

**Intellectual Property Quarterly**  
Newsletter

April 2011

Intellectual Property



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# Contents

## EDITORIAL

### TRADEMARKS AND BRANDS 1

#### European Union 1

Transit of Counterfeit Goods Through the European Union

Same Assessment of Similarity Between Signs Under Article 2  
8(1)(b) and Article (8)(5) CTMR; Reputation of a Mark is  
Irrelevant

Adequate Evidence of Genuine Use Continues to be in 3  
Fashion

Descriptiveness of Term "F1" — No Likelihood of Confusion 4  
Between "F1-LIVE" and "F1" / "F1 FORMULA 1"

Applicability of "Thomson Life" Doctrine Depends on Goods 5  
and Services in Question; No Similarity Between "LOFT"  
and "ANN TAYLOR LOFT"

#### France 6

Application of the "Adwords" Decision of the CJEU and  
Assessment of Adverse Effect on the Trademark Function of  
Indicating Origin

#### Germany 7

"SUPERgirl" — The Relevance of Prior Registrations

Trademark Protection for Simple Figurative Signs on Shoes 7

#### Italy 9

Diamonds are Forever, a Non-used Reputed Mark, Too

#### Poland 10

Revocation of Unilever's 3D Trademark for Plain Shape of  
"Domestos" Bottle

#### United Kingdom 11

Use of "PLAY DOUGH" in a Strap-Line Alongside "YUMMY  
DOUGH" Product Infringes Hasbro's Rights in "PLAY-DOH"

Goodwill Hunting — Two Rare Reasoned Decisions From  
the Company Names Tribunal 12

#### USA 13

Levi Strauss v. Abercrombie & Fitch: An American Classic is  
Defining Dilution

#### China 14

New Regulation to Crack Down on IP Violations Issued in  
China

### PATENTS 15

#### European Union 15

Two Steps Forward, One Step Back ... — The Fate of the  
European Patent System

#### France 16

No Patent Over a Dosage Regime

#### Germany 17

The Early Bird ...? — Consequences of Asserting a Claim  
for Equivalent Patent Infringement Only in Last Instance

#### United Kingdom 18

UK plans to enter the patent boxing ring

#### USA 19

ResQNet.com, Inc. v. Lansa, Inc. — The Discovery and  
Admissibility of Settlement Agreements and Negotiations in  
Determining Patent Damages

### DESIGNS AND COPYRIGHT 20

#### European Union / Italy 20

The Arco Lamp Case — The Never-Ending Story of  
Copyright Protection for Design Works in Italy

#### European Union 21

Volkswagen's Community Design for the "Beetle 2nd  
Generation" Lacks Individual Character

#### France 22

Jurisdiction of French Courts in Case of Online Infringement:  
What are the Relevant Criteria?

#### Germany 23

To Use or Not to Use? — Federal Court of Justice Asks  
CJEU to Evaluate the Compatibility of a Re-sale of Used  
Software Licenses with Copyright Law

Copyright Protection for Everyday Household Object  
Designed by Bauhaus Artist 24

#### Netherlands 25

Artistic Freedom v. Louis Vuitton's Community Design  
Rights

#### Spain 26

New Law Authorizes Spanish Commission to Close Down  
Copyright-Infringing Websites

#### USA 27

U.S. Court Rejects Settlement on Google Book Search

Dead or Alive: U.S. High Court Agrees to Hear Free Speech  
Challenge Against Foreign Copyrights "Restored" From the  
Public Domain by International Treaty

A Very Non-Garden-Variety Case: Landscaper-Artist's  
"Rights of Integrity" Not Violated by City Trimming his  
Garden 29

### HOGAN LOVELLS IP PRACTICE 30

#### Events and Conferences

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## Editorial

Welcome to the April edition of the Hogan Lovells Intellectual Property Newsletter. Much has happened in European, U.S. and Asian court rooms since our last publication in January.

In trademark law, the Nokia/Philips case and the recurring issue of how to deal with goods in transit has been one of the highlights. At a national level, questions of trademark use have kept judges busy, with astonishingly different views taken by the Polish judges in the "Domestos" decision and the English judges in their ruling on the term "Play Dough" for certain toys. In the United States, the owner of Levi's "Arcuate" design has won another victory in the ongoing battle against dilution.

In patent law, the main movements circled around procedural questions. The Federal Supreme Court in Germany once more made it plain how dangerous it is to rely on claims for literal patent infringement and introduce claims under the doctrine of equivalence at a late stage in the proceedings. In the United States, courts issued another ruling on the line between settlement negotiations and discovery proceedings.

Perhaps, the biggest surprise this time comes from The Netherlands and a decision concerning design protection and free speech. The District Court of The Hague came to the conclusion that the Danish artist Nadia Plesner could not use parts of the Louis Vuitton design on her politically motivated painting "Darfurnica" (a painting otherwise inspired by Picasso's "Guernica"). The decisions on the copyright for an egg boiler by Wilhelm Wagenfeld and on the garden architecture of Chicago's Grand Park might not sound as glamorous as this case but are no less interesting.

We hope you enjoy reading and find the content entertaining. Please do contact us with any observations that you may have. ■



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## Trademarks and Brands

### Europe

#### European Union

#### TRANSIT OF COUNTERFEIT GOODS THROUGH THE EUROPEAN UNION — ADVOCATE GENERAL, OPINION OF 3 FEBRUARY 2011, COMBINED CASES C-446/09 AND C-495/09, KONINKLIJKE PHILIPS ELECTRONICS NV V. LUCHENG MEIJING INDUSTRIAL COMPANY LTD AND OTHERS (*PHILIPS*) / NOKIA CORPORATION V. HER MAJESTY'S COMMISSIONERS OF REVENUE AND CUSTOMS (*NOKIA*)

*In the "Philips" case, Advocate General Cruz Villalón recommended the so-called "production fiction" could not be applied to goods in transit, i.e., such goods could not be treated as if they were produced in the territory of the European Union. In the "Nokia" case, the Advocate General suggested that customs can seize goods in transit if there are "sufficient grounds for suspecting" that they are counterfeit goods and, in particular, that they are to be put on the market in the European Union.*

Both Nokia and Philips have to deal with counterfeit goods in external transit through the European Union from one non-EU Member State to another. In previous cases, the Court of Justice of the European Union (CJEU) had held that the mere transit of goods through the European Union does not constitute a trademark infringement — unless there was evidence that these goods would be put on the EU market.<sup>1</sup> This was generally interpreted as preventing customs authorities from seizing and destroying counterfeit goods in transit.

However, the issue of counterfeit goods in transit and the interpretation of the Customs Regulation<sup>2</sup> were newly raised in the two references to the CJEU for a preliminary ruling, in the "Philips" case by the Court of First Instance of Antwerp, and in the "Nokia" case by the Court of Appeal of England and Wales.

The "Philips" case concerned a shipment of shavers from Shanghai via Belgium to an unknown destination, which Philips claimed infringed its copyright and registered design rights. After the Belgian customs authorities detained the goods, Philips applied for a court ruling that its intellectual property rights were infringed.

In the "Nokia" case, a consignment of counterfeit mobile phones and their accessories bearing Nokia's trademarks was shipped from Hong Kong to Colombia via the United

Kingdom. The English customs authorities refused to seize the counterfeit goods, in absence of evidence of a likely diversion onto the EU market — albeit the consignor and consignee could not be identified. This refusal was contested by Nokia before court.

In the "Philips" case, the Advocate General analyzed whether an infringement of intellectual property rights could be established on the basis of the so-called "production fiction" if counterfeited goods were seized in transit, i.e., if such goods could be treated as if they were produced in the country through which they were transported. In line with the previous case law of the CJEU, the Advocate General considered that the production fiction was not compatible with the old Customs Regulation and further EU law since this disregarded the requirement of "use in the course of trade" for establishing an infringement of intellectual property rights and, also, was contrary to the principle of territoriality.

In the "Nokia" case, the Advocate General considered that customs authorities might seize goods in transit if there were "sufficient grounds for suspecting" that these were counterfeit goods and, in particular, that they were to be put on the market in the European Union — either in conformity with a customs procedure or by means of an illicit diversion. The relevant criteria for custom authorities to lawfully seize goods in transit was thus "suspicion of infringement" — rather than a final determination of infringement — i.e., the customs must at the very least have "the beginnings of proof" that those goods may infringe intellectual property rights. The Advocate General suggested that circumstances which may give rise to such "suspicion" might be, for example, excessive duration of the transit, the kind and number of means of the transport, the greater or lesser difficulty of identifying the consignor or the lack of information on destination or consignee, which would indicate that the counterfeit goods were to be placed on the EU market.

The decision of the Court of Justice is expected in May or June 2011. ■



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<sup>1</sup> C-281/05, Montex Holdings Ltd v Diesel SpA; C-405/03, Class International BV v Colgate-Palmolive Company et al.

<sup>2</sup> Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights (Customs Regulation), which replaced Regulation (EC) No 3295/94 of 22 December 1994 (the old Customs Regulation).

**SAME ASSESSMENT OF SIMILARITY BETWEEN SIGNS UNDER ARTICLE 8(1)(B) AND ARTICLE (8)(5) CTMR; REPUTATION OF A MARK IS IRRELEVANT — COURT OF JUSTICE, JUDGMENT OF 24 MARCH 2011, C-552/09P, KINDER V. TIMI KINDERJOGHURT**

*The Court of Justice confirmed that there is no similarity between the wordmark "KINDER" and the figurative mark "TiMi KINDERJOGHURT." Neither the enormous reputation of the "KINDER" mark, nor the fact that there was a family of "KINDER" marks could overcome a lack of similarity.*

Tirol Milch reg.Gen.mbH Innsbruck (TiMi) applied to register the figurative sign



as a Community trademark for yogurt and yogurt-based products in Class 29. Ferrero SpA opposed the application on the basis of its earlier famous Italian wordmark "KINDER," registered for a range of confectionery products in class 30. The opposition and the appeal by Ferrero were rejected. The Office of Harmonization for the Internal Market's (OHIM's) Opposition Division and the Board of Appeal denied a likelihood of confusion between the marks (Article 8(1)(b) CTMR) and held that the marks were not sufficiently similar to proceed with the assessment of Article 8(5) CTMR.

After the registration of TiMi's mark, Ferrero applied for a declaration of invalidity. OHIM's Cancellation Division declared the mark invalid according to Article 8(5) CTMR.

However, OHIM's Board of Appeal granted TiMi's appeal and annulled the decision, holding that due to their substantial visual and phonetic differences, the marks were dissimilar. Consequently, it dismissed the application for a declaration of invalidity on the ground that one of the requirements of the application of Articles 8(1)(b) and 8(5) CTMR — namely that the signs need to be similar — was not fulfilled.

This decision was confirmed by the General Court. [Side note: Although of no relevance for the case at issue, the court commented that — contrary to the Board of Appeal's finding — the substantive findings and conclusions in oppositions were not binding in subsequent cancellation proceedings relating to the same subject matter.]

Ferrero lodged an appeal to the Court of Justice. In February 2010, TiMi surrendered its Community trademark pursuant to Article 49 CTMR.

Despite the surrender, the Court of Justice held that the appeal proceedings should continue, given that the effects of a surrender and of a declaration of invalidity are not the same.

