

Intellectual Property
Newsletter

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This note is written as a general guide only. It should not be relied upon as a substitute for specific legal advice.

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Editorial



Welcome to the April 2012 edition of Hogan Lovells' Intellectual Property Newsletter. This edition features articles on current intellectual property topics from our offices around the world. In addition to our regular patent, trademark, copyright, and design offerings, we are expanding our coverage to include updates on domain name and trade secrets issues. We hope that you will find all of our articles informative and useful. Please contact us directly if you would like more information. ■



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Trademarks, Unfair Competition and Domain Names

Global

NEW GTLDS: RIGHT HERE RIGHT NOW! – THREATS AND OPPORTUNITIES FOR BRANDS AND BUSINESSES

The launch of new gTLDs is likely to cause an unprecedented shake up to the domain name system and the Internet in 2013 and onward. Whilst the aim is to enhance diversity, choice, competition and innovation, it will inevitably cause a considerable burden on rights owners across the globe who will need to carefully re-consider their online strategies.

Along with the threat to business and brands there has nevertheless been a significant opportunity for brands to apply themselves during the window that has just closed. It will be very interesting to see how many and who has applied when this information becomes public – and we can expect some significant disputes.

A New Era of Cybersquatting?

Cybersquatting as well as law enforcement remain the largest fears of brand owners and businesses, and ICANN has sought to put in place appropriate mechanisms to combat this risk.

Objection and Dispute Resolution at the Top Level

Any application will be subject to challenge by trademark owners for a period of seven months likely from May 2012.

During this time trademark owners may file a Legal Rights Objection with the World Intellectual Property Organization. Under this procedure, and subject to a number of factors, a panel will determine whether the potential use of the applied-for gTLD, with regard to the objector's trademark:

- Takes unfair advantage of the distinctive character or reputation, or
- Unjustifiably impairs the distinctive character or reputation, or
- Otherwise creates an impermissible likelihood of confusion

Rights Protection Mechanisms at the Second Level

Over the last three years in particular, brand owners and representative associations have sought substantial rights protection mechanisms to be included, over and above the Uniform Dispute Resolution Policy (UDRP).¹

In March 2009, we saw the creation of a special Implementation Recommendation Team (IRT)² by ICANN created specifically to propose and develop solutions to the issue of trademark protection in the upcoming new gTLDs.

One proposal put forward by the IRT was for the creation of a Trademark Clearinghouse, being in effect a database of verified registered word mark rights to support pre-launch or

initial launch period rights protection mechanisms, thereby enabling a trademark claims service and being used in the sunrise process.

Whilst the Trademark Clearinghouse is not perfect, when coupled with the mandatory sunrise periods for each TLD, it will in all likelihood reduce the extent of infringing registrations at the second level, but it will still be an additional cost for brand owners. In addition to the existing UDRP, the new kid on the block, the Uniform Rapid Suspension System will be on offer, as a rapid low-cost alternative to the UDRP as well as the Post-Delegation Dispute Resolution Procedure designed for trademark holders to proceed against registry operators who have acted in bad faith and with intent to profit from the systemic registration of infringing domain names.

Conclusion

The key task for brand owners over the last year has been to evaluate the impact and potential benefits of this new gTLD opportunity, as well as the threats it poses. We are at a pivotal point in online brand protection strategy. In a decade most major brands may have their very own gTLD registries, and those that have adopted today may gain a significant advantage or may potentially have wasted their money. Brands and businesses may eventually be able to reduce their domain name portfolios and associated costs in the long term, but in the short term, it seems costs can only go up.

We may even find ourselves with a convergence of technology using TLDs as keywords in a browser alongside the existing keyword offerings of Google, Yahoo! and Bing.

However, the very goal of enhancing diversity, choice, competition and innovation which ICANN seeks may backfire and without genuine innovation, consumers will find themselves baffled by the potentially thousands of different extensions. ■



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¹ <http://www.icann.org/en/udrp/udrp-policy-24oct99.htm>

² <http://www.icann.org/en/announcements/announcement-4-29may09-en.htm>

David Taylor has been heavily involved in the process itself and the creation of brand protection mechanisms for these new gTLDs being a member of the IRT and is also the ICANN Intellectual Property Constituency representative to the ICANN GNSO Council. David heads the domain name practice with a team which has assisted numerous clients with their new gTLD applications.

Trademarks, Unfair Competition and Domain Names

Europe – European Union / Germany / United Kingdom

USE OF MODIFIED MARKS – NEW REFERENCES FROM GERMANY AND THE UK TO THE COURT OF JUSTICE

The German Federal Court of Justice and the Court of Appeal of England & Wales have referred questions to the Court of Justice of the European Union (CJEU) on the use of trademarks in a modified form to that on the register.

The German court reference "PROTI"¹ concerned the implications of filings for modernized and modified versions of an old trademark. Another recent German court reference "fabric tab II"² concerned combination marks and marks for their individual components. The questions raised by the Court of Appeal of England & Wales in *Specsavers v. Asda*³ were very similar to those in the "fabric tab II" case.

Context

In the *Bainbridge* decision,⁴ the CJEU ruled that a mark had not been used genuinely because it had only been used in a slightly modified form which was itself the subject of a registered trademark. Accordingly, use of the registered trademark BRIDGE was insufficient to prove use of the registered trademark THE BRIDGE.

Following this decision, there was considerable uncertainty as to what constituted genuine use of modified marks. In particular, it was widely debated whether the common practice of filing trademarks for both combination marks (e.g., marks consisting of verbal and figurative elements) as well as their individual components should be maintained given the risk that some of the marks may become vulnerable to an attack on the basis of non-use.

German Reference "PROTI"

In this case, the owner of the trademark PROTI sued for the infringement of its mark by use of the sign PROTIFIT. The defendant claimed that PROTI had not been used given there was only use of the marks PROTI POWER and PROTIPLUS, both of which were also registered.

The Federal Court of Justice said that further guidance was required from the CJEU on the issue of genuine use. In seeking such guidance it stated its view that restrictions on what constitutes genuine use should not apply to marks that the owner legitimately wants to adapt, e.g., through modernization. Such restrictions should only apply to a trademark registered solely in order to secure or expand the protection of another registered trademark which is in use (i.e., a defensive mark).

The court asked whether Directive 89/104/EEC⁵ precludes a national rule pursuant to which the use of a trademark (trademark 1) is considered genuine where that trademark (trademark 1) is used in a different form which does not alter its distinctive character (trademark 2), which is also registered as a trademark (trademark 2).

The court also asked whether the national rule described above was compatible with the Directive, provided it does not apply to defensive marks.

German Reference "fabric tab II"

In this case, Levi Strauss & Co. had brought infringement proceedings against the defendant concerning the use of red fabric tabs on jeans. Levi Strauss based its claims in particular on its Community mark for the famous red Levi Strauss' tab.



Levi Strauss' trademark

Claimed infringement

The defendant objected that there was no use of the trademark on the ground that Levi Strauss had used this mark only in a modified form, namely, in combination with the word element "LEVI'S" on the red tab. Since this combination mark was also registered as a (German) trademark, the defendant argued that only that mark had been genuinely used.

The Federal Court of Justice referred two questions to the CJEU on the requirement of genuine use under Article 15 CTMR.

The first question has to be seen against the background that Levi Strauss' red tab mark was registered on the basis of acquired distinctiveness. OHIM had accepted that due to the use of the combination mark (Levi's red fabric tab with the word element "LEVI'S"), Levi's fabric tab was perceived as a mark in itself. In view of the *Bainbridge* decision, the court asked whether a mark which forms part of a combination mark and which has acquired distinctiveness only through use of that combination mark could still be considered as being used genuinely if only the combination mark was used. In the CJEU's *HAVE A BREAK*... decision,⁶ this question has probably already been answered in the affirmative.

The second question concerns whether trademarks which are only used in combination with other marks can still be

¹ I ZR 84/09, decision of 17 August 2011

² I ZR 206/10, decision of 24 November 2011

³ *Specsavers International Healthcare Ltd, Specsavers BV, Specsavers Optical Group Ltd and Specsavers Optical Superstores Ltd v. Asda Stores Ltd*, [2012] EWCA Civ 24

⁴ *Il Ponte Finanziaria v. OHIM*, [2006] ECR II-445

⁵ Article 10, Directive 89/104/EEC

⁶ C-353/03, *Société des Produits Nestlé v. Mars UK Ltd*, [2005] ECR I-6135.

