$700 less than the suggested retail price of the authorized watches in the United States. Omega's watches are manufactured in Switzerland and sold worldwide through a network of authorized distributors and retailers. Costco did not obtain these watches from Omega's authorized distributor in the United States, but instead obtained them from an American supplier in New York, after they had been imported. Through discovery, it was revealed that some of those watches purchased by Costco had originally been sold by Omega to its authorized distributor in Paraguay who subsequently sold them into the regular stream of commerce. At some point thereafter, the goods were imported into the United States and then sold to Costco.

As part of an admitted strategy to restrict the resale of its goods, Omega registered the "Omega Globe Design" with the U.S. Copyright Office and began engraving the symbol on the back of certain models of its Swiss-manufactured watches (as depicted in the below image included in Costco's brief):



Upon discovering that Costco was selling gray market Seamaster watches in the United States, Omega filed a suit for copyright infringement in the Federal District Court in California. Omega and Costco filed cross-motions for summary judgment in the District Court. Omega argued that Costco had infringed its exclusive right to distribute its copyrighted work in the United States by selling Omega watches bearing the design without authorization. Costco argued that under the first sale doctrine, Omega had lost the exclusive right to distribute the work upon its authorized first sale of the watches in Switzerland. The District Court ruled without explanation in favor of Costco.

The Ninth Circuit reversed the District Court's decision in favor of Omega, holding that *foreign-made*, non-piratical copies of a U.S. copyrighted work are only subject to a first sale doctrine defense if they have been sold in the United States with the copyright owner's authority. Costco subsequently appealed the decision to the Supreme Court.

#### Supreme Court Review

##### Question Presented

The question presented to the Supreme Court was whether the first sale doctrine applied to imported goods manufactured abroad. The first sale doctrine, codified in 17 U.S.C. § 109(a), states that the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy. Central to the dispute between the parties was the interpretation of the phrase "*lawfully made under this title.*"

Omega argued that Congress' inclusion of the phrase "*lawfully made under this title*" was intended to limit the applicability of the doctrine to copyrighted material made only in the United States. Omega also argued that applying the first sale doctrine to foreign-made copies would result in the extraterritorial application of U.S. law. Thus, because the watches at issue were manufactured in Switzerland, where Title 17 has no effect, the first sale doctrine should not apply.

Costco, on the other hand, argued that the phrase only required that the copies would have been lawfully made with the authorization of the copyright owner as required by Title 17 or otherwise authorized by specific provisions of Title 17. Further, Costco attempted to rely heavily on the Court's prior decision in *Quality King v. L'Anza* (1998), a case involving hair care products that had been previously manufactured in the United States, sold outside of the United States, and then re-imported into the United States. In response, Omega distinguished that case as involving goods made in the United States, not abroad. Costco also argued that providing greater protection to foreign-made copies of U.S. copyrighted works than for domestic copies would encourage U.S. copyright owners to outsource their manufacturing process overseas, a result which Congress would not have intended.

<sup>1</sup> The split decision resulted from the recusal of Justice Elena Kagan in view of her previous involvement in the case in her prior capacity as the Solicitor General of the United States.

*The Supreme Court's Decision*

After reviewing the briefs of the parties and 18 *amicus* briefs from entities such as Amazon.com, eBay, Google, the Motion Picture Association of America, and the Recording Industry Association of America, the Supreme Court affirmed the Ninth Circuit's judgment by an equally divided court. Although the Supreme Court affirmed the Ninth Circuit decision, the court's ruling is not binding on all courts nationwide although various other federal courts outside of the Ninth Circuit have similarly held that the first sale doctrine is not applicable to imported goods manufactured abroad.■

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## CLIENT NOTES

### London Olympics 2012 - Restrictions on Marketing Strategies

London is hosting the Olympic and Paralympic Games in 2012. Clients who wish to associate their products or services with national teams and sporting success must proceed with caution to avoid intellectual property rights being infringed. The London 2012 Organizing Committee must be able to give its sponsors an exclusive association to London 2012 and the Olympic and Paralympic movements in the UK. Legislation prevents non-sponsors from undertaking unauthorized activities which damage the sponsors' exclusive rights in certain words and images associated with the Games. Hogan Lovells has published a note which discusses the need for brand protection, identifies the protected Games' marks, and provides information on how they are protected, when they can and cannot be used and the penalties for infringement.

Download a copy of the note [here](#). ■

Chakraborty on "The Year in Court in Germany" (Management Forum, London)"

17 Adam Cooke is speaking on sufficiency at an IBC Informa conference on biotech & pharma patenting (Munich)

21-24 Nils Rauer is speaking on the legal rules on call center services (cold calling) at "Call Centre World 2011 (Berlin) ■

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## EVENTS AND CONFERENCES

### January

26 Valerie Brennan is speaking on 'Building and Protecting Your Online Image and Reputation' at a workshop on 'Social Media Law' and Philip Porter is a Co-Chair of the Workshop (Law Seminars International, Crystal City, VA)

27 Hogan Lovells seminar: patent law update, presented by Markus Kuczera and other members of the Düsseldorf, Munich, Hamburg and London patents team (Frankfurt, for details please contact [mechtild.csengery@hoganlovells.com](mailto:mechtild.csengery@hoganlovells.com))

### February

3 Gabriela Kennedy is speaking at iTechlaw on data protection issues in Asia (Bangalore)

10 David Latham is speaking on typical IP clauses and drafting issues at a conference on drafting and enforcing R&D contracts (Kaplan Hawksmere, London)

10 Hogan Lovells seminar: patent law update, presented by Markus Kuczera and other members of the Düsseldorf, Munich, Hamburg and London patents team (Düsseldorf, for details please contact [mechtild.csengery@hoganlovells.com](mailto:mechtild.csengery@hoganlovells.com))

14 Andreas von Falck is the chairman of "Successful Patent Litigation in Europe and the U.S." and is speaking with Martin

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