In particular, the court held that the proceedings could result in the annulment of OHIM's decision to register TiMi's Community trademark. Moreover, Community trademarks which have been surrendered ceased to have effects only as from the registration of that surrender, whereas the declaration of invalidity of a Community trademark had effects from the outset.

As regards the substance of the case, the court confirmed that although the marks shared the identical element "KINDER," there was no similarity in order to comply with the requirements of either Article 8(1)(b) CTMR or Article 8(5) CTMR. The obvious phonetic and visual differences precluded the marks from being perceived as similar.

Although the earlier "KINDER" mark enjoyed enormous reputation, such reputation could not affect the assessment of the similarity of the signs at issue. The reputation of a mark could only be considered in the examination of likelihood of confusion, but it was not relevant for challenging the lack of similarity. Furthermore, the fact that there was a family of "KINDER" marks could also not overcome the lack of similarity.

As a result, the Court of Justice dismissed Ferrero's action. ■



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**ADEQUATE EVIDENCE OF GENUINE USE CONTINUES TO BE IN FASHION** — GENERAL COURT, JUDGMENT OF 18 JANUARY 2011, T-382/08, ADVANCE MAGAZINE PUBLISHERS, INC. V. OFFICE OF HARMONIZATION FOR THE INTERNAL MARKET (OHIM) ON BEHALF OF J. CAPELA & IRMÃOS, LDA, VOGUE

*The General Court annulled the decision of OHIM's Second Board of Appeal and dismissed the opposition. The court, in particular, considered the type of evidence which will prove genuine use of an earlier mark.*

Advance Magazine Publishers, Inc. (AMP) applied for the registration of the Community trademark "VOGUE" for classes 9, 14, 16, 25 and 41. J. Capela & Irmãos, Lda (Capela & Irmãos) opposed the registration for "clothing" in class 25, based on the earlier Portuguese mark for "VOGUE Portugal," registered for footwear in class 25, and the business name "VOGUE — SAPATARIA."

OHIM's Opposition Division found that the marks were effectively identical, as "Portugal" featured in the Portuguese mark only due to redundant legislative requirements. The opposition was duly upheld on the ground of likelihood of confusion, stemming from identical marks and similar goods.

AMP brought several appeals against this decision, broadly centered on the fact that OHIM considered itself to have no discretion when considering whether new facts or evidence should be taken into account. The new evidence in question was an international registration for "VOGUE," valid in Portugal, and owned by AMP since 1951.

At an earlier hearing, the General Court had determined that OHIM should have taken this evidence into account at appeal, and particularly as part of AMP's claim that Capela & Irmãos had not showed adequate proof of genuine use, which was reconsidered in these proceedings.<sup>3</sup>

**Adequacy of Evidence the General Court's Sole Consideration**

At the most recent hearing, the General Court ruled that the evidence submitted by Capela & Irmãos did not meet the minimum standards required by case law and regulation. It was not sufficient for genuine use of the mark to appear "probable or credible"; actual proof of that use must be given.

Evidence submitted had included, inter alia, declarations from footwear manufacturers and Capela & Irmãos' managing partner, photographs of VOGUE footwear models, VOGUE insoles, photographs of stores with the business name VOGUE; copies of invoices issued to Capela & Irmãos by footwear manufacturers, and copies of telephone directories featuring 'sapataria vogue.'

The court said that this evidence was inadequate as it did not prove the nature, place, time, or extent of the trademark use.

For example, the declaration of the managing partner had less evidential value than those of the manufacturers. In turn, all of the declarations were discounted, as they gave no evidence as to the extent of use. Other items were discounted because the use of "Sapataria Vogue" as a company name did not constitute use of "VOGUE" as a word mark for the purpose of identifying the goods covered by the Portuguese registration. This was particularly relevant in relation to the invoices, which showed only that the footwear was being manufactured for Capela & Irmãos, not that the footwear bore the trademark "VOGUE." Further, the invoices were evidence only of a relation between the manufacturers and Capela & Irmãos; they showed no evidence of the sale of goods bearing the trademark "VOGUE" to end customers.

**Evidentiary Documents Should be Part of a Wider Collection**

The court observed that additional evidence to support the proof of extent of use of the national mark would not have been difficult for Capela & Irmãos to obtain: till receipts, brochures, catalogues, or advertisements could all have been used. Moreover, Capela & Irmãos had not claimed that there would be any problem in locating such evidence.

Trademark owners wishing to bring a successful opposition should therefore take note, that the evidence they provide must fulfill the requirements of scope as set out by the court in this case.

Where a business operates under the same name as the registered mark, particular attention must be paid to differentiate evidence of the mark from evidence of the business name, as showing use of the one will not necessarily substantiate the other. ■



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<sup>3</sup> Case T-481/04

**DESCRIPTIVENESS OF TERM "F1" — NO LIKELIHOOD OF CONFUSION BETWEEN "F1-LIVE" AND "F1" / "F1 FORMULA 1" — GENERAL COURT, JUDGMENT OF 17 FEBRUARY 2011, T-10/09, F1, F1 FORMULA 1 V. F1-LIVE**

*The General Court held that "F1" was a generic designation of a category of racing cars and, by extension, of races involving such cars and, therefore, not distinctive, so that the "F1" element could not be taken into account in the assessment of likelihood of confusion.*

Racing-Live SAS applied for the registration of the figurative Community trademark



for goods and services in classes 16, 38, and 41. Formula One Licensing BV opposed the application on the basis of its German and UK word mark "F1," its international registration "F1" designated to Denmark, Germany, Spain, France, Italy, and Hungary, and the figurative Community trademark "F1 Formula 1."



The Office of Harmonization for the Internal Market's (OHIM's) Opposition Division granted the opposition due to identity or, at least, similarity of the goods and services and a medium degree of similarity between the signs. OHIM's Board of Appeal annulled the decision and rejected the opposition, holding that there was neither a likelihood of confusion in the sense of Article 8(1)(b) CTMR nor a link between the marks according to Article 8(5) CTMR.

Formula One Licensing brought an action before the General Court.

Assessing the likelihood of confusion, the General Court held that the combination of the letter "F" and the numeral "1" was the abbreviation of "Formula 1," and that both, "F1" and "Formula 1," were generic expressions. Therefore, although "F1" was registered as a national trademark in numerous countries, any likelihood of confusion was excluded. Furthermore, because "F1" was generic and Formula One Licensing has only promoted its figurative mark for the last 10 years, the only sign consumers associated with Formula One Licensing was the F1 Formula 1 logotype



and not the sign "F1" in standard typeset. Therefore, there was also no likelihood of confusion between the figurative trademarks.

The General Court also rejected an infringement of Article 8(5) CTMR, holding that the only sign for which Formula One Licensing had shown use and reputation was the "F1 Formula 1" logotype. Examining whether the figurative marks were identical or similar, the court did not take into account the letter "F" and the numeral "1" due to their lack of distinctive character. As no element in Racing-Live's mark reminded the public of the F1 Formula 1 logotype, the signs were not similar and therefore, one of the conditions of Article 8(5) CTMR was not fulfilled.

As a result, the General Court dismissed Formula One Licensing's action and upheld OHIM's Board of Appeal decision. ■



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**APPLICABILITY OF "THOMSON LIFE" DOCTRINE DEPENDS ON GOODS AND SERVICES IN QUESTION; NO SIMILARITY BETWEEN "LOFT" AND "ANN TAYLOR LOFT"** — GENERAL COURT, JUDGMENT OF 17 FEBRUARY 2011, T-385/09, LOFT V. ANN TAYLOR LOFT

*The General Court held that the relevant consumer for goods in classes 18 and 25 was used to the marketing of different product lines by the same manufacturer under a dominant house brand (here "ANN TAYLOR"), followed by a sub-brand (here "LOFT"). If a mark only coincided in the sub-brand, the consumer would not establish a connection between the different marks, even if the signs shared an identical element which retained an independent and distinctive role in the application ("Thomson Life" doctrine).*

Ancco, Inc. filed the Community trademark "ANN TAYLOR LOFT" for goods and services in classes 18, 25, and 35. Freche et fils associés (FFA) opposed the application, relying on its French word mark "LOFT," registered for goods in classes 18 and 25.

The Office of Harmonization for the Internal Market's (OHIM's) Opposition Division partially upheld the opposition for goods in classes 18 and 25, stating that there was a likelihood of confusion due to the identical element "LOFT" and the identity of the goods in classes 18 and 25.

OHIM's Second Board of Appeal confirmed the decision, considering the marks similar from a visual and phonetic perspective. As to the conceptual comparison, the French consumer would perceive "LOFT" in Ancco's mark "ANN TAYLOR LOFT" as a surname, but would not link it to any meaningful English noun. Since "LOFT" was the dominant element in Ancco's mark, the French consumer might either think the products sold under this mark originated from the same company or that "ANN TAYLOR LOFT" was the name of a new line of FFA's "LOFT" products.

The General Court held that the French consumer understood the term "LOFT" as a storage room converted into a living space for private or commercial purposes, but not as a surname. The element "ANN TAYLOR" was much more distinctive than the element "LOFT", given that "LOFT" had a clear meaning in French, whereas "ANN TAYLOR" referred to two first names or to a first name and an English surname. The overall similarity of the signs was, therefore, weak.

The court stated that there was not automatically a likelihood of confusion if the signs shared an identical element which retained an independent, distinctive role in the mark applied for ("Thomson Life" doctrine). In the sector of clothing it was common for a manufacturer to use a dominant house brand together with sub-brands in order to distinguish its various clothing lines from each other. The consumer would, therefore, rather focus on the house brand — in the case at issue "ANN TAYLOR" which had nothing in common with the sole element "LOFT" of FFA's mark.

As a result, the General Court considered that there was no likelihood of confusion and annulled the decision of OHIM's Board of Appeal. ■



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## Trademarks and Brands

### Europe

#### France

#### APPLICATION OF THE "ADWORDS" DECISION OF THE CJEU AND ASSESSMENT OF ADVERSE EFFECT ON THE TRADEMARK FUNCTION OF INDICATING ORIGIN —

PARIS COURT OF APPEAL (POLE 5, CHAMBER 1),  
DECISION OF 2 FEBRUARY 2011, GOOGLE FRANCE  
SARL / AUTO IES SA, CAR IMPORT SARL, DIRECTINFOS  
COM SARL AND MR. P. BANEL

*The decision of the Court of Appeal provides the most detailed application of the recent "AdWords" decision of the Court of Justice of the European Union (CJEU) in France.*

Auto IES SA, a French company that sells cars on its website, owns several trademarks covering the terms "IES" and "AUTOIES" which designate, in particular, cars and car parts. In 2004, Auto IES became aware that, if Internet users entered the terms "AUTOIES," "AUTO-IES," "AUTO-IES," and "IES" into Google's search engine, the search results displayed under the heading "sponsored links", links to websites of competitors or to specialized referencing websites ("sponsored links").

Auto IES brought proceedings against these companies, claiming infringement of its trademark rights and unfair competition, and against Google France SARL (Google) on grounds of civil liability.

The Paris Court of First Instance upheld the claims.