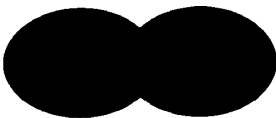
considered as being genuinely used if there are trademark registrations for both the combination mark and its individual components. The court said it assumed that the relevant public perceived both signs (here: the fabric tab on the one hand and the word element "LEVI'S" on the other hand) as individual marks. With regard to the legitimate interests of trademark owners to seek a seamless protection by registering various forms of marks, and different combinations of their marks in particular, the court had no doubt that the answer of the CJEU should be that such practice is possible, and therefore, genuine use had to be confirmed.

The English reference *Specsavers v. Asda*

The questions in this case concerned very similar issues to those raised in the "*fabric tab II*" case.

Specsavers owns trademark registrations for:

- the word element "Specsavers"
- the logo with the overlapping ovals without the word element (the "wordless logo"), and



- various forms of the combination of the logo and the word element in black and white.



Specsavers has been using the following combination mark:



However, it had not been using the Wordless Logo.

Asda had been using, inter alia, the following signs:



Specsavers claimed that Asda's use constituted trademark infringement of its wordless logo. Asda in turn claimed that the wordless logo should be revoked for non-use. The Court of Appeal, having noted that the CJEU's approach on genuine use in the *Bainbridge* and *HAVE A BREAK...* decisions had

not been entirely consistent, decided it was necessary to seek guidance on whether the use of the combination mark could be considered as genuine use of the wordless logo.

The court also referred questions on the use of a color. Although the Specsavers' combination mark has always been used in the same green color, in which it had acquired reputation, its registered trademarks were in black and white and were not limited to this color. Thus, the question arose as to whether Specsavers' enhanced reputation in the color green should be taken into account in assessing infringement. The court sought the CJEU's guidance on this point, stating that in its view, reputation in a color where the registration is in black and white (and thus covers all colors), should be taken into account.

Outlook

From a brand owner's perspective, it is of vital importance that the CJEU interprets the concept of genuine use more broadly. European trademark law provides that the use of a mark in a modified form, which does not alter the distinctive character of the mark as registered, constitutes genuine use. Whether this modification has also been filed as a trademark is irrelevant – as stated in the German Trademark Act. *Bainbridge* should thus be confined to defensive marks which are not intended to be used.

This uncertainty will remain until at least 2013. Nevertheless, for the time being, a dramatic change in filing practice is not advised as it appears unlikely that the CJEU will shake up recognized trademark principles and valuable trademark portfolios by tightening the *Bainbridge* doctrine. ■



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Trademarks, Unfair Competition and Domain Names

Europe - European Union / France / United Kingdom / Italy / Germany / Spain / Poland

REPEAT OR CHAIN TRADEMARK FILINGS – WHERE ARE WE NOW?

The Boards of Appeal of the Office for Harmonization in the Internal Market (OHIM) have dealt in two cases with repeat or chain filings of trademarks, with split outcomes. This article highlights the decisions and also the national positions in key European markets.

A repeat or chain filing occurs when the proprietor of a registered mark files the same trademark for identical (or almost identical) goods and services with the intention of artificially prolonging the non-use grace period.

OHIM's Second Board of Appeal "NAVIGO" Decisions

In its decisions of 25 October 2011 and 11 November 2011, OHIM's Second Board of Appeal held that a request for proof of use was inadmissible, as the earlier mark was registered for less than five years (R 2185/2010-2 and R 2181/2010-2 - NAVIGO / NAVIGO).

In a nutshell, OHIM's Board of Appeal pointed out that for the purposes of opposition proceedings the opponent's conduct was "irrelevant." It dismissed the applicant's reference to OHIM's Cancellation Guidelines which state that repeated applications for the same mark with the sole purpose of avoiding revocation can be considered as bad faith. It concluded that the validity of the earlier national mark on which the opposition was based could not be assessed by OHIM in opposition proceedings, but only in cancellation proceedings brought before the competent authorities of the Member State concerned.

OHIM's Fourth Board of Appeal "PATHFINDER" Decision

Shortly after the NAVIGO decisions, in a decision of 15 November 2011, OHIM's Fourth Board of Appeal took a more creative approach (R 1785/2008-4 - PATHFINDER / MARS PATHFINDER).

In this case, the opponent had offered to the applicant the re-filed mark PATHFINDER for a price of € 30,000, indicating that his mark "has not been used" and he was "not forced to use the mark until 2012" and that "if the trademark would already have a position in the market, the price would be much higher."

OHIM's Board of Appeal said that this was a clear demonstration that the "the sole purpose of obtaining the mark on which the opposition was based was to artificially prolong the grace period."

While there is neither an explicit provision in the Community Trademark Regulation (CTMR) nor in the Trademarks Directive dealing with "repetitive applications," the Board said that these required a literal interpretation of Article 42 (2) CTMR. The "earlier Community (or national) trademark" may be interpreted as "the same mark", "for the same goods and services" and "in the same territory" regardless of whether the registration number might vary.

Following that, the Chairman and Rapporteur of the Board of Appeal requested the opponent to prove genuine use of the earlier MARS PATHFINDER mark. As no proof of use was offered, the Board rejected the opposition as unfounded.

In summary, both cases confirm that bad faith is not a ground that can be run before OHIM's Opposition Division but before OHIM's Cancellation Division. Furthermore, in the possible absence of a clear and obvious attempt to artificially prolong the non-use grace period, a proof request before OHIM's Opposition Division stands a low chance of being granted and is highly likely to be refused at first instance.

National Positions in Key European Markets

With the exception of several national nuances the same is true at the national level. Following is an overview of the national positions in key European markets.¹

United Kingdom

- There is no established case law on the point.
- It is possible to oppose an application on bad faith under section 3(6) UK TMA 1994 (bad faith) if there is no *bona fide* intention to use the trademark.
- However, such filings are not prohibited *per se* in the UK and a claim of bad faith should be carefully considered before it is made as it is akin to commercial fraud.

France

- French courts are inclined to consider such activity as fraudulent (however, there is no specific provision in the French IP code on repeated filings).
- A cancellation request of a trademark based on the grounds of repeat or chain filings shall be brought before a French court as the INPI does not have jurisdiction on this issue.
- However, fraud is a difficult ground to run, in particular if the junior filing is not strictly identical to the previous

¹ The national overviews have been provided by Anat Paz (Senior Associate, London), Olivier Bancheureau (Counsel, Paris), Maria Luce Piattelli (Associate, Milan), Johannes Fuhrmann (Associate, Alicante) Anthonia Ghalamkarizadeh (Senior Associate, Hamburg), Constanze Schulte (Partner, Madrid), and Aleksandra Kuc (Associate, Warsaw)

registration (e.g. if the sign is slightly different or the list of products / services has been extended).

Italy

- Italian courts have held that a trademark (having expired the five year grace period without use) cannot be revived through the filing of an identical new trademark.
- If the new trademark to be filed is slightly different from the original trademark vulnerable to revocation for non-use, it shall be verified whether the elements included in the new mark are distinctive. If so, the new trademark would be considered a different sign on which the right holder can claim autonomous exclusive rights.

Germany

- Repeated filings are not per se prohibited under German trademark law.
- According to case law, repeated filings are generally admissible as long as there is neither an abusive circumvention of the use-requirement nor an abuse of rights for other reasons.
- The issue of "repeated filings" can be raised as a counter-claim based on abuse of rights. There is tendency to deny another grace period for the repeated filing if the five year grace period has already been "used" by the older mark.

Spain

- Repeat or chain filings can become an issue in commercial court proceedings, e.g. as counterclaims for cancellation based on bad faith.
- In opposition proceedings before the Spanish PTO, there is no possibility to request proof of use.

Poland

- There is no established case law on the point.
- Bad faith can be a ground for opposition.
- Polish court decisions confirm that a trademark is filed in bad faith if the applicant has no intention of using the trademark and only registers it to block registration by third parties.■



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Trademarks, Unfair Competition and Domain Names

Europe – Germany

BURDEN OF PROOF IN COUNTERFEIT AND PARALLEL IMPORT CASES – FEDERAL COURT OF JUSTICE, DECISIONS OF 15 MARCH 2012, I ZR 52/10 AND I ZR 137/10, "CONVERSE I AND II"

The Federal Court of Justice held that in a counterfeit case the trademark owner is not obliged to prove the counterfeit nature of the product but it is for the defendant to prove the product's authenticity and the exhaustion of the trademark rights. It also clarified under which conditions the burden of proof regarding exhaustion may shift to the trademark owner.

The Federal Court of Justice had to decide on the burden of proof in two counterfeit trademark cases. In the past, German first and second instance courts decided this question with different outcomes. This question is also handled inconsistently on an international level, e.g. courts in the Netherlands and in Austria usually require the trademark owner to prove the counterfeit nature whereas Italian courts mostly follow to the opposite approach.

Burden of Proof in Counterfeit Cases

In the first case,¹ Converse, Inc., the U.S.-based producer of the famous Chuck Taylor All Star shoes, sued a German wholesale company for the distribution of counterfeit Converse shoes to different retailers in Germany. The defendant denied the counterfeit nature of the shoes and argued that all shoes were authentic products put on the European market with the consent of Converse. In the first instance, Converse was largely successful. The Court of Appeal of Stuttgart, however, dismissed the claims, stating that Converse had not proven the counterfeit nature of the shoes.

On further appeal, the Federal Court of Justice said that the trademark owner only needs to indicate the counterfeit nature of the product. It is for the defendant to prove the authenticity of the product distributed by him and also the exhaustion of trademark rights, i.e. that the authentic product was put on the European market with the trademark owner's consent.

Exception from Shift of Burden of Proof

In the second case,² the plaintiff, Converse, Inc.'s distribution partner and exclusive licensee for Germany, Switzerland and Austria, sued the defendant, one of the world's biggest retail chains, for the distribution of illegal parallel-imports. The plaintiff prevailed in the first and second instance.

The defendant argued that according to the "Van Doren" decision of the Court of Justice of the European Union,³ the burden of proof regarding the exhaustion of trademark rights had to be shifted onto the plaintiff as the trademark owner Converse, Inc. maintained a closed distribution system. The "Van Doren" decision specifies two requirements for a shift of the burden of proof: firstly, the trademark owner maintains a distribution system which prevents parallel imports within the ECC; secondly, there needs to be an actual risk of market partitioning should the defendant be forced to disclose its supply chain in order to prove exhaustion.

The defendant also claimed that the trademark rights were exhausted as it had allegedly purchased the shoes – through further intermediaries – from Converse, Inc.'s Slovenian distribution partner. However, it could not prove the complete supply chain from the Slovenian distribution partner up to itself. Furthermore, the distribution agreement between Converse, Inc. and the alleged initial source had already expired before the decision of the first instance court, i.e. the former Slovenian distribution partner was no longer part of Converse, Inc.'s distribution system.

The Federal Court of Justice held that the principles of the "Van Doren" decision did not apply in this case. There was no risk of a market partitioning if the alleged source was not part of the trademark owner's distributions system anymore. In particular, there was no risk that the trademark owner would terminate the distribution agreement with the defendant's source in order to prevent cross-border sales in the future. Furthermore, there was no room for a shift of the burden of proof if the defendant disclosed its source voluntarily. In such case the risk of a market partitioning followed already from the voluntary disclosure of the trademark owner's distribution partner and would not be further increased by proving the chain of supply.

Both decisions of the Federal Court of Justice are landmark decisions in trademark law. They clearly strengthen the position of trademark owners. ■



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¹ I ZR 52/10

² I ZR 137/10

³ Decision of 8 April 2003, C-244/00

Trademarks, Unfair Competition and Domain Names

Germany

DOMAIN NAME OWNERS CAN REQUEST RECTIFICATION OF WRONG WHOIS ENTRIES – FEDERAL COURT OF JUSTICE, DECISION OF 18 JANUARY 2012, I ZR 187/10 ("GEWINN.DE")

The Federal Court of Justice decided that although the owner of a domain name does not acquire an absolute right to the domain name, the material beneficiary can claim rectification of a wrong WHOIS entry against third parties pursuant to the rules of unjust enrichment.

By a WHOIS enquiry, interested third parties can query the owner and the admin-c of an Internet domain.

In 1996, the plaintiff registered the domain name "gewinn.de" with the German registry DENIC and was subsequently listed as the domain name owner within the WHOIS database accessible via the DENIC homepage.

In 2005, for unknown reasons, the WHOIS information did not list the plaintiff as the domain name owner of "gewinn.de" any longer, but varied.

In February 2006, the defendant acquired the domain name via a domain trading platform from a third party and, following that, was listed in the WHOIS database as the domain name owner.

The plaintiff, claiming still to be the legitimate owner of the domain name, asked DENIC to rectify the WHOIS entry.

However, DENIC refused to do so without the defendant's consent.

The plaintiff applied for a court order against the defendant, requiring him to agree to the rectification of the WHOIS database entry.¹

The Court of Appeal dismissed the claims.

On further appeal, the Federal Court of Justice stated that even though the listings in WHOIS databases did not have a constitutive effect as to the ownership of domain names, the material beneficiary had a legitimate interest in the rectification of an incorrect WHOIS entry. Due to the declaratory nature of a WHOIS entry vis-à-vis third parties, an incorrect WHOIS entry would substantially constrain the domain's usability and salability.

The ownership of a domain name did not give the owner absolute rights comparable to trademark rights but only contractual rights against the registry. Nevertheless, the court stated, if a third party was unlawfully listed as the domain

name owner in the WHOIS database, this incorrect WHOIS entry gave an unjustified advantage to this third party, obtained at the expense of the legal domain name owner. Therefore, the third party was obliged to agree to the rectification of the wrong WHOIS entries pursuant to the rules of unjust enrichment.

The Federal Court of Justice concluded that the plaintiff could base its claims on unfair enrichment and referred the matter back to the Court of Appeal.

In conclusion, this decision is good news for domain name owners as it provides them with a claim for rectification against third parties formally entitled by incorrect WHOIS entries. With regard to WHOIS entries in general, the decision clarifies that these, although not being constitutive, have their own commercial value due to their declaratory character vis-à-vis third parties.■



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¹ In parallel court proceedings, the plaintiff successfully sued DENIC for rectification of the wrong entry. However, the decision has not become final yet.

Trademarks, Unfair Competition and Domain Names

Europe – Italy

COMMON OBJECTS BUT UNCOMMON PROTECTION – COURT OF MILAN, ORDER OF 27 DECEMBER 2011, GALILEO SPA. V. F.LLI FONTANA

How may everyday objects be protected under IP law if no registered IP right has been applied for? The Court of Milan gave its answer with regard to a set of colorful plates.

Design and aesthetic appeal is increasingly important for the success of a product. Companies invest in attractive designs, even for everyday objects, as this might be the key for a product's commercial success. The shape of a product may be registered as a design or as a shape mark. But how can the effort to make a common object uncommon in the eyes of the consumer be protectable, if no registered IP right has been applied for?

The Court of Milan has dealt with this question in interim proceedings regarding the protection of a set of plates.



Galileo SpA's Arcobaleno plate set

Galileo SpA, the producer of a colorful set of plates, started proceedings on the basis of unfair competition law for slavish imitation against F.Lli Fontana which manufactured similar plates.

The Court of Milan found the set of plates eligible for protection under unfair competition law and, also, as an unregistered shape mark.¹

The court said that the presence of a different trademark on the infringing product did not avoid a risk of confusion.

With regard to the protection of the design of the set of plates as a shape mark, the court rejected F.Lli Fontana's claim that a plate characterized by a multicolored, decorated border was common in the field.

Instead, the court found that the particular design of the plate enabled the differentiation of the product from others available on the market and therefore had individual character. It also found that the shape and design conferred to the plate distinctive character, since they enabled indication of the product's origin to consumers.

The court examined if there were any features which might prevent the registration of a shape mark, in particular, if the shape conferred to the product substantial value.

The court distinguished between two types of features: the "key" decoration which substantially characterizes the product in the eyes of consumers, and secondary elements which vary and do not significantly influence the product's global appearance. The court found that the contrast between the plate background and the colored border consisting of a repetition of different colored segments constituted the "key" decoration of the design which substantially attracts consumers. However, there were also secondary elements which, in combination with the key features, also characterized the plate's shape without giving substantial value to the product. Therefore, the design and shape of the set of plates could be protected as an unregistered trademark.