On appeal, the Paris Court of Appeal referred to the recent "AdWords" decision of the CJEU<sup>1</sup>. In that decision, the CJEU had held that the question of whether the function of indicating origin was adversely affected by the display of a third party's advertisement on the basis of a keyword identical with a mark *"depend[ed] in particular on the manner in which that [advertisement was] presented."* There was only a trademark infringement, said the court, if the third party's advertisement *"suggest[ed] that there [was] an economic link between that third party and the proprietor of the trademark" or "[was] vague to such an extent on the origin of the goods or services at issue that normally informed and reasonably attentive internet users [were] unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser [was] a third party vis-à-vis the proprietor of the trademark or (...) economically linked to that proprietor."*

In the case at issue, the Court of Appeal made a detailed analysis of Google's search results page and the displayed advertisements in order to examine the claimed trademark infringement with regard to these criteria.

The court considered that the regular results of a search are displayed in a column on the left and are immediately identifiable as such, whereas the sponsored links are displayed in a separate column on the right, thus enabling the reasonably attentive Internet user to establish a clear distinction between the information on the left and on the right. The in-depth examination of the search results page unequivocally revealed the advertising nature of the results in the sponsored links, in particular due to the absence of any reproduction of Auto IES's trademarks and the display of the advertiser's domain name.

The court concluded that there was no suggestion of an economic link between the advertiser and Auto IES, and therefore, no adverse effect on the function of indicating origin of Auto IES's trademarks. As a consequence, the court rejected the claims of trademark infringement and unfair competition practice due to the absence of likelihood of confusion. Consequently, the court also dismissed the claim for Google's liability.

In this decision, the Paris Court of Appeal for the first time dealt with the use of a trademark by AdWords' clients as a keyword, whereas other decisions following the CJEU's "AdWords" judgment had not been so detailed and only dealt with the liability of Google. Following the new decision, the legal framework of the "AdWords" dispute and debate seems to be settled in France. However, the question remains to what extent the function of indicating origin is adversely affected if the advertisement reproduces the plaintiff's trademarks. ■



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<sup>1</sup> Decision of 23 March 2010, C-236/08 to C-238/08 (Google France and Google)

## Trademarks and Brands

### Europe

### Germany

#### "SUPERGIRL" — THE RELEVANCE OF PRIOR REGISTRATIONS — FEDERAL COURT OF JUSTICE, DECISION OF 17 AUGUST 2010, I ZB 59/09, SUPERGIRL

*The Federal Court of Justice stated that the German Patent and Trademark Office (GPTO) is not obliged to disclose its reasons for a dissenting decision regarding prior registrations. Although prior registrations must be taken into account, they are not binding since each case must be examined individually in light of the applicable legal provisions.*

In 2007, Hubert Burda Media Holding GmbH & Co. KG (Hubert Burda Media) applied for the registration of the word mark "SUPERgirl" in classes 16, 35, and 41. The GPTO refused the registration due to lack of distinctiveness. Hubert Burda Media objected to this and, in particular, referred to its prior registrations "SUPER ILLU," "SUPER TV," "Super Spaß," and "Super Dog" — however, GPTO's examiner confirmed the rejection.

On appeal, the 29th Senate of the Federal Patent Court held that GPTO's decision was not in line with the rulings of the Court of Justice of the European Union in the decisions "Volks.Handy" and "SCHWABENPOST"<sup>1</sup> — which oblige national authorities to take into account prior registrations. The court said this obligation comprised both the consideration of prior decisions and also the disclosure of the reasons why the specific case should deviate from prior decisions. As no reasons had been given, the court found that the decision was subject to a procedural mistake and referred the case back to the GPTO.

Hubert Burda Media appealed against the referral to the Federal Court of Justice.<sup>2</sup>

The Federal Court of Justice agreed that the Federal Patent Court should have made its own decision. The GPTO had not made a procedural mistake by not disclosing its reasons for the dissenting decision regarding prior registrations. For the decision of the registration of a trademark, the GPTO must examine if there are absolute grounds for refusal. As the GPTO also took into account prior registrations for its examination, this was sufficient and, therefore, in line with the case-law of the CJEU. The equality principle could not lead to a decision that disregarded the applicable legal provisions.

With this decision, the Federal Court of Justice finally settled the dispute about the practical consequences arising from European case law regarding the obligation of the national trademark offices to disclose their reasons in application proceedings. The GPTO must consider prior registrations;

however, it is neither obliged to disclose its reasons for the dissenting decision nor to examine prior decisions in detail.

The court missed the chance to make the registration practice more plausible and predictable for future applicants. However, the standard examination of a trademark application always includes a search for similar cases. Nevertheless, it is advisable to bring forward comparable registrations in detail in order to demonstrate the prior registration practice plainly. ■



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#### TRADEMARK PROTECTION FOR SIMPLE FIGURATIVE SIGNS ON SHOES — FEDERAL PATENT COURT, DECISIONS OF 11 JANUARY AND 1 FEBRUARY 2011, 27 W (PAT) 278/09, 279/09, 280/09, 281/09, 282/09, 283/09

*In a series of recent decisions the Federal Patent Court softened its strict approach for assessing the distinctiveness of figurative signs for use on products. It is now possible to evaluate with greater certainty whether such a trademark will be accepted by the German Patent and Trademark Office (GPTO).*

Heinrich Deichmann-Schuhe GmbH & Co. KG (Deichmann) filed six figurative marks for "footwear" in class 25:



Deichmann's trademarks

The GPTO refused the registrations, holding that the signs lacked distinctiveness. The relevant public would regard them only as decorative elements commonly used in the relevant sector and as representations of the design of the relevant shoes.

The Federal Patent Court annulled the decisions. It stated that, in particular in the sector of footwear, it was common to use graphical elements as indications of origin.

Since the trademarks had not been filed as position trademarks, they might not only be used on the outer sides of the shoes but also on their packaging or soles. As the

<sup>1</sup> C-39/08 and C-43/08

<sup>2</sup> and also in the parallel decision "Freizeit-Rätsel-Woche", I ZB 61/09

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relevant public generally perceived graphical elements as indications of origin, distinctiveness could not be declined — even for simple geometric forms.

Furthermore, the court found that the signs not only consisted of graphical elements but also included a conceptual content of (Roman) letters so that they had specific meanings, e.g., the letters "XI" stood for the Roman numeral 11, the letters "IX" for the Roman number 9, the letter "V" or "U" for the Roman numeral 5, the letters "IXI" for a combination of the Roman numerals 1, 10, and 1 and the letter "X" for the Roman numeral 10. Therefore, the trademarks were not just decorative details but also gave an overall impression sufficient for indicating origin.

The Federal Patent Court concluded that the trademarks were distinctive and could be registered.

In order to gain trademark protection for simple figurative signs, they should be filed without the products to be used on. Moreover, it certainly helps if the signs can also be regarded as letters, numbers, etc., and not merely as simple signs. ■



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## Trademarks and Brands

### Europe

#### Italy

#### **DIAMONDS ARE FOREVER, A NON-USED REPUTED MARK, TOO** — COURT OF MILAN, DECISION OF 24 JUNE 2010, NO. 11637/2010

*In 2008, the Dutch company Creative Brands C.V. brought proceedings against Damiani International B.V. (Damiani), a leading company in the jewelry sector, before the Court of Milan. In particular, Creative Brands requested the court to declare the revocation for non-use of Damiani's Italian figurative trademark "DD DAMIANI," originally filed on 21 March 1983 and renewed on 13 April 2006, for clothing products in class 25.*



Damiani's trademark

Creative Brands claimed that Damiani's trademark was not used for clothing and submitted evidence to show that Damiani used it only in connection with jewelry. Damiani, however, submitted photos and invoices relating to a few bags and foulards bearing the "DD DAMIANI" trademark and marketed in Italy between 2002 and 2008.

The Court of Milan considered Damiani's evidence sufficient to prove trademark use. In its decision, it outlined two principles to be taken into account when evaluating the relevant scope of use of a trademark in Italy.

According to the court, the use of a trademark for jewelry could also establish use of the trademark for clothing items. Clothing and jewelry were similar products as they satisfied similar needs, namely *"the need to adorn oneself, to fulfill one's aesthetical sense and the need to attract others' eyes."* In addition, many companies in the fashion sector expand their businesses to the jewelry sector, so that the average public was used to considering such goods as similar.

The court found that, based on the evidence provided by Damiani, the trademark could be considered a reputed trademark. It said that a partial revocation for non-use was not applicable to reputed trademarks, as such trademarks shall be granted a stronger scope of protection against infringement — also with regard to products different from those registered by the trademark owner. The court concluded *"it would be non-sense to consider a partial revocation of a reputed trademark for non-use."*

The decision of the Court of Milan is consistent with consolidated Italian case law not revoking reputed trademarks for non-use. This case law, however, appears to be contrary to EU legislation and to the opinion of the Court of Justice of the European Union in similar matters. Indeed, Italian courts often tend not to evaluate the actual existence of a conflict between a reputed mark and another (allegedly infringing) mark on the basis of the evidence filed by the parties. ■



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## Trademarks and Brands

### Europe

#### Poland

#### REVOCATION OF UNILEVER'S 3D TRADEMARK FOR THE PLAIN SHAPE OF "DOMESTOS" BOTTLE — POLISH PATENT OFFICE, DECISION OF 20 DECEMBER 2010, NO. SP. 457/08

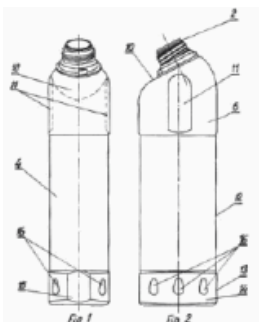
*The Patent Office of the Republic of Poland (PPO) decided on claims for the revocation of Unilever's 3D trademark due to non-use. It noted that the owner of a trademark for the shape of a bottle, including a label, cannot claim use of another trademark consisting of the same shape of the bottle but without the label by using the bottle with the label. It does not constitute an obstacle to the revocation of a trademark if the mark is reputed.*

Unilever is the owner of the Polish 3D trademark registration R-134678 for the plain shape of the "Domestos" green bottle with a red cap, though without any label. It also owns other Polish and international trademarks for this bottle shape with additional features, e.g. the following mark on the right.



Unilever's Polish trademarks (left R-134678)

Based on its trademark R-134678, Unilever had claimed the invalidity of an industrial design for a bottle with a cap owned by Zakład Produkcji Opakowań Rosiński i S-ka sp.j. (Zakład).



Zakład's industrial design

The PPO invalidated the design. The Administrative Court confirmed the decision. However, the Supreme Administrative Court overruled it and returned the case to the Administrative Court which then returned it to the PPO for reconsideration.

While these proceedings were still pending, Zakład filed for the revocation of Unilever's trademark R-134678, on the ground of non-use. Zakład argued that the bottle actually used for Domestos differed from Unilever's trademark R-134678 and had a characteristic and distinctive label which attracted the attention of customers by taking up more than 50 percent of the surface. Unilever replied that the trademark was broadly used and presented a series of evidence showing that the Domestos bottle was widely advertised and recognized among the customers.

The PPO considered that the case was of particular importance and therefore heard it before the Adjudicative Board, composed of five members, while in general it hears matters before a three-member Board.