The court concluded that F.Lli Fontana acted unlawfully by copying not only the "key" but also the secondary features of the design, such as the dimension of the segments, the sequence and range of the colors, etc. so that the plates were confusingly similar to general consumers.

This court decision grants a strong protection to the design in question. In the words of the court: *"investments have to be protected, even when involving a simple and common object."* ■



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¹ As the plates were marketed before 2008, the design was not eligible for protection as an unregistered Community design - its term is only three years as from the date on which the design was first made available to the public within the Community.

Trademarks, Unfair Competition and Domain Names

Europe – Russia

CIVIL CLAIMS OF TRADEMARK OWNERS AGAINST PARALLEL IMPORTERS – NINTH ARBITRAZH APPELLATE COURT, DECISION OF 13 JANUARY 2012, NESTLE WATERS V. ELITE VODA RU LLC

The Ninth Arbitrazh Appellate Court in Moscow overruled a decision of the Moscow Arbitrazh Court and confirmed civil claims of a trademark owner against the parallel importer of food products.

In the past, the Russian legislation and jurisdiction had applied the principle of exhaustion of rights in Russia for both civil and administrative liability matters.

In 2009, this changed dramatically following the lobbying work of parallel importers supported by the Federal Antimonopoly Service of Russia. This change has been especially evident for particular types of imported products, such as cars and spare parts, where Russian courts became reluctant to impose, first, administrative and, then, civil liability for parallel imports of these products.

Following the decision of the Higher Arbitrazh Court of Russia in the "Porsche" case in February 2009 that parallel importers could not be held liable administratively, administrative actions against parallel importers became practically unavailable for rights owners.

However, as the general principle of exhaustion of rights was not dismissed, civil litigation remained a feasible instrument for rights owners against parallel importers – although the case law was rather controversial, with the courts being reluctant to impose liability in cases of parallel imports of cars and spare parts.

Nevertheless, recent case law with regard to parallel imports of food products gives rights owners grounds for optimism:

In a case initiated by the Societe Anonyme des Eaux Minerales d'Evian, the unauthorized importer was held liable for trademark infringement¹ – although the seized goods were meanwhile returned to the importer following the long storage at the warehouse pending litigation.

In a more recent case, Nestle Waters initiated a court proceeding against the parallel importer Elite Voda RU LLC for infringement of the PERRIER trademarks.

In April 2011, the Moscow Arbitrazh Court dismissed the claims, stating that the imported goods were original and that

the claims of the trademark owner might even be considered as an unfair competition practice restricting the freedom of trade. In particular, the court indicated that only the import of fake products could constitute trademark infringement.

In January 2012, the Ninth Arbitrazh Appellate Court overruled the decision, inter alia, taking into account that Nestle Waters withdrew its claims for destruction of the imported products. In its decision, the court highlighted the territorial scope of the principle of exhaustion of rights in Russia, thus supporting Nestle Water's claims.

In the course of the appellate hearings, Elite Voda had submitted a counterclaim of unfair competition practice, arguing that trademark owners restricted the freedom of trade and controlled the market through establishing monopolistic and elevated prices. However, both the court of cassation and the supervisory instance dismissed this counterclaim.

The decision of the Ninth Arbitrazh Appellate Court is favorable for trademark owners, who would be interested to enforce their exclusive rights against parallel importers, which legal possibility has been seriously undermined in the recent few years in Russia.

In addition, this case also reveals the important role of the Russian Customs in trademark enforcement in Russia. The PERRIER trademarks have been registered with the Russian Customs register and Russian Customs had revealed and suspended the parallel importation by Elite Voda. ■



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¹ We reported this decision in our IP Newsletter, October 2010 edition.

Trademarks, Unfair Competition and Domain Names

Asia – Hong Kong

REVOCATION EXPRESS VIA COURT PROCEEDINGS – HONG KONG HIGH COURT, [2012] HKEC 72, *IMAGE FACTOR LIMITED V. REGISTRAR OF COMPANIES*

A case before the Hong Kong High Court highlights the options for trademark applicants facing relative grounds of objection based on earlier registered marks if those owners have ceased to exist.

The Hong Kong Trade Marks Ordinance allows applications for revocation to be made either to the Registrar of Trade Marks or to the Court of First Instance. Given that there is a waiting period of a year or more for hearings at the Trade Marks Registry, court-based revocation applications for unchallenged cases might significantly shorten the wait for a judgment.

In this case at issue, the matter was dealt with in a little over a month, from originating summons to the judgment.

The action started by originating summons requested by Image Factor Limited which had applied for the trademark MILK in classes 9, 16, 35 and 41.

The application was rejected on relative grounds as the mark was considered to be similar to the earlier mark MILKY (no. 300051371) registered in class 16. That mark had been registered in July 2003 by Elegant Star International (Holdings) Ltd (formerly known as Link Dragon Ltd).

In June 2008, however, Elegant Star International was dissolved by deregistration. Following this, the MILKY mark was deemed to be *bona vacantia* and fell into the ownership of the Registrar of Companies.

Image Factor based its application for revocation on non-use in Hong Kong for at least three years, pursuant to section 52(2)(a) of the Trademarks Ordinance, Cap 559.

At the hearing, the court agreed with Image Factor and held the evidence sufficient that the MILKY mark should be revoked. By agreement, no order as to costs was made.

The case illustrates the potential advantages in some cases of applying to the court for revocation of a mark as opposed to pursuing proceedings at the Registry. In cases such as this – where a government body becomes the owner of a trademark by default and where there is little or no possibility of an application being challenged – court proceedings might be a faster route to revocation. ■



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Patents and Trade Secrets

Europe – European Union

NEW EU REPORTS ON TRADE SECRETS AND PARASITIC COPYING (LOOK-A-LIKES)

The European Commission has released the results of two EU-wide studies carried out by Hogan Lovells on trade secrets and parasitic copying.

IP specialists across the Hogan Lovells network¹ spent over six months compiling the reports commissioned by the European Commission. These are the first studies of their kind to cover the law in all Member States; they reveal significant differences in the law across Europe and how it is enforced.

Trade Secrets

Trade secrets are an increasingly important area to business providing protection for the investment of time and money and research and development that are difficult to protect by other means. The need for adequate protection has become even more important today because technology allows the simple and quick reproduction of documents and their transmission. Despite the fact that trade secrets are often extremely valuable (think of the Coca Cola recipe), this is an area of law which has so far been largely overlooked in Europe. This is in contrast to the United States and hopefully is set to change now that the area is being reviewed by the Commission.

The current level of protection is a patchwork and harmonization of the law is desperately needed. For example, in some countries misuse of a trade secret is treated as a criminal act punishable by a prison sentence or a fine. The level of applicable fine demonstrates how differently individual States view the importance of trade secrets; fines can vary from as little as €50 to €30,000 or more. In other countries only civil remedies are available and in some cases the court procedures available mean that they can provide only limited relief. And in one or two countries there is simply no basis for any effective remedy.

The differences in protection across the EU mean that businesses trading in some parts of Europe need to be aware where they could be in danger of losing significant revenue to their competitors and opportunists. The Hogan Lovells report looks in detail at the different forms of protection in each State and makes recommendations on best practices.

Parasitic Copying

Parasitic or look-a-like products are used by manufacturers to boost sales by confusing and misleading consumers by drawing a link between their white label products and the market leader's branded goods.

The Hogan Lovells report highlights the fact that there is a concern amongst manufacturers that parasitic copies not only offer competitors an advantage that amounts to unfair competition but also cause consumer confusion. The disparities in EU law, with regards to what can be protected, make efficient and cost-effective protection against parasitic copying increasingly difficult.

Following are some key considerations for businesses to protect their branded products across the EU:

- National laws on unfair competition currently provide more effective protection than EU law.
- To avoid serious loss of revenue it is important for businesses to be aware of what action can be taken in different EU Member States and identify where protection or enforcement may not be effective.
- Whilst the enactment of the EC Unfair Commercial Practices Directive has improved the protection available to rights holders against parasitic copies in a few Member States, this appears to be the exception rather than the rule.