In its decision, the PPO held that the evidence presented by Unilever referred to the use of the bottle with a label but it did not prove use of the trademark R-134678. In fact, Unilever had substantiated use of a different trademark. The PPO stated that if two similar trademarks were registered for one company and one of them contained an additional element (a label), the trademark owner could not claim use of both trademarks if only the trademark with the label was actually used. It also emphasized that the reputation of a trademark did not justify non-use and could not be regarded as an obstacle to the revocation of the trademark.

Consequently, the PPO decided to revoke the trademark on the basis of non-use.

Under Polish Industrial Property Law, the use of a trademark covers the use of the mark varying in elements if this does not alter its distinctive character. The decision of the PPO confirms, however, that this does not apply if the trademark owner is also the owner of another trademark which differs in some features. In this case, the different form of the trademark is protected separately and its use cannot, at the same time, constitute the use of the other trademark. A different understanding would allow a company to register two similar trademarks without the obligation to use both trademarks. ■



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## Trademarks and Brands

### Europe

#### United Kingdom

#### USE OF "PLAY DOUGH" IN A STRAP-LINE ALONGSIDE "YUMMY DOUGH" PRODUCT NAME INFRINGES HASBRO'S RIGHTS IN "PLAY-DOH" — HIGH COURT OF JUSTICE, JUDGMENT OF 11 FEBRUARY 2011, HASBRO, INC. V. 123 NAHRMITTEL GMBH

*The High Court considered that the strap-line "The edible play dough" was a brand name extension, use of which was therefore in a trademark sense and not merely descriptive. Further, acquired distinctiveness in "PLAY-DOH" overrode its inherent descriptiveness in relation to moldable dough products.*

123 Nahrmittel GmbH, a manufacturer of a powdered edible dough mix for children, launched its "Yummy Dough" product in the United States in 2009 with the accompanying strap-line "The edible clay" on the front of the box. The later UK launch saw the strap-line altered to "The edible play dough." Hasbro, Inc., a manufacturer of children's modeling dough products, held a number of UK and Community trademark registrations for "PLAY-DOH" in relation to the same type of goods.



Yummy Dough packaging



Play-Doh logo

Hasbro brought an action for trademark infringement and passing off against 123 Nahrmittel and its UK distributor. 123 Nahrmittel counterclaimed for a declaration of invalidity and revocation in respect of Hasbro's "PLAY-DOH" marks.

Internet evidence showed generic everyday use of the words "play dough" for over forty years in relation to home-baking recipes and dictionary descriptions. However, the court accepted counsel for Hasbro's argument that "the internet as a tool has the power to suck in vast amounts of information and give the impression that a few isolated examples are more substantial than they in fact are." This was compounded by the fact that direct competitors of Hasbro were not in the habit of using the words "play dough" as a brand name for dough-based products, although some used the words in descriptive material on websites or other forms of product advertising. Conversely, 123 Nahrmittel was, by its own

admission, using a strap-line incorporating "play dough" as a brand name extension, supported by its important role in the naming, branding and marketing strategy.

The court said that "PLAY-DOH" was inherently of low distinctive character; however, it had acquired distinctiveness through extensive use and so was not invalid. Nor was it considered to have become the common name in the trade to describe dough that could be played with, and so was not vulnerable to revocation.

On infringement, contrary to 123 Nahrmittel's submission, the court held that "The edible play dough" did not merely serve to indicate the characteristics of the product but had been woven into the product name and would be understood as such. In addition, the court considered that a significant proportion of consumers would, allowing for imperfect recollection of the spelling and taking into account Hasbro's extensive and lengthy period of use of the brand name "PLAY-DOH," misconstrue 123 Nahrmittel's product as an edible version of Hasbro's product.

Accordingly, the strap-line was used in a trademark sense, and likelihood of confusion was found even in the absence of actual confusion. Hasbro's claim therefore succeeded in relation to Article 5(1)(b) of Directive 2008/95/EC.

On Article 5(2) infringement, "PLAY-DOH" easily held the requisite reputation, and the existence of origin confusion both met and surpassed the requirement that a link be established with Hasbro's mark, and formed the basis of the misrepresentation giving rise to unfair advantage. Detriment was also affirmed as Hasbro had purposefully chosen not to produce edible versions of its children's products.

Use of the strap-line was not in accordance with honest practices, as inter alia 123 Nahrmittel had been aware of Hasbro's registered marks, and there was evidence that it knew use of the strap-line might be misleading and that Hasbro objected to its use. There was sufficient scope for variation in describing moldable dough products for children that the confusion caused by use of "play dough" was not otherwise excusable.

Permission to appeal has been granted. Pending the outcome of any such appeal, this decision is likely to serve as a useful precedent for proprietors of inherently descriptive trademarks of which ostensibly descriptive use has been taken. ■



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**GOODWILL HUNTING — TWO RARE REASONED DECISIONS FROM THE COMPANY NAMES TRIBUNAL —** COMPANY NAMES TRIBUNAL, APPLICATION BY MILLER ROSENFALCK LLP, O-036-11, 27 JANUARY 2011 AND APPLICATION BY TEKTRONIX INC, O-025-11, 4 FEBRUARY 2011

*The Company Names Tribunal (the Tribunal) deals with applications under section 69 of the Companies Act 2006. Section 69 allows a company to file a complaint if a third party has registered a company name which is either (i) the same as a name associated with the applicant in which it has goodwill; or (ii) sufficiently similar to such a name that its use in the UK would be likely to mislead by suggesting a connection between the third party and the company.*

**Miller Rosenfalck LLP**

Miller Rosenfalck LLP, a firm of solicitors, applied to the Tribunal for a change of name of a company registered as EUROPEAN BUSINESS LAWYERS LIMITED (EBLL). The name associated with Miller Rosenfalck on which the firm relied was its domain name *europeanbusinesslawyers.com*. The firm also used 'European Business Lawyers' in/on its logo, website, and letterheads. EBLL denied that Miller Rosenfalck had any goodwill in the domain name due to its descriptive nature.

The Tribunal held that Miller Rosenfalck had not shown that it had a reputation in the domain name that related to its business for the purposes of section 69. Given that many of Miller Rosenfalck's existing and potential clients would be aware that they were dealing with or wished to deal with Miller Rosenfalck LLP, there was no evidence that clients would place significance on the domain name and e-mail address. The primary sign associated with the firm was the name Miller Rosenfalck. The Tribunal said that in light of the descriptive nature of the words and the nature of their use, Miller Rosenfalck should have provided evidence from third parties, such as clients, showing that the domain name was identified with them.

The Tribunal held that Miller Rosenfalck had not established goodwill in the name EBLL and the application failed.

**Tektronix Inc.**

Tektronix Inc, a U.S. company, made an application to the Tribunal for a change of name of Tektronix Limited. Tektronix Inc. submitted that Tektronix Limited's name was indistinguishable from Tektronix Inc's long-established and well-known name and trademarks (registered in the United Kingdom). Tektronix Limited argued that TEKTRONIX was not a well-known name or trademark. The Tribunal's decision was based solely on the written evidence submitted by each side.

The Tribunal said that under section 69(1)(a), Tektronix Inc had to show that it had goodwill or reputation in the name TEKTRONIX in the United Kingdom at the date of its application to the Tribunal (as opposed to in the period before

Tektronix Limited was established). The Tribunal said that it was essential that reputation existed in the United Kingdom (although it was not necessary to have a business and goodwill in the United Kingdom)<sup>1</sup>.

The Tribunal made the following comments on Tektronix Inc's evidence:

- the evidence from Tektronix Inc's trademark attorney that Tektronix Inc. had traded for over 60 years and that its products had featured extensively in the UK trade press, was largely unsubstantiated and amounted to hearsay;
- the context of much of the Internet evidence submitted was clearly American and there was a lack of evidence which was UK-based;
- there was no direct evidence from anyone within Tektronix Inc; and
- assertions of reputation carry little weight without supporting evidence, such as turnover, promotion, length of use and the context of the use of the name.

The Tribunal held that Tektronix Inc had not established either goodwill or reputation in the United Kingdom. Tektronix Inc's application therefore failed. ■



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<sup>1</sup> This distinguishes CNT law from the law of passing off which requires goodwill to be situated in the United Kingdom; see *Anheuser-Busch Inc. v Budejovicky Budvar Narodni Podnik* [1984] FSR 413.

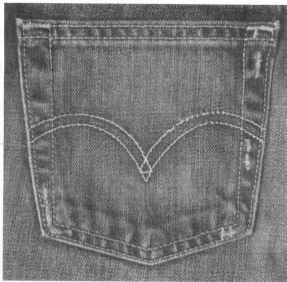


## Trademarks and Brands USA

### LEVI STRAUSS V. ABERCROMBIE & FITCH: AN AMERICAN CLASSIC IS DEFINING DILUTION — U.S. COURT OF APPEALS FOR THE NINTH CIRCUIT, DECISION OF 8 FEBRUARY 2011, 09-16322, LEVI STRAUSS & COMPANY V. ABERCROMBIE & FITCH TRADING CO.

*The Court of Appeals for the Ninth Circuit is the second federal appellate court in the United States to rule that the Trademark Dilution Revision Act (TDRA) does not require the accused mark be "identical or nearly identical" to the plaintiff's mark. The ruling follows the landmark decision by the Court of Appeals for the Second Circuit in Starbucks Corp. v. Wolfe's Borough Coffee, Inc.,<sup>1</sup> holding that the TDRA does not require proof of "substantial similarity" between the marks in order to establish dilution by blurring.*

In 2007, Levi Strauss & Co. (Levi Strauss) sued Abercrombie & Fitch Trading Co. (Abercrombie) for trademark dilution of the "Arcuate" design mark, which has appeared on the back pocket of Levi Strauss' jeans since 1873, based on Abercrombie's use of the "Ruehl" design which commenced in 2006.



Levi Strauss' "Arcuate" design



Abercrombie's "Ruehl" design

Following trial, the district court ruled in favor of Abercrombie and noted that although the jury found that the "Arcuate" design mark was famous and distinctive, Levi Strauss had not established that its "Arcuate" design mark was identical or nearly identical to the "Ruehl" design. On appeal, Levi Strauss argued that the district court erred in requiring the marks be identical or nearly identical as that language appears nowhere in the TDRA and the degree of similarity of the marks is but one of the following six non-exhaustive factors relevant to whether a likelihood of dilution exists:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

Abercrombie fought back by arguing that the Ninth Circuit had already determined in three prior post-TDRA decisions that a junior mark must be identical or nearly identical to that of a senior user in order for a plaintiff to be entitled to relief under the TDRA<sup>2</sup>.

After carefully discussing the origin of the identical or nearly identical standard under the Federal Trademark Dilution Act (the predecessor of the TDRA) and California state law and distinguishing the three post-TDRA Ninth Circuit decisions relied upon by Abercrombie, the court reversed the district court judgment and remanded the case to the lower court.

The decision, along with the Second Circuit's decision in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, signals that U.S. federal courts may be moving towards a uniform application of the TDRA. ■



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<sup>1</sup> 588 F.3d 97 (2nd Cir. 2009)

<sup>2</sup> See *Perfumebay.com Inc. v. eBay, Inc.*, 506 F.3d 1165 (9th Cir. 2007); *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628 (9th Cir. 2008); *Visa Int'l Serv. Ass'n v. JSL Corp.*, No. 08-15206, 2010 WL 2559003 (9th Cir. June 28, 2010).

# Trademarks and Brands

## Asia

### China

#### NEW REGULATION TO CRACK DOWN ON IP VIOLATIONS ISSUED IN CHINA

*On 11 January 2011, the Opinions on Issues Regarding Laws Applied in Criminal Cases of Intellectual Property Violation Cases (the Opinions) was promulgated in China. The Opinions clarifies issues such as the jurisdiction on criminal cases related to intellectual property (IP) violations, efficacy of evidence collected and obtained by administrative law enforcement departments, crime threshold for internet IP violations, and other issues.*

The most salient parts in the Opinions are summarized below:

#### 1. Jurisdiction for IP Infringement Criminal Cases

The prosecutors and the courts whose territory includes the following places all have jurisdiction over the relevant IP crimes:

- (1) the place in which the infringing products were manufactured, stored, transported, and sold;
- (2) for online copyright infringement and online sales of IP infringing products, the place where the server of the infringing works is located, where the operator of the website lives, and where the network access for infringing works is provided;
- (3) for online copyright infringement, the place where the infringing work was uploaded to the Internet; and
- (4) the place where the crime results occur, or specifically the place where the IPR holder suffers actual damage.

#### 2. Evidence

- (1) The evidence collected by administrative law enforcement departments could be used directly as evidence in the criminal case after examination by the court.
- (2) For private prosecution cases, if the private prosecutor formally requests the court to collect certain evidence on its behalf, the court SHOULD collect the evidence accordingly.

#### 3. Criminal Threshold

- (1) Criminal Threshold for Trademark Infringement Case: if the infringing products have not yet been sold but are valued higher than RMB 150,000, the infringer would be subject to attempted crime of trademark infringement;
- (2) Criminal Threshold for Online Dissemination of Copyright Infringing Works: (a) a business volume of higher than RMB 50,000; (b) a total number of infringing works of over 500; (c) a total number of visits of over 50,000; and (d) a total number of members or participants of over 1,000. ■



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## Patents

### Europe

#### European Union

### TWO STEPS FORWARD, ONE STEP BACK ... — THE FATE OF THE EUROPEAN PATENT SYSTEM

*Recent developments suggest mixed fortunes for the development of a single patent-granting and enforcement system in Europe. The proposal for a Unitary Patent was given the go-ahead to proceed under the enhanced cooperation procedure (with 25 out of 27 EU countries in support). However, the proposed European and EU Patent Court system (EEUPC) was dealt a blow as the Court of Justice of the European Union (CJEU) pronounced the Draft Agreement incompatible with the EU treaties.*

#### The CJEU Decision

On 8 March 2011, the CJEU gave its opinion on the "Draft Agreement on the European and Community Patents Court" (Opinion 01/09) which contains proposals to establish the EEUPC to hear patent disputes regarding both existing European Patents and the proposed Unitary Patent. The Draft Agreement proposed a centralized court system which would cover the EU member states, as well as non-EU countries who are party to the European Patent Convention (EPC) such as Turkey and Switzerland, and would have exclusive jurisdiction to rule on cases concerning the infringement and validity of patents and SPCs, as well as other patent-related matters such as licensing disputes. It provides for a Court of first instance (with a central division and local and regional divisions in the different Member States) and an Appeal Court.

The CJEU concluded that the transfer of jurisdiction to hear patent cases to a court which is "outside the institutional and legal framework of the EU" would not be compatible with the EU treaties. This is because the extra-EU agreement governing the proposed court would deprive the national courts of member states and also the CJEU itself (by preliminary rulings sought by national courts) of their powers to apply EU law as regards patent matters, and this would alter the nature of the powers conferred on the EU institutions by the EU treaties. It seems to have been significant to the CJEU's decision that the Draft Agreement did not limit the jurisdiction of the proposed court strictly to patent law deriving from the EPC, but proposed it should also be able to decide cases concerning EU legislation such as the Biotech Directive and the IP Enforcement Directive.

#### The Council Decision on the Unitary Patent

Two days later, on 10 March 2011, the Competitiveness Council approved the use of the enhanced cooperation procedure to proceed with the Unitary Patent despite strong opposition from Italy and Spain. The Unitary Patent would be a single patent covering 25 out of 27 EU member states (excluding Italy and Spain). Spain and Italy objected to the

proposal for an EU-wide patent because of language issues. The Unitary Patent will use the three-language system of the European Patent Office (English, French, and German) with patents being valid in all 25 countries when granted in any one of the three languages, provided the claims are translated into all three. Draft Regulations covering the language regime and the title and procedure for the Unitary Patent was tabled by the Commission on 13 April 2011.

It remains possible for Spain and Italy to change their position on the Unitary Patent throughout the legislative process. However, this seems unlikely in the short term as both Spain and Italy have indicated that they will challenge the Council's decision in the CJEU.

#### What Litigation System Will be Used for the Unitary Patent?

With the EEUPC proposal rejected, it remains to be seen what form of litigation system the Commission will propose to go with the Unitary Patent. The CJEU has made it clear that a system as envisaged in the Draft Agreement will not be acceptable. However, without a multi-jurisdictional litigation system designed to avoid the commercial uncertainty and conflicting decisions which can arise at present because of the variations in courts across the EU (like the proposed EEUPC), it is unlikely that the Unitary Patent will provide the significant benefits it aims for. One possibility is that the national courts could be used as in the Community trademark system, with the CJEU giving references on unclear points of EU law. This may not be universally welcomed by industry and practitioners. It also seems unlikely that the court system proposed for the Unitary Patent will also be applicable to EP bundle patents relating to the non-EU EPC contracting states. However, the Commission has announced its intention to find a way forward for the patent litigation system following the CJEU's opinion, and this proposal should be available in the coming months. ■



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## Patents

### Europe

#### France

#### **NO PATENT OVER A DOSAGE REGIME** — FIRST INSTANCE COURT OF PARIS, DECISION OF 28 SEPTEMBER 2010, ACTAVIS GROUP AND ALFRED E. TIEFENBACHER GMBH V. MERCK SHARP & DOHME CORP

*The First Instance Court of Paris decided that a dosage regime is not patentable because it is not a second therapeutic application (patentable) but a therapeutic method (excluded from patentability under Art. 53(c) EPC).*

The First Instance Court of Paris said that it considered both decisions by the English Court of Appeal and by the Federal Patent Court in 2008 which had dealt with the same European patent and held that, as a general principle, a dosage regime is patentable. Nevertheless, the court reached a strictly divergent conclusion.

The patent at issue related to a medicament for the treatment of androgenic alopecia (i.e. the permanent loss of hair). The main claim 1 of the patent set out three main characteristics:

- Use of finasteride for the preparation of a medicament for oral administration,
- Useful for treating androgenic alopecia,
- The daily dose of the active ingredient finasteride ranging from 0.05 to 1 mg.

Merck Sharp & Dohme Corp. claimed that, based on the latest decision of the EPO<sup>1</sup>, the court should nullify the claim as it was drafted as a so-called Swiss-type claim ("use of [an active ingredient] for the preparation of a drug").

The First Instance Court of Paris, however, stated that "*the French courts are not bound by the decisions of the EPO (...) so that these decisions - even if issued by the Enlarged Board of Appeal - are merely indications of the analysis made by the EPO to grant European patents.*"

The court assessed the validity of claim 1, noting that the use of finasteride for treating androgenic alopecia was already known and therefore "*only the dosage of about 0.05 to 1.0 mg is claimed as novel and protectable*". It found that "*a specific dosage for the treatment of an illness constitutes neither a first nor a second therapeutic application but simply an indication of the range within which this substance is efficacious so as to treat this illness in light of the tests and research completed and explained in the patent.*"

As the qualification of a dosage regime as a second therapeutic application was excluded, the court, quoting the

German Federal Court, held that developing "*a specific therapeutic care plan for a patient which includes the prescription and the dosage of the medicaments is an essential part of the treating doctor's activity.*" Accordingly, so the court, a dosage regime was to be considered a therapeutic method and, thus, was excluded from patentability by the EPC.

Since claim 1 of the patent at issue was only novel over the prior art because of the specified dosage and as such "*excluded from patentability*", the court decided that it "*should consequently be held invalid pursuant to Article 53(c) EPC 2000.*"

An appeal is pending. ■



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<sup>1</sup> EPO decision G2/08 of 19 February 2010

## Patents Europe Germany

### THE EARLY BIRD ...? — CONSEQUENCES OF ASSERTING A CLAIM FOR EQUIVALENT PATENT INFRINGEMENT ONLY IN LAST INSTANCE — FEDERAL COURT OF JUSTICE, DECISION OF 14 DECEMBER 2010, X ZR 193/03, CRIMPING TOOL IV

*The Xa. Patent Senate of the Federal Court of Justice dismissed a claim for both literal and equivalent patent infringement after the plaintiff had successfully based his claim on literal patent infringement in first and second instance and only in third instance asserted equivalent infringement.*

According to the German doctrine of equivalence, the scope of a patent reaches beyond the literal sense of the wording of the claim. An embodiment that does not satisfy the integers of a patent claim in the literal sense infringes the patent by way of equivalence if the following three so-called Schneidmesser questions<sup>1</sup> can be answered in the affirmative:

- (1) Does the variant solve the problem underlying the patented invention with modified means which have objectively the same effect?
- (2) Is a person skilled in the art able by means of his general technical knowledge to find the modified means as having the same effect?
- (3) Are the considerations to be applied by the skilled person so closely oriented to the essence of the technical teaching protected in the patent claim that the skilled person considers the variant with its modified meanings as equivalent to the solution provided by the invention as defined in the claim?

Under German procedural law, the first instance court (here: the district court) and the second instance court (here: the court of appeal) deal with factual and legal issues, whereas in third instance, the Federal Court of Justice only carries out a legal review of the case. Hence, the parties must bring forward all their factual allegations in first and second instance. As the construction of a patent is a matter of law, the assessment of literal or equivalent infringement is purely legal. However, the technical circumstances relevant for this legal assessment are facts.

In the case at issue, before the first and second instance courts, the plaintiff had successfully based his claim on literal infringement only. Correspondingly, all his factual allegations related to literal infringement only. When the case was

brought before the Federal Court of Justice, the plaintiff alternatively claimed equivalent infringement but did not substantiate the underlying facts (with regard to the Schneidmesser questions).

The Federal Court of Justice found there was no literal patent infringement.

With regard to the claim of equivalent infringement, the court held that if such a claim was only asserted before the Federal Court of Justice, this was not to be dismissed in general. Rather, the case should be referred back to the court of appeal in order to give the plaintiff the opportunity to substantiate this claim. The reason is that the court of appeal has the duty to advise the plaintiff on the construction of his patent claim if it finds that literal infringement shall be denied. In such circumstances, the plaintiff might consider bringing forward factual allegations relating to equivalent patent infringement in the second instance. However, the case was not to be referred back if the plaintiff was not able to demonstrate that he would have brought forward relevant facts relating to an equivalent infringement after an advice by the court of appeal on the necessity of such substantiation.

In the case at issue, the plaintiff could not show that the defendant's variant solved the problem underlying his patented invention with modified but equivalent means. Therefore, the court found that there was no indication that the plaintiff would have been able to substantiate his claim for equivalent infringement before the court of appeal.

As a result, the Federal Court of Justice dismissed the claim for patent infringement also in respect of equivalent infringement.