The key message to come out of this study is that, as the law stands, the approach to parasitic copying across the EU is inconsistent and therefore, in some countries, potentially inadequate. Member States do not regard the primary purpose of the Unfair Commercial Practices Directive to be the prevention of parasitic copies. Although it is open to Member States to prevent parasitic copying under the Directive, many choose not to do so because it focuses only on consumer protection, ignoring or downplaying the effects of business-to-business unfair competition. As a result, any protection it offers is, at best, incidental. Further studies, however, are likely to be necessary on the scope and extent of parasitic copying across the EU before it is accepted that harmonizing legislation is necessary. Those interested in this outcome are urged to contribute to the UK IPO and AIM studies on parasitic copying that are taking place over the course of the next year.

Copies of the reports are available from the European Commission's website for the internal market at:

http://ec.europa.eu/internal_market/iprenforcement/docs/trade/Study_Trade_Secrets_en.pdf and

http://ec.europa.eu/internal_market/iprenforcement/docs/parasitic/Study_Parasitic_copying_en.pdf. ■



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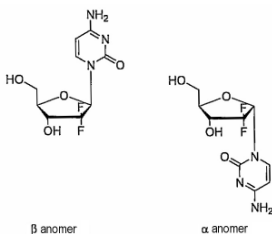
Patents and Trade Secrets

Europe - France

VALIDITY OF ELI LILLY'S PATENT CONFIRMED – COURT OF APPEAL OF PARIS, DECISION OF 13 JANUARY 2012, NO. 10/17727, AS SANDOZ V. ELI LILLY

The Court of Appeal of Paris confirmed the validity of (the French part of) Eli Lilly's European (FR) patent regarding a process for stereoselective glycosylation as it showed inventive activity and was sufficiently disclosed. The generics company Sandoz was ordered to pay half a million Euros in lawyers' fees.

The process protected by Eli Lilly's patent (No. EP 0 577 303) concerns the preparation of the nucleoside gemcitabine. The active ingredient gemcitabine is a medicament used for the treatment of cancer. A nucleoside may have two isomers. These two isomers are called α anomer and β anomer:



Gemcitabine takes the form of a β anomer. All the processes enabling gemcitabine to be obtained lead to a mixture of anomers. The α anomer is of no therapeutic interest and must be separated from the β anomer. The subject matter of the patent consists of a process which, for the first time, enables the manufacturer to obtain directly a mixture with more gemcitabine (β anomer) than α anomer. According to the patent, this is done following a stereoselective process called an SN2 reaction.

The generics company Sandoz sought the nullification of (the French part of) Eli Lilly's European (FR) patent, claiming lack of inventive step and insufficiency of disclosure.

The First Instance Court of Paris rejected the claim. The Paris Court of Appeal, referring specifically to the case law of the Boards of Appeal of the EPO dealing with the "could-would" approach, upheld this decision.

With regard to the inventive step the court confirmed that the question was not whether the skilled person could have reached the invention by modifying the prior art, but rather whether, in expectation of the advantages achieved, he / she would have done so because of promptings in the prior art.

In the present case, two processes could theoretically be implemented to produce acceptable quantities of the desired

enantiomer called gemcitabine (the β anomer). However, the prior art only taught the production of gemcitabine through an SN1 reaction leading to the production of both the β anomer and α anomer in an anomeric ratio of 1:1, at the very best. The SN2 reaction was only known from scientific research but rare in the field of nucleoside synthesis. It had not been implemented to produce gemcitabine or anything similar to it.

In light of the technical background, the court found that "beginning with the prior art implementing a pure SN1 reaction, the person skilled in the art would have had no incentive to apply the specific reaction conditions of an SN2 reaction, which is considered by specialists as an uncommon reaction, and if this idea had ever come to his/her mind, he/she would not have known what conditions to change to get an anomeric ratio [of gemcitabine over the α anomer] greater than 1:1." Consequently, the court found that Eli Lilly's patent did not lack inventive step.

With regard to the (only in the appeal proceedings) claimed insufficiency of disclosure, the court noted that it was up to the claimant to provide evidence that the person skilled in the art "would be unable to perform the invention with its own scientific and technological knowledge. This evidence must be established beyond a reasonable doubt which should benefit the patent holder." The court found that the many examples in the description of the patent as well as the general prior knowledge allowed for implementing the claimed invention. Therefore the court concluded that the patent was sufficiently disclosed.

Failing already in the first instance, Sandoz had been ordered to bear all of Eli Lilly's counsel's costs. Upon appeal, the court not only confirmed this decision but also ordered Sandoz to pay the additional fees incurred by Eli Lilly to defend its patent again on appeal. As a consequence, Sandoz was ordered to pay a record-high total of € 504,000 in lawyers' fees. ■



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Patents and Trade Secrets

Europe – France

CONFIDENTIALITY OF INFORMATION SEIZED DURING AN INFRINGEMENT SEIZURE – COURT OF APPEAL OF PARIS, DECISION OF 6 DECEMBER 2011, *CIPLA V. ASTRA ZENECA*

The Court of Appeal of Paris held that information seized during an infringement seizure at the French Health Authority is subject to confidentiality, awaiting examination by an expert.

Astra Zeneca is the owner of a European patent for the product "Magnesium salt of the (-)-enantiomer of omeprazole and its use" (EP 1020461) and a European patent regarding a "Process for synthesis of substituted sulphoxides" (EP 0773940).

Astra Zeneca had reasons to assume that its patent rights were infringed in France by the commercialization of a competing omeprazole product by the generics manufacturer Etypharm and its Indian manufacturer and supplier of the active ingredient, Cipla.

Astra Zeneca applied for a court authorization for an infringement-seizure (*saisie-contrefaçon*) at the premises of Etypharm and at the French Health Authority (AFSSAPS).

AFSSAPS is the holder of the Drug Master File submitted by Etypharm to obtain a Marketing Authorization for its generic drug. This file, which includes an "open" part, i.e. a collection of non-confidential documents and data, as well as a "closed" part, i.e. a collection of confidential information, holds information on the process by Cipla to manufacture the product sold by Etypharm in France.

The infringement seizure took place on 21 and 28 March 2011. The documents seized at the premises of Etypharm were put in sealed envelopes at the request of Etypharm. However, the information seized at AFSSAPS, notably the "closed" part of the Drug Master File, was not subject to any confidentiality measures.

Astra Zeneca initiated preliminary injunction proceedings on 29 April 2011 on the basis of its process patent EP 0773 940 and on 18 May 2011 on the basis of its product patent EP 1020 461.

On 20 May 2011, Cipla initiated a revocation procedure against the order authorizing the infringement seizure at AFSSAPS, claiming that confidential information amounting to a trade secret had been seized with no confidentiality measures in place.

By order of 1 June 2011, the court rejected the request for revocation as well as the request for sealing the documents.

On 6 December 2011, the Paris Court of Appeal confirmed the dismissal of the application for revocation of the order authorizing the infringement seizure. However, it agreed that the confidential information should be subject to confidentiality measures.

The court stated that, as a principle, infringement seizures are available to a patent holder even if the documents to be seized may be covered by secrecy. The seizure must in any case be authorized by a judge who then has control over the proper implementation of his order, notably to ensure the secrecy of information seized. Therefore, confidential information must remain accessible to the plaintiff seeking to prove an infringement. However, the court held that "*it is necessary to reconcile the conflicting interests of the parties, i.e. the search for evidence of an infringement and the protection of confidential information; there is a need to assess the proportionality of the [evidence-collecting] measures taken with the necessary protection of confidentiality.*"

Since Cipla was not present during the seizure at AFSSAPS and Astra Zeneca did not clearly prove urgency conflicting with the temporary concealment of the documents seized, the court decided that the information seized at AFSSAPS should be kept confidential, awaiting examination by an expert and that Astra Zeneca would be liable for any undue disclosure.

The decision means in practice, that

- on the one hand, patent holders should take into consideration infringement seizures at AFSSAPS in order to collect information from the "closed" part of the Drug Master File of a competitor;
- on the other hand, pharma companies suspecting a seizure at AFSSAPS should remember that (1) AFSSAPS may request the sealing of confidential information at the time of the seizure, and (2) in case of information seized under no confidentiality, summary proceedings can be initiated to ensure that proper confidentiality measures are put in place. ■



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Patents and Trade Secrets

Europe – Spain

INNOVATORS SUCCESSFULLY FREEZE PRICE DROP: RECENT DECISIONS OF SPANISH COURTS

Innovators have successfully prevented the drop in their prices (estimated to be in the range of 30%-40%) in two recent decisions by Spanish courts against generics companies.