The decision shows that the plaintiff does not necessarily need to be the early bird by substantiating his claim for equivalent infringement already in first or second instance. The assertion only before the Federal Court of Justice, however, bears a certain risk and will only lead to a referral back to the court of appeal for factual review of equivalent infringement if the plaintiff can demonstrate that he would be in the position to substantiate his claim. ■



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<sup>1</sup> After the decision *Schneidmesser I* of the Federal Court of Justice; the questions will remind the English reader of the *Improver* questions.

## Patents Europe United Kingdom

### UK PLANS TO ENTER THE PATENT BOXING RING

*Her Majesty's Revenue and Customs hopes to lure patent holders to the UK's exotic shores with promises of reduced tax rates. We look at the current plan for a UK Patent Box and some of the potential issues the new regime may face.*

As part of a wider reform of the UK corporate tax regime, the British Chancellor confirmed in the budget on 23 March 2011 that a Patent Box regime will be introduced in the UK. In a first stage consultation opened on 29 November 2010, the British Government explained that the aim of the Patent Box is to "encourage companies to locate the high-value jobs and activity associated with the development, manufacture and exploitation of patents in the UK".

The proposal is that, with effect from 1 April 2013, profits arising from patents will be taxed at a 10% rate (rather than the current 26% rate) where those patents are first commercialized after 29 November 2010. The consultation acknowledges that the Patent Box regime will introduce additional compliance burdens. Therefore, the regime is optional, so that the effort of compliance need only be expended by businesses that stand to benefit from the regime.



The UK Government: saving you precious pennies...

The Patent Box appears to have been welcomed by businesses. For example, in a public statement issued on 29 November 2010, GlaxoSmithKline indicates that successful implementation of the Patent Box in the UK will lead to specific investments and development in the UK.

However, as the consultation acknowledged, there are a number of uncertainties yet to be resolved. In particular, the consultation asked:

- What are the appropriate conditions for patents to qualify for the regime? Particular issues surround how to establish the date of first commercialization. For example,

what will happen if first commercialization occurs while the patent application is still pending but the patent itself is never granted? Should profits realized during the term of supplementary protection for pharmaceutical products benefit from the reduced tax rate?

- How will patent income be determined? The consultation suggests patent income could include both royalty income and 'embedded' income included in the price of patented products. How would the level of embedded income be established and attributed to relevant patents in a product implementing a large portfolio? Equally, how would the level of embedded income be calculated when the product implements a large number of inventions?
- How will associated expenses be dealt with? The consultation recognizes that there is a need to avoid creating barriers to patent development and that tracking and assigning expenses to specific products can be very difficult. The Government will set out "design options" to deal with these issues during stage 2 of the consultation.
- Will the Patent Box encourage continuing innovation? Should companies that acquire patents rather than creating them be permitted to benefit from the Patent Box? What about transfers between companies in a group, or acquisitions where further R&D will be performed in relation to the patented product?

These are just a small number of the many issues still to be dealt with before the Patent Box goes live. A response to the consultation submissions is due in May 2011 which should shed more light on the proposed regime.

Similar regimes already exist in other jurisdictions, such as Belgium, France, Hungary, Ireland, Luxembourg, the Netherlands, Spain, and Switzerland, with effective tax rates ranging from 0% to 16%. Some countries limit tax relief to patents (in some cases including supplementary protection for pharmaceutical products), while other countries cover a wider range of intellectual property rights. While there are some studies to show that these regimes have had an impact on the location of IP holding, it will be interesting to see how the UK Patent Box will measure up against the competition.

Hogan Lovells submitted a response to the consultation on 22 February 2011 dealing with some of the issues raised. If you would like a copy please contact Katie. ■



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## Patents USA

### RESQNET.COM, INC. V. LANSAL, INC. — THE DISCOVERY AND ADMISSIBILITY OF SETTLEMENT AGREEMENTS AND NEGOTIATIONS IN DETERMINING PATENT DAMAGES

*In the United States, settlement negotiations have commonly been protected from discovery and inadmissible as evidence in litigation. While settlement agreements (as opposed to negotiations) are usually discoverable, such agreements have often been viewed in the context of determining patent damages as inherently unreliable and inadmissible as evidence of a reasonable royalty.*

*The U.S. Court of Appeals for the Federal Circuit stated recently in *ResQNet.com, Inc. v. Lansal, Inc.* that in determining a reasonable royalty award "the most reliable license in this record arose out of litigation."<sup>1</sup> Accordingly, patent litigants have increased their efforts to discover settlement negotiations and to have them and the corresponding settlement agreements admitted as evidence. In turn, courts have been required to examine more closely the grounds for treating such negotiations as inviolable and such agreements as inadmissible.*

Prior to *ResQNet*, the general consensus was that royalties paid to avoid litigation were not a reliable indicator of a reasonable royalty.<sup>2</sup> As litigation-related licenses were generally viewed as inadmissible, settlement negotiations were largely not discoverable as they would be unlikely to lead to the discovery of admissible evidence or were protected based on a settlement negotiation privilege recognized in some jurisdictions.

The *ResQNet* decision did not specifically overrule prior case law, but clearly expressed a view that litigation-related royalties may be relevant and even persuasive evidence in determining a reasonable royalty in patent cases. The court, however, did not hold that litigation-related licenses were *always* the most reliable or the most comparable licenses for determining a reasonable royalty.<sup>3</sup>

U.S. district courts are now grappling with the legal effect of *ResQNet*. For example, different judges within the Eastern District of Texas have taken contrary views on the effect of *ResQNet*. The Honorable T. John Ward explained that "[t]his Court has in the past ... adopted a bright-line rule that settlement negotiations are privileged while the resulting license agreement is discoverable," but *ResQNet* "causes the Court to shift its approach toward the discoverability of settlement negotiations" and the "privilege does not apply."<sup>4</sup> Likewise, The Honorable David Folsom held that prior litigation-related licenses are admissible evidence and commented that "concerns about the reliability of litigation-related licenses are better directed to weight, not admissibility."<sup>5</sup>

However, The Honorable John Love interpreted *ResQNet* differently and stated that *ResQNet* does not alter the settlement negotiations privilege and long-standing principles that settlements have little relevance to the patent damages analysis and that any relevance does not outweigh the risk of unfair prejudice and confusion.<sup>6</sup> In recognizing the prior views of Judges Ward and Love, The Honorable Leonard Davis explained that "the admissibility of litigation licenses — like all evidence — must be assessed on a case-by-case basis, balancing the potential for unfair prejudice and jury confusion against the potential to be a reliable license."<sup>7</sup> Accordingly, "[w]hether the settlement agreements are admissible will likely depend on whether they are an accurate reflection of the inventions' value," and "settlement communications are likely to be key" to such determination.<sup>8</sup>

The effect of *ResQNet* remains to be seen, but patent litigants should be mindful of the potential significance of patent licenses resulting from prior litigation in determining a reasonable royalty award. In addition, patent owners and licensees should be mindful that license agreements they enter into could be used by or against them in determining a reasonable royalty and that they themselves could become involved in discovery relating to the license agreement. ■



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<sup>1</sup> 594 F.3d 860 (Fed. Cir. 2010).

<sup>2</sup> See, e.g., *Rude v. Westcott*, 130 U.S. 152, 164 (1889) ("[P]ayment of any sum in settlement of a claim for an alleged infringement cannot be taken as a standard to measure the value of the improvements patented[.]").

<sup>3</sup> See, e.g., *ReedHycalog UK, Ltd. v. Diamond Innovations Inc.*, 727 F. Supp. 2d 543, 546-47 (E.D. Tex. 2010) (stating that *ResQNet.com* did not adopt a bright-line rule regarding the reliability of litigation licenses nor even a ruling on their admissibility, instead the court merely reflected on the evidence before it).

<sup>4</sup> *Tyco Healthcare Group LP v. E-Z-Em, Inc.*, No. 2:07-CV-262 (TJW), at 2-4 (E.D. Tex. Mar. 2, 2010) (docket number 383).

<sup>5</sup> *DataTreasury Corp. v. Wells Fargo & Co.*, No. 2:06-CV-72, at 4 (E.D. Tex. Mar. 4, 2010) (docket number 2006).

<sup>6</sup> *Software Tree, LLC v. Red Hat, Inc.*, No. 6:09-CV-097, at 5 (E.D. Tex. June 24, 2010) (docket number 248).

<sup>7</sup> *ReedHycalog*, 727 F. Supp. 2d at 546-47 (denying motion in limine to prevent admissibility of litigation-related licenses).

<sup>8</sup> *Clear With Computers, LLC v. Bergdorf Goodman, Inc.*, No. 6:09 CV 481, at 3 (E.D. Tex. Nov. 29, 2010) (docket number 160) (granting motion to compel discovery of settlement communications).

## Designs and Copyright Europe European Union / Italy

### THE ARCO LAMP CASE — THE NEVER-ENDING STORY OF COPYRIGHT PROTECTION FOR DESIGN WORKS IN ITALY — COURT OF JUSTICE OF THE EUROPEAN UNION, DECISION OF 27 JANUARY 2011, C-168/09

*The Court of Justice of the European Union (CJEU) issued a decision concerning copyright protection of the "Arco" lamp, a masterpiece of post-war Italian design created by Achille and Pier Giacomo Castiglioni and currently marketed by the Italian company Flos.*

Semeraro, a furniture manufacturer widely known in Italy, imported from China and distributed in Italy a lamp called "Fluida," which is very similar to the Arco lamp.



Flos' Arco lamp



Fluida lamp

In 2006, Flos brought interim proceedings against Semeraro before the Court of Milan, seeking a preliminary injunction and the seizure of "Fluida" lamps in Italy. Since Castiglioni/Flos never registered the "Arco" lamp as a design, Flos claimed that the manufacturing and sale of the "Fluida" lamp amounted to a copyright infringement. The Court of Milan agreed that the "Fluida" lamp was a slavish imitation and infringed the copyright in the "Arco" lamp.

In the subsequent proceedings on the merit, the question of the correct interpretation of Article 239 of the Italian IP Code arose. Widely criticized by Italian authors and practitioners for its uncertain scope, this article had initially provided that right holders of design works which had fallen into the public domain before 19 April 2001 could not claim copyright protection against slavish imitation of design works manufactured or sold by third parties before 2001, for a transitional period of 10 years. In 2007, the provision was amended by clarifying that copyright protection did not apply to industrial designs which had fallen into the public domain before 19 April 2001. In 2010, Article 239 was amended again, now establishing that copyright protection also applied to industrial designs fallen into the public domain before 19 April 2001 — however, third parties which in 2000, and also between 19 April 2001 and 19 April 2006, had manufactured products that were slavish imitations of designs fallen into the public domain were allowed to continue manufacturing these products.

The Court of Milan decided to stay the proceedings and requested the CJEU to decide whether Article 17 of the

Directive 98/71 must be interpreted as preventing a Member State from excluding copyright protection for designs fallen into the public domain before the date of entry into force of the relevant national legislation.

The CJEU clarified that Article 17 only concerned registered designs. Therefore, designs which have never been registered could not be copyrighted under such a rule. However, the court continued, they could still be protected under copyright law according to other EC Directives (in particular, the Copyright Directive 2001/29).

As to design works which were registered but whose protection lapsed, the CJEU held that Article 17 "cannot be interpreted as meaning that Member States have a choice as to whether or not to confer copyright protection." Therefore, a Member State's legislation which excludes from copyright protection registered designs fallen into the public domain before the date of entry into force of the relevant legislation would conflict with the principles established by the EC Directive 98/71.

Furthermore, the CJEU held that although, in principle, Member States were allowed to adopt legislative measures providing for a transitional period, such period needs to be proportionate to the interests of the parties involved. Accordingly, the CJEU concluded that Article 17 "must be interpreted as precluding legislation of a Member State which — either for a substantial period of 10 years or completely — excludes from copyright protection designs ... [fallen into] the public domain before the date of entry into force of that legislation, that being the case with regard to any third party who has manufactured or marketed products based on such designs in that State — irrespective of the date on which those acts were performed."

The CJEU decision clarified a number of controversial issues extensively discussed by Italian commentators and practitioners in the last years. Moreover, it represents an interesting starting point for discussion by stating that copyright protection should be granted to registered designs. Although the point is not crystal-clear, it indeed appears that design registration would be considered as a key element for the right holders to claim copyright protection of industrial design products. ■



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# Designs

## Europe

### European Union

#### **VOLKSWAGEN'S COMMUNITY DESIGN FOR THE "BEETLE 2ND GENERATION" LACKS INDIVIDUAL CHARACTER — OFFICE OF HARMONIZATION FOR THE INTERNAL MARKET (OHIM), INVALIDITY DIVISION, DECISION OF 02 FEBRUARY 2011**

*OHIM's Invalidity Division declared Volkswagen's Community design for its "Beetle" car model invalid due to lack of individual character.*

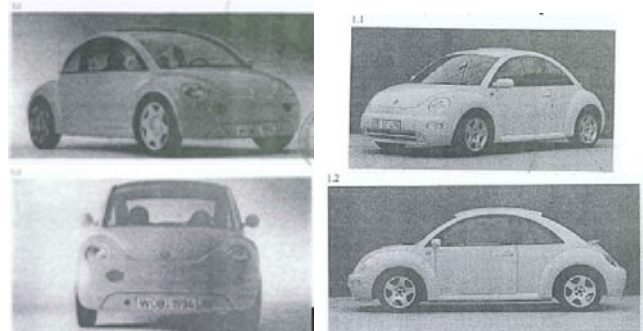
Volkswagen AG had registered the Community design for its "Beetle" car model in December 2003.



Volkswagen's Community design

Autec AG claimed invalidity of the design due to lack of novelty and individual character, holding that the design was first exhibited at the Geneva Motor Show in March 1996 and, in the United States, at the Detroit Motor Show in 1998. The first "new" Beetles were distributed in the United States in March 1998; in October 1998 they were internationally exhibited at the Paris Motor Show.

Volkswagen replied that the design exhibited at the Geneva and the Detroit Motor Shows related to the design concept of the new Beetle under the name "Concept 1" which it protected as an international design registration in 1994. The "new" Beetle "of the first generation" was produced and sold between 1998 and 2005 — its design got protected as an international design in 1996. The design of the "new" Beetle "of the second generation" — to which the Community design at issue related — was first exhibited at the Motor Show in Frankfurt in 2005 and subsequently sold on the market. It was sufficiently different from the earlier designs and therefore had novelty and individual character.



International design registrations of "Concept1" (left) and "the New Beetle of the first generation" (right)

Comparing the different designs, OHIM's Invalidity Division found they showed sufficient different features so that they could not be considered identical. Therefore, the Community design did not lack novelty.

However, with regard to the individual character of the Community design, OHIM held that all designs shared the characteristic shape of the curved frame over the passenger compartment and the exposed rear wings. The differences in the designs, e.g., in the less oval shape of the lights, the less exposed rear wings and further smaller details in the front and rear view were not sufficient to produce a different overall impression. It rejected Volkswagen's argument that the purchaser of expensive products, such as cars, would pay more attention to the detail, by saying that this increased attention applied both to the shared and to the different features.

OHIM concluded that because of the same overall impression, Volkswagen's Community design lacked individual character and declared it invalid. ■



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## Copyright Europe France

### **JURISDICTION OF FRENCH COURTS IN CASE OF ONLINE INFRINGEMENT: WHAT ARE THE RELEVANT CRITERIA? — CRIMINAL CHAMBER OF THE FRENCH SUPREME COURT, DECISION OF 14 DECEMBER 2010**

*The Criminal Chamber of the French Supreme Court rendered a decision regarding the criteria to determine jurisdiction of French courts in case of online infringement of intellectual property rights.*

In the case at issue, a French rapper became aware that the German subsidiary of his former producer, Universal Music Entertainment GmbH, was still offering for sale his songs on its German website.

After requesting reports by the French Agence Pour la Protection des Programmes (Agency for the Protection of Programs), he instituted infringement proceedings before the French courts, based on his author rights.

The Court of Appeal of Paris upheld the claim, confirming the decision of the court of first instance. It held that it had jurisdiction in cases of claimed online infringement if the online activities have been reported by the Agency of the Protection of Programs. The songs of the French rapper belonged to the French music directory, on the website the song titles were not translated into German, and it was not necessary to understand German to use the icons displayed. Therefore, the Court of Appeal concluded that, even if the website was written in German, it targeted the French public and was consequently infringing the author's rights.

The Criminal Chamber of the French Supreme Court, however, disagreed with the Court of Appeal of Paris. It said that the criteria mentioned did not show that the website run by Universal Music Entertainment GmbH "oriented towards the French public." As a result the Criminal Chamber annulled the decision.

Although the other Chambers of the French Supreme Court, in particular the Commercial Court, previously considered the relevant public as being that sector of the public that is "attracted" by a website, this new decision seems to consider that the relevant public is the targeted public, i.e., the public chosen by the editor of the website. However, the notion of "orientation" of the website was not defined by the Supreme Court. ■



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## Designs and Copyright Europe Germany

### TO USE OR NOT TO USE? — FEDERAL COURT OF JUSTICE ASKS CJEU TO EVALUATE THE COMPATIBILITY OF A RE-SALE OF USED SOFTWARE LICENSES WITH COPYRIGHT LAW — FEDERAL COURT OF JUSTICE, DECISION OF 03 FEBRUARY 2011, I ZR 129/08

*The question of whether or not the trade in used software licenses which are passed on to the buyer by way of online download is compatible with copyright law has long been controversially discussed by German courts and legal commentators. Now, the Federal Court of Justice has asked the Court of Justice of the European Communities (CJEU) to give its opinion on two aspects of this legal controversy.*

The Federal Court of Justice made its referral to the CJEU in infringement proceedings brought by the software manufacturer Oracle against the company UsedSoft. UsedSoft trades in software licenses that it had originally acquired for its own use. Upon purchase of the used license from UsedSoft, its customers download the software from Oracle's websites. In addition, they receive a notary's certificate confirming that UsedSoft is the rightful owner of the software license and no longer uses the software itself.

The District Court of Munich had granted Oracle the requested injunctive relief on the basis of infringements of copyright, trademark rights, and unfair competition.<sup>1</sup> The court held that UsedSoft induced its customers to unlawful reproductions of Oracle's software, for which it could neither rely on the defense of exhaustion nor on Oracle's consent.

On appeal from UsedSoft, the Court of Appeal of Munich fully confirmed and upheld the judgment.<sup>2</sup>

#### (1) No consent for re-sale

Both courts found that UsedSoft had no consent from the right holder Oracle for a transfer of the licenses in Oracle's software. The licensing agreement between Oracle and UsedSoft only granted the latter a simple license without the right to assign it or to grant sub-licenses.

#### (2) No exhaustion

UsedSoft could not rely on exhaustion, either. The rules on exhaustion of copyright were held not to apply directly since exhaustion can only arise with respect to the distribution of an existing physical copy (i.e., a copy of the software on a storage medium). Under the business model of UsedSoft, however, a completely new copy came into existence by way of online download. Furthermore, the legislative rationale of

exhaustion did not apply, for exhaustion aims at making copies of the work marketable, once they have been distributed with the right holder's consent. But by an online download of software, an entirely new copy of the work is created, so that the principles of sustained marketability do not apply.

#### (3) Unlawful reproduction

Moreover, the lower instance courts pointed out that exhaustion of copyright only ever applies with regard to the author's distribution rights. The online download of software is not distribution but a reproduction of the work and, hence, exhaustion did not apply. And such a reproduction by online download was held not to be justified by Article 5 (1) of the Computer Programs Directive 2009/24/EC either. This provision makes an exception from the author's right to object to a reproduction of his work if such a reproduction is necessary for the licensee's intended use of the software. Since the licensing agreement between Oracle and UsedSoft expressly excluded transfers of the licensing rights to third parties, such reproductions did not constitute intended use.

#### The reference of the Federal Court of Justice

Upon UsedSoft's further appeal, the Federal Court of Justice made a reference to the CJEU, asking whether the purchaser of a used software license, where the software is transferred by online download, is a legitimate acquirer within the meaning of Art. 5 (1) of the Directive — with the consequence that the right holder's consent to a reproduction of the software would not be required. With its second question, the German court wants to obtain clarification on the question of whether the author's distribution rights become exhausted if a computer program has been brought onto the European market with the author's consent by way of online download. ■



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<sup>1</sup> Decision of 15 March 2007, no. 7 O 7061/06

<sup>2</sup> Decision of 3 July 2008, file no. 6 U 2759/07

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**COPYRIGHT PROTECTION FOR EVERYDAY HOUSEHOLD OBJECT DESIGNED BY BAUHAUS ARTIST WILHELM WAGENFELD — COURT OF APPEAL OF MUNICH, DECISION OF 14 OCTOBER 2010, 29 U 2001/10**

*The Court of Appeal of Munich decided that an egg-boiler, designed by the Bauhaus artist Wilhelm Wagenfeld, was a work of applied art and enjoyed copyright protection against infringing copies.*

In 1934, the Bauhaus artist Wilhelm Wagenfeld designed the following egg-boiler for production by Jenaer Glaswerke S&G.



Wagenfeld egg-boiler

Since 2007, the defendant has produced and sold the following egg-boiler:



Defendant's egg-boiler

Zweisel Kristallglas AG, the successor of Jenaer Glaswerke, claimed copyright infringement. The District Court of Munich granted the claims.

On appeal, the Court of Appeal of Munich confirmed the decision. The court said that Wilhelm Wagenfeld's egg-boiler was a work of applied art and enjoyed copyright protection. Although being an everyday household object, the design of the egg-boiler was very different from the average shapes and designs of egg-boilers available on the market. The appealing, even artistic design showed the highly creative character of the Bauhaus work.

Comparing the egg-boilers, the court found that the defendant's egg-boiler slavishly imitated the key features of Wilhelm Wagenfeld's egg-boiler.