The Spanish Ministry of Health, Social Services and Equality ordered in its latest resolution determining reimbursement prices that the reimbursement prices (maximum amount publicly financed) of certain medicinal presentations (amongst which a generic was included) be frozen. This resolution was adopted as a result of preliminary injunctions ordered against generics companies until they are lifted either in second instance or by a decision on the merits.

The plaintiffs, whose patents were to expire at the end of 2012, launched preliminary injunctions against generics companies which had applied for and obtained marketing authorization so that their medicinal products had been included in the National Health System (and therefore they could be financed) and, as a result, had been given a reimbursement price. In one of the cases, the defendants had also offered their products in the market.

Under the Spanish Medicines Act (Act number 29/2006, of 26 July, recently amended), reimbursement prices are fixed on the basis of the so-called "groups" ("conjuntos") composed of all the medicinal presentations with the same principal active ingredient and administration means in which there must be, at least, a generic or a bio-similar medicinal product. Reimbursement prices would force innovators to reduce their prices in the range of 30%-40%.

Several patentees asked the competent commercial courts¹ to order ex-parte preliminary injunctions against generic companies – including: a prohibition to carry out any act which may infringe the patentees' rights; the seizure and deposit of the infringing products; and the notification of the courts' decision to the Spanish Health Authorities (i.e., Medicines Agency and Ministry of Health, Social Services and Equality) so that it is considered for the purposes of the relevant provision of the Spanish Medicines Act, ultimately, that the generic is not taken into account to determine a "group" of the relevant active principal ingredient and, therefore, a reimbursement price is not fixed (or, if fixed, it is frozen).

The courts granted the patentees' requests and ordered the preliminary injunctions. They agreed that, in view of the circumstances of the case (in particular, the finalization of the

administrative procedure for the approval of the generic and the fixation of the prices), there was a qualified urgency. In order to make the order effective, the patentees' had to deposit a bond in the range of €200,000.

As a result, upon service of the courts' decisions and after confirming that the generics involved were the only generic presentations included in the relevant groups, the Spanish regulatory authorities ordered that these groups shall be inactivated until a positive decision for the generics companies might be rendered. Should the preliminary injunctions be confirmed in the proceedings on the merits, however, the groups will remain inactive and, ultimately, be cancelled.

In another recent order of January 2012, the Court of Appeal of Barcelona confirmed in a similar case the preliminary injunctions ordered in first instance against a generics company – although under unfair competition law.

In the case at issue, the generics company had applied for marketing authorization at the beginning of 2009, whereas the patentee's rights (SPCs) were only to expire in February 2012. In addition, the generics company had publicly stated that it had no intention to market until the SPC had expired.

The Court of Appeal stated that the infringement of the patentee's rights was not imminent, referring also to the Bolar provision. However, it confirmed the first instance decision granting the injunctions, and said that the requirement of a likelihood of success of the claims under unfair competition law was met. It agreed with the plaintiff's argument that the application for a marketing authorization by the generics company three years prior to the expiration of the exclusive rights of the patentee hindered their position in the market and was therefore contrary to the principle of good faith. Unless preliminary injunctions were ordered, the generic's marketing authorization procedure would cause substantial harm to the patentees' economic position as they would need to reduce the prices of their products. In contrast, the generics company did not obtain any benefit by commencing the administrative procedure so far in advance. ■



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¹ Commercial courts handle all commercial cases in first instance, including all IP cases.

Patents and Trade Secrets

Europe – United Kingdom

TRADE SECRETS IN FORMULA 1: HIGH COURT ON BREACH OF CONFIDENCE AND COPYRIGHT INFRINGEMENT – HIGH COURT OF ENGLAND & WALES, DECISION OF 21 MARCH 2012, [2012] EWHC 616 (CH), FORCE INDIA FORMULA ONE TEAM LTD V. 1MALAYSIA RACING TEAM SDN BHD

The High Court held that there was a breach of confidence and copyright infringement as a result of draftsmen's "short-cut" copying of CAD design files of parts of a model car but awarded modest damages.

Force India brought a claim against the wind tunnel company Aerolab for misuse of confidential information and copyright infringement relating to the design of a half-size wind tunnel model of a Formula 1 racing car. The main issue was breach of confidence. Very unusually, issues of liability and quantum were tried together.

In April 2008, Force India engaged Aerolab to work on the aerodynamic development and design of their new F1 car for the 2009 season. The agreement between them provided that Force India owned any intellectual property created under the agreement.

Aerolab stopped work for Force India and severed Force India's access to Aerolab's servers at the end of July 2009 due to unpaid fees.

Shortly afterwards, Aerolab and its parent company, Fondtech, began work on designing a new F1 car for Lotus, also for the 2009 season. It was alleged that the Aerolab/Fondtech employees used the Force India CAD files as a starting point for the Lotus design.

The High Court of England & Wales carried out a detailed analysis of the law of trade secrets. It carefully considered the evidence to determine which of the 71 allegedly copied designs were: (a) in the public domain; (b) derived from Aerolab/Fondtech employees' own skill, knowledge, and experience; or (c) confidential information which had been misused.

Force India's claim in relation to many of the parts was not made out. However, the court held that in so far as the CAD draftsmen used Force India CAD files to take a short cut, they had misused confidential information akin to a trade secret. There was a great deal of evidence that such information was regarded in F1 as highly confidential and it was well known that there were severe penalties for misusing it; and the information was generally separable from the employees' skill, knowledge, and experience.

On the other hand, the court held that there was insufficient evidence to conclude that there was any misuse of the

confidential information by the aerodynamicists in designing the various parts of the Lotus car.

The court went on to deal with quantum and acknowledged that the case law on assessment of compensation for breach of confidence was confused. However, having reviewed the principal authorities it concluded that the same approach should be adopted whether the obligation of confidence was contractual or equitable. Where the claimant exploits his confidential information by making and selling products for profit, he could recover his loss of profit caused by the breach. Where he grants a licence and his licensing revenue had been diminished he could recover the lost revenue. Or if he would have "sold" the information, he could recover its market value. If the claimant cannot prove he has suffered loss in any of these three ways he can recover the sum as would be negotiated by a willing licensor and a willing licensee for use of the information.

Force India originally claimed compensation of over £15million, representing the development costs of its 2009 model. The court adopted the willing licensor/licensee approach and concluded that acting reasonably they would have negotiated a fee of €25,000. This figure was fair, equitable, effective, proportionate, and dissuasive, as required by the Enforcement Directive. This sum was to be set off against the €846,230 which Force India owed Aerolab under their agreement.

Although the final award was low as their claim was not fully made out, this case shows how valuable trade secrets can be. The court carried out a thorough and useful review of the authorities in this area, including those on quantum, a subject which does not often come to trial.

Interestingly for a trade secrets case, no injunction was sought as there was no suggestion that the breaches would be repeated. ■



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Patents and Trade Secrets

USA

U.S. SUPREME COURT: THE MERE APPLICATION OF A NATURAL CORRELATION IS UNPATENTABLE – U.S. SUPREME COURT, DECISION OF 20 MARCH 2012, *MAYO COLLABORATIVE SERV. V. PROMETHEUS LAB.*, NO. 10-1150

The Supreme Court holds a method of adjusting drug dosage to be an unpatentable application of a law of nature.

In a unanimous decision on 20 March 2012, the U.S. Supreme Court invalidated under 35 U.S.C. 101 a patent owned by Prometheus Laboratories Inc. covering the use of a blood test to determine a customized dosage of a drug for a particular patient. The Supreme Court found Prometheus had merely claimed the application of a law of nature without adding steps sufficient to "transform unpatentable natural correlations into patentable applications."

The claim at issue was directed to administering a thiopurine drug to a patient, testing the patient's blood to measure the amount of metabolites created in response to the drug, and then adjusting subsequent drug dosages based on the measured amount of metabolites. The Supreme Court observed that "the claims inform a relevant audience about certain laws of nature; any additional steps consist of well-understood, routine, conventional activity already engaged in by the scientific community; and those steps, when viewed as a whole, add nothing significant beyond the sum of their parts taken separately."

The opinion has already been criticized for making it more difficult to determine whether particular subject matter is eligible for patent protection. With its "sum-of-the-parts" approach, the Supreme Court arguably incorporated the invalidity determinations under 35 U.S.C. §102 into the initial patent eligibility inquiry under §101. Each step in the patent claim was dissected and separately analyzed for novelty before the combination of steps was evaluated for an inventive contribution. The novelty of the "contribution" was then factored into the eligibility analysis to determine whether the claim covered something more than just an application of a law of nature. The Supreme Court seemed little concerned about its conflation of the §101 and §102 analyses noting that an "overlap" may occur but not always.

While this decision will significantly impact the patenting of treatments in the field of personalized medicine, it more broadly puts at risk patents in many fields directed to the results of fundamental scientific research. In the eyes of the Supreme Court, merely discovering a new law of nature and applying it conventionally is not enough to warrant patent protection. ■



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Patents and Trade Secrets

USA

PATENT ASSIGNMENTS MUST BE DRAFTED CLEARLY – COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECISION OF 13 JANUARY 2012, ABBOTT POINT OF CARE V. EPOCAL, NO. 2011-1024

The Federal Circuit, in a 2-1 decision, finds that in a string of three employment/consulting agreements, the last agreement incorporated portions of an earlier one, but not the invention assignment clause.

In *Abbott Point Of Care v. Epocal*, Abbott sued Epocal on a set of patents which listed Epocal as the assignee. In its complaint, Abbott asserted that, based on employee and consulting agreements entered by its predecessors with the named inventor, it was the rightful owner of those patents and thus had standing to sue Epocal for infringement. The named inventor, in fact a sole inventor of the patents, was previously employed by Abbott's predecessors – first as an employee and later as a consultant.

Although the original employment agreement expressly assigned all inventions to Abbott's predecessor, the later consulting agreement did not and, instead, incorporated by reference at least portions of the earlier agreement. The consulting agreement expressly excluded from its scope any "work on new products."

Based on those facts, the Federal Circuit found under New Jersey law that the consulting agreement unambiguously excluded any obligation to assign inventions. Epocal was confirmed as the owner of the patents and the dismissal of Abbott's infringement claim was affirmed.

Two key lessons should be noted:

- First, and most obvious, any obligation to assign an invention should be clearly stated. Relying on an incorporation by reference may run the risk of later misinterpretation by a court. If the agreement is silent, it can be very difficult to prove that an assignment should be implied.
- Second, in the United States, state law governs employment and consulting agreements. In those instances where there are options as to which governing law is selected, a strategic choice can predictably benefit a party. Specifying state law favoring enforcement of agreements as written, and minimizing the role of extrinsic (parole) evidence in interpreting the agreement, has the potential to significantly impact the interpretation of an ambiguous agreement. ■



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Patents and Trade Secrets

Asia – China

PRIORITIZED EXAMINATION OF PATENT APPLICATIONS – THE IMPACT ON COMPANIES OF THE RECENT SIPO CONSULTATION PAPER

On 16 December 2011, the State Intellectual Property Office (SIPO) issued a consultation paper seeking public opinions on the draft Administrative Measures on Prioritized Examination of Patent Application (Draft Measures). The consultation period ended on 15 January 2012.

According to the Draft Measures, the prioritized examination is applicable to all types of patent applications which include invention patents, utility models and design patents. Applicants of invention patents, who can expect an earlier grant than the average of three-to-five years, particularly welcomed this mechanism. The Draft Measures provide that an applicant may be granted prioritized examination status if the application falls within one of the following categories:

- a) energy saving and environmental protection, and core technologies of new industry, such as the new generation of information technology, biochemistry, high-end apparatus manufacturing, new energy, new materials and green cars;
- b) development of environmental quality, such as low-carbon technologies and resource conservation;
- c) the state's important science and technology projects;
- d) applications first filed in China and also filed in patent offices of other countries or places; or
- e) any other applications that require prioritized examination.

In addition to the above, applications shall also meet the following requirements:

- a) the application must be filed electronically;
- b) the applicant must request a substantive examination;
- c) the applicant must submit an "Application form for Prioritized Patent Examination", which is endorsed by the local SIPO office at the provincial, autonomous region or municipal level, or a department to be established by the State Council; and
- d) the applicant must submit a "Search Report" issued by an entity which is qualified to conduct patent searches.

Unlike the prioritized examination procedures in the USPTO or the accelerated prosecution program in the EPO, both of

which aim at providing a final disposition within 12 months, the Draft Measures do not spell out a timeframe within which an applicant of the prioritized examination can expect to obtain a grant. The Draft Measures also do not specify how many requests for prioritized examination will be granted each year. Instead, it is generally stated this will depend on the number of backlogs and the examination capacity of the respective technical areas.

There are areas that require further clarifications from the SIPO. First, what will be the role of the local SIPO offices (or the department to be established by the State Council) and what will be the procedure in order to get an endorsement from such a department on the "Application form for Patent Prioritized Examination"? Second, it is unclear what constitutes an entity which is "qualified to conduct patent searches". Does such an entity need to be accredited by the SIPO or will a patent agency firm automatically be regarded as a qualified entity? We will wait and see how these issues are addressed by the SIPO.

Finally, the SIPO has also launched the following pilot patent prosecution highway (PPH) programs recently:

- a) PPH with the Japan Patent Office, which commenced on 1 November 2011 for one year;
- b) PPH with the USPTO, which commenced on 1 December 2011 for one year;
- c) PPH with the German Patent and Trademark Office, which commenced on 23 January 2012 for two years; and
- d) PPH with the Korean IP Office which commenced on 1 March 2012 for one year.

Patent filers may seek to expedite their applications via these PPH programs. ■



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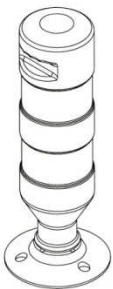
Designs and Copyright

Europe – European Union

REGISTERED COMMUNITY DESIGN DOES NOT BAR INFRINGEMENT ACTION – COURT OF JUSTICE OF THE EUROPEAN UNION, DECISION OF 16 FEBRUARY 2012, C-488/10, CELAYA ESPERANZA Y GALDOS INTERNACIONAL SA V. PROYECTOS INTEGRALES DE BALIZAMIENTO SL (CELAYA / PROIN)

In one of its rare decisions on designs, the Court of Justice of the European Union (CJEU) held that a registered Community design will not protect its holder against an infringement action based on an earlier design.

Celaya owned a registered Community design for a beacon-like marker for traffic signaling purposes.



PROIN started marketing its own marker, which Celaya thought infringed its registered design. After Celaya had sent cease and desist letters, PROIN registered its own Community design.



Celaya did not apply for a declaration of invalidity of PROIN's design, but brought infringement proceedings against PROIN's ongoing use of the traffic marker.

The referring court considered that PROIN's design did not produce a different overall impression, i.e. would amount to an infringement.

PROIN argued that Celaya had no standing to bring infringement proceedings because PROIN's use was in line with its own registration. Furthermore, as long as its own design was validly registered, its holder enjoyed a right of use under the Community Design Regulation and could therefore not be challenged in an infringement action.

The court stayed the proceedings and referred the questions to the CJEU for a preliminary ruling, whether (1) an infringement action was excluded until the infringer's registered design was declared invalid, and (2) whether the intention and conduct of the infringer was relevant (here: the fact that PROIN had only registered its own design after receiving a cease and desist letter from Celaya).

Registration Will Not Bar Infringement

The CJEU held that the Regulation does not preclude the holder of a registered Community design from bringing infringement proceedings to prevent the use of a later registered Community design. The intention or conduct of the holder of the later design is not relevant.

The case was referred by the Spanish Commercial Court of Alicante. Under Spanish national law, trademarks as well as designs give a positive right to use, i.e. a registered right will preclude an infringement action. The holder of a prior right must bring a cancellation action first and can only bring an infringement action once the later registration has been cancelled. This concept is familiar to a number of European jurisdictions besides Spain.

The CJEU clearly denied this concept for Community designs. Registration does not confer immunity: the use of a registered design can be challenged by an infringement action. Only the priority is relevant.

Comment

The decision is good news from an enforcement perspective. The holder of a registered Community design cannot just sit back and be confident that he will be able to continue its use as long as its design is registered. At the same time, risk management for design holders and users does not become easier. The risk of infringing third parties' earlier rights is not avoided by simply filing a design registration. It should therefore carefully be checked whether the intended use of a design could bear the risk of infringing earlier rights. ■



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Designs and Copyright

Europe – European Union / United Kingdom

IT'S THE PRESENTATION, NOT THE CONTENT, THAT COUNTS! – COURT OF JUSTICE OF THE EUROPEAN UNION, DECISION OF 1 MARCH 2012, C-604/10, FOOTBALL DATACO V. YAHOO! UK

The Court of Justice of the European Union (CJEU) has ruled that football fixture lists do not attract database copyright under Article 3 of the Database Directive¹ contrary to a decision of the High Court of England and Wales.

Football Dataco is responsible for compiling fixture lists for the English and Scottish football leagues. The lists are compiled according to a set of "golden rules", which dictate the ideal sequence of home and away matches. These rules have to be adapted from time to time to make allowance for specific requests made by the football clubs and the police. The process is far from purely mechanistic and, according to The Hon. Mr. Justice Floyd in the High Court, involves "very significant labour and skill in satisfying a multitude of often competing requirements of those involved".

Yahoo! and the other defendants used the fixture lists in the course of their business activities, such as the provision of online information and betting services. The claimants brought actions against each of the defendants for copyright infringement and infringement of the sui generis database right as a result of the defendants' use of the lists without payment of a licence fee.

It was clear from *Fixtures Marketing*² that no sui generis right subsists in football fixture lists and it was not thought necessary to refer this issue to the CJEU for reconsideration.

However, the High Court³ found that database copyright did subsist in Dataco's football fixture lists under Article 3 of the Database Directive since the work involved in preparing the lists went beyond "mere sweat of the brow". Referring to an example of a compilation CD given in the Recitals to the Database Directive, The Hon. Mr. Justice Floyd stated that the "quantum of relevant work involved in producing the Lists for any of the Leagues is considerably greater and made more complex by the fact that no two fixtures can be freely interchanged without affecting others."

On appeal, The Rt Hon. Lord Justice Jacob in the Court of Appeal⁴ noted that he could see force in the contentions of both sides regarding the subsistence of database copyright and therefore decided to refer a question to the CJEU.

In its ruling, the CJEU noted that the purpose of database copyright is to stimulate the creation of data storage and processing systems, rather than to protect the creation of materials contained therein. It is the selection and arrangement of data, through which the author gives the database its structure, which the right seeks to protect. The

intellectual resources deployed by Football Dataco relate to the *creation* of data and accordingly are irrelevant for the purpose of assessing the eligibility of the fixture lists.

The criterion of originality requires an author to express his creative ability in an original manner by making free and creative choices when selecting and arranging the data. Where the structure of a database is dictated by technical rules or constraints which leave no room for creative freedom, this criterion is not satisfied. The fact that the creation of the database requires significant skill and labour will not be sufficient if that labour and skill do not express any originality in the selection and arrangement of the data.

Accordingly, the CJEU left it for the national court to decide whether database copyright subsists in this instance, but noted that the procedures described by the national court in its referral are not sufficient to attract database copyright.

This judgment may impact the ability of creators of similar lists and statistics to exploit their content. Such creators may look to adapt their methods of creation or seek to rely on other rights, such as rights in confidence, in order to protect their revenue streams. The ruling also highlights the shift in emphasis away from the traditional English approach of "skill and labour" to the European concept of "intellectual creation."[■]



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¹ Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases.

² *Fixtures Marketing Ltd v. Oy Veikkaus AB* (C-46/02) [2004] ECR I-13065; *Fixtures Marketing Ltd v. OPAP* (C-444/02) [2004] ECR I-10549; and *Fixtures Marketing Ltd v. Svenska Spel AB* (C-338/02) [2004] ECR I-10497

³ *Football Dataco Ltd v. Britten Pools Ltd* [2010] EWHC 841 (Ch)

⁴ *Football Dataco Ltd v. Britten Pools Ltd* [2010] EWCA Civ 1380

IP Litigation in General

Asia – China

NEW OPINIONS FROM THE SUPREME PEOPLE'S COURT OF CHINA: A BIRD'S EYE VIEW OF HIGH-FLY PRINCIPLES

On 16 December 2011, the Supreme People's Court of China (SPC) released new Opinions focusing on IP adjudication and covering several areas, including trademarks, copyrights, patents and trade secrets. This article gives a short overview of the main issues.

On Trademarks

Prior to the Opinions, the defendant in a trademark infringement case could not raise the defense of bad faith trademark registration directly with the court but needed to file a cancellation proceeding with the Trademark Review and Adjudication Board and request the court to suspend the case pending the cancellation. The Opinions now allow a defendant to claim that the trademark pleaded for protection had been registered in bad faith.

Also positive for brand owners, the Opinions indicate that for well-known trademarks, courts can lower the burden of proof for owners with regard to the reputation of their trademarks. The level of protection afforded to well-known trademarks shall be consistent with the distinctiveness and reputation of the trademarks.

On the negative side, the Opinions provide that, when determining trademark similarity, the reputation of the alleged infringing mark should be considered. This will likely work against foreign enterprises as it will be more difficult to convince the court to find infringement if the alleged infringing trademark has earned some reputation and recognition in the market.

On Copyrights

The Opinions emphasize the protection of Internet Service Providers (ISPs), making it harder for brand owners to extend liability to these. For example: (1) Where the activities of an ISP meet the statutory exception conditions, they shall not bear compensation liability for infringement; and (2) Unless there are clear facts and evidence showing that an ISP knows or should have known of the infringement, courts should first apply the "notice and removal" rule before imposing compensation liability.

Other notable areas dealt with in the Opinions include reasonable use and technology neutrality. Reasonable use of a copyright exists if the use does not affect the normal use of the works or cause unreasonable damage to the author's legitimate interests. As this covers a wide range of situations, it may strengthen arguments in defense of an infringement.

On Patents

The Opinions call for strengthening the protection of patents, new plant varieties and integrated circuit layout designs.

Specifically for process patents, it is noteworthy that the Opinions intend to alleviate the plaintiff's burden of proof for patents involving manufacturing processes. However, it still leaves courts with some discretion to decide in which cases the criteria are fulfilled, to allow for a shift of the burden of proof.

On Trade Secrets

The Opinions are likely to have a positive impact on trade secret owners attempting to enforce their rights in China. If, in light of the facts of the particular case, it can be presumed that the defendant resorted to illegal means to obtain trade secrets, courts can presume that they were obtained illegally, unless the defendant can prove otherwise.

Comment

The SPC Opinions are important as they offer guidance for courts in China on how to deal with various types of cases. However, the Opinions still leave many questions unanswered and provide specific directions only in a few areas. ■



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Hogan Lovells IP Practice Events and Conferences



MAY 2012

5 - 9 A team of Hogan Lovells trademark lawyers will attend the Annual Meeting of the International Trademark Association (INTA) in Washington, D.C., USA. David Taylor will also be chairing a roundtable on new generic top-level domains (gTLDs). For details of the team attending INTA please contact Elizabeth West in Hogan Lovells' London office, UK.

10 Gabriela Kennedy will give a talk on data protection in Asia for the International Association of Privacy Professionals in Washington, D.C., USA.

11 Gabriela Kennedy will give a presentation at the Winnik International Telecoms and Internet Forum at our office in Washington, D.C., USA.

17 Conor Ward will be participating in a webinar on the subject: Procurement of IT in the public sector - sharing risk and reward.

21 Quentin Archer will be speaking at the Computer Enterprise Investigative Conference in Las Vegas, NV, USA.

25 Sarah Turner will be presenting on reporting due diligence results at the Butterworths conference on IP Due Diligence in Corporate Transactions in London, UK.

JUNE 2012

4 Lloyd Parker and Andreas Renck will be presenting trademark seminars in Tokyo and Osaka, Japan.

12 Conor Ward will be speaking at the Internet Service Providers Association's Legal Forum seminar on Communications Data and Data Retention, held at our office in London, UK.

20 Andreas Renck and David Taylor will be speaking at the ECTA Annual Conference in Palermo, Italy.

20 Steffen Steininger will be speaking at the FORUM Institut Seminar on Patent Infringement Proceedings, in Munich, Germany.

24 David Taylor will be speaking at the ICANN Meeting in Prague, Czech Republic.

JULY 2012

6 Andreas Renck will be speaking at the FORUM Institut Seminar on international trademark rights in Germany. ■

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