The court also rejected the argument of the defendant that its design of the egg-boiler fell under the exemption of "free use" according to article 24 of the German Copyright law, by holding that this exemption required the creation of an

independent work with considerable differences to the original work — which was not the case here. ■



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## Designs

### Europe

#### The Netherlands

#### ARTISTIC FREEDOM V. LOUIS VUITTON'S COMMUNITY DESIGN RIGHTS — COURT OF THE HAGUE, DECISION OF 27 JANUARY 2011

*Louis Vuitton claimed an ex-parte court order against the artist Nadia Plesner for infringing its Community design rights in the "Multicolor Canvas" pattern by using the picture of a Louis Vuitton handbag in her "Campaign for Darfur."*

In 2003, Louis Vuitton, the leading fashion house, introduced the new "Multicolor Canvas" design, consisting of a pattern of multicolored graphical elements. It registered the design as a Community design no. 84223-0001. In April 2005, Louis Vuitton successfully launched a new bag on the market under the name "Audra," bearing the Multicolor Canvas design.



Louis Vuitton's Community design and Audra bag

Nadia Plesner is a Danish artist, who studied at the Rietveld Academy in Amsterdam and manufactures and sells works of art under the name "Simple Living." In the context of her project "Campaign for Darfur," she made and sold products with the following picture



— in which, she claimed, the image of "cruel reality" was combined with "showbiz elements."

When, in 2008, Louis Vuitton became aware of the sale of these products, it opposed the unauthorized use of its intellectual property rights by Nadia Plesner. It applied to the Tribunal de Grande Instance in Paris which imposed an (ex

parte) prohibition for infringement of Louis Vuitton's design rights, and awarded a symbolic amount of damages.

In 2011, Louis Vuitton became aware that Nadia Plesner again used the contested image, now in her painting "Darfurnica," and sold t-shirts and posters with the painting. The painting was also used as an "eye-catcher" for an art sale exhibition where her artwork was offered for sale.



"Darfurnica" painting

Louis Vuitton asked the District Court of The Hague for an ex parte injunction, based on its Community design registration.

The court found that the infringement of the design was sufficiently grounded. The pattern used by Nadia Plesner was highly similar to Louis Vuitton's design and, therefore, produced the same overall impression. It was unlikely that there was a ground for justification for the advertising and merchandising of the artist's own work. It was sufficiently grounded that a postponement of an injunction would cause Louis Vuitton irreparable damage.

The court ordered Nadia Plesner to cease and desist from any further infringement and to pay a penalty of €5,000 per day, respectively €1,000 for each product in case of breach of the order.

Nadia Plesner commenced summary proceedings for annulment of the cease and desist order, claiming a gross violation of her right to free speech and artistic freedom under section 10 of the European Convention on Human Rights. The first court hearing took place on 30 March 2011 at the District Court of The Hague. ■



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## Copyright Europe Spain

### NEW LAW AUTHORIZES SPANISH COMMISSION TO CLOSE DOWN COPYRIGHT-INFRINGEMENT WEBSITES

On 5 March 2011, the Spanish Parliament approved an amendment of the Spanish Copyright Act allowing a Commission (dependent of the Ministry of Cultural Affairs) to close down websites that infringe copyrights.

After months of public debate, the Spanish Government finally enacted the so-called "*Ley Sinde*" (after the name of the current Minister of Cultural Affairs, Ms. Angeles González-Sinde) as of 6 March 2011. The law was adopted as part of a group of measures aimed at improving the current situation of the Spanish economy — "*Ley de Economía Sostenible*" (Sustainable Economy Act). The most relevant change — in addition to the *Ley Sinde* — is the announcement of the amendment to the Spanish copyright levies regime (Article 25 of the Copyright Act) within the next three months. This is the result of the recent judgment of the Court of Justice of the European Union (CJEU) in the "Padawan" case, where the court declared the Spanish copyright levy system was contrary to the EC Directive 29/2001.

The *Ley Sinde* consists of an amendment to Article 158 of the Copyright Act, which created, in 1996, a Commission within the Ministry of Cultural Affairs ("Intellectual Property Commission") entrusted with the mediation and arbitration between collecting societies and third parties.

The new Article 158 of the Copyright Act establishes a second section of the Commission. While the first section keeps its former functions, the second section (composed of five members from different ministries) will be in charge of protecting IP rights in relation to infringements by any person (individuals or legal entities) rendering services over the Internet (including services which are not directly compensated by the addressee). For these purposes, the section is entitled to take measures aimed at the suspension of such services and the withdrawal of any content which infringes IP rights if the person or entity rendering the services, directly or indirectly, acts for a consideration or has caused or may cause material harm.

The procedure — subject to further legal development in the following months — will be as follows:

- It can only commence at the request of the IP right owner or its representative (never ex-officio).
- Before taking any measure, the service provider must be summoned so that within the next 48 hours, he can voluntarily withdraw the infringing content or, alternatively, he can defend himself and can submit evidence in relation to the legality of his activities.

- All the evidence will be heard within the following two days. The parties will then have a maximum of five days to submit their final pleadings. A decision will be made within the next three days by the Commission.
- If the Commission orders any measures, these will not be implemented unless they are confirmed by a court after a hearing in which the representative of the Administration, the Public Prosecutor, and the IP right holder shall be heard.

While the first Government proposal of the *Ley Sinde* had been rejected some months ago by the Spanish Congress, a new version was negotiated in the Senate between the two major Spanish political parties. The amendments in the final text were aimed at raising the level of protection of the rights of all involved parties. As a result, there is now a requirement of judicial intervention in the process to implement the order of the Commission, as well as the possibility of voluntary withdrawal of the infringing material by the defendant and the need of the whole procedure to commence at the request of the IP right owner.

Finally, the procedure does not preclude the IP right owner from using other legal alternatives (i.e., civil, criminal, or administrative proceedings) to protect his rights.

Only when the Spanish Government has further developed the functions and procedures of the Commission — by means of a regulation — and, in particular, when the second section commences its activities, will we know whether it is a real alternative for IP right owners to defend their rights. ■



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## Copyright USA

### U.S. COURT REJECTS SETTLEMENT ON GOOGLE BOOK SEARCH

*On 22 March 2011, the U.S. District Court for the Southern District of New York denied its approval of a proposed settlement in the class action proceedings regarding Google's digital library project.*

It was already the second time the parties could not prevail with a settlement proposal. The first Settlement Agreement (SA) was proposed already back in October 2008. It was meant to settle a dispute between Google on the one side and The Authors Guild as well as the Association of American Publishers on the other side. In 2004, Google started scanning books at large scale. The project was launched on the basis of contractual arrangements with various university libraries in the United States and later on also abroad. However, Google did not obtain authors' or publishers' consent for digitising their copyrighted works. Therefore, the aforementioned associations took Google to court.

The SA triggered respectable resentment but also support, both in the United States and around the world. In particular, the U.S. Department of Justice raised concerns in various ways. Moreover, numerous foreign right holders and their representatives filed amicus curiae. In February 2010, a fairness hearing took place, where *inter alia* VG WORT, a German collecting society, was represented by Lovells counsel. After the hearing, the parties decided to modify their initial proposal in order to meet at least some of the concerns presented to the court. Thus, on 13 November 2009, the parties issued the Amended Settlement Agreement (ASA). Nonetheless, also the ASA once again received heavy criticism.

In denying its approval of the ASA, the court found that even in the amended form it was not fair, adequate and reasonable. While several aspects of the ASA were acceptable, the court expressed great concern about the implications of the ASA as affecting not merely past claims of copyright infringement, but how Google would be able to use copyrighted works in the future. According to the court, the proposal to allow Google to continue with its book project particularly implicated copyright and antitrust issues under U.S. law.

From a copyright perspective, the court expressed concern with the fact that the ASA would allow Google to display out-of-print and "orphan" books without the express authorization of the owners of the copyrights in those books, even though the ASA would allow the owners to object. The court found it "incongruous with the purpose of the copyright laws to place the onus on copyright owners to come forward to protect their rights when Google copied their works without first seeking their permission." The court opined, moreover, that given all the myriad issues surrounding the use of millions of

copyrights in a new and wide-reaching technological service, the establishment of a mechanism for exploiting copyrights in this way was a matter more suited for the U.S. legislature rather than the courts.

Due to the potential competitive benefits to Google if the ASA were approved, antitrust issues also loomed large. The court noted that the ASA, which purported to settle the complaint in the action, would go beyond the past and give Google the right to sell full access to copyrighted works that it otherwise would have no right to exploit, giving it control over the digital commercialization of not just books where the copyright owners gave consent and received payment, but over orphan books and other unclaimed works. Describing it as a "de facto monopoly", the court explained that the ASA would essentially give one party free reign to exploit copyrights where competitors would face exposure to statutory damages for infringement.

From international perspective, Judge Chin picked up on the concerns that were raised with regard to the Berne Convention which grants foreign authors the same rights and privileges for their works as domestic authors enjoy. Therefore, even though the case at issue is about U.S. copyright interests, an uncounted number of foreign right holders is still affected. Even worse, many of the authors have no adequate means to determine whether or not their works actually fall within the scope of the ASA. While making no determinations of foreign law, the court took these international concerns expressly into account when reaching the overall conclusion that the ASA did "simply go too far."

Judge Chin's denial of the ASA was without prejudice to a new turn in the event the parties negotiate a once again revised settlement agreement. In this course, he furnished the parties with the annotation that many of the concerns raised in the objections would be ameliorated if the ASA were converted from an "opt-out" settlement to an "opt-in" settlement. Yet the question remains whether Google's business model would work on an opt-in basis. ■



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**DEAD OR ALIVE: U.S. HIGH COURT AGREES TO HEAR FREE SPEECH CHALLENGE AGAINST FOREIGN COPYRIGHTS "RESTORED" FROM THE PUBLIC DOMAIN BY INTERNATIONAL TREATY — SUPREME COURT OF THE UNITED STATES, GOLAN V. HOLDER, CASE NO. 10-545**

*The U.S. Supreme Court has decided to hear a constitutional challenge from orchestra conductors, educators, performers, publishers, archivists, and distributors, who use and rely on works that are in the public domain, against the restoration of U.S. copyright protection for certain foreign works as a result of international agreements entered into over 15 years ago. If the court sides with the petitioners and cancels the restored copyrights, the decision could have substantial global implications for copyright owners in and outside of the United States alike.*

The core issue in *Golan v. Holder* stems from enactment of Section 514 of the Uruguay Round Agreements Act (URAA), codified at 17 U.S. Code §§ 104A, 109. The impetus for enactment of the URAA relates back to the Berne Convention for the Protection of Literary and Artistic Works, which the United States joined in 1989, and which requires each signatory to provide the same copyright protections to authors in other member countries that it provides to its own authors — including providing copyright protection to pre-existing foreign works even when those works were previously in the public domain in that country. When the United States implemented the Berne Convention, however, it did not extend copyright protection to any foreign works that were already in the public domain; it was the United States' agreement to enter into the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) in 1994 that required the United States to implement the restoration that was encompassed by Section 514 of the URAA.

The copyrighted works that were subject to restoration included several famous works from the first half of the twentieth century, including the motion pictures *Metropolis* and *The Third Man*, compositions by Prokofiev and Stravinsky, and books by H.G. Wells. But the consequence of restoring copyright protection to these works is that the public can no longer use them without complying with the copyright laws. Having previously relied on the public domain nature of these "restored" works, the plaintiffs sued the government, claiming that Section 514 of the URAA was unconstitutional as a violation of the public's right of free speech and expression under the First Amendment of the Constitution.

Although the case went through several stages, the petition granted by the High Court relates to a decision by the Court of Appeals for the Tenth Circuit, 609 F.3d 1076 (21 June 2010), which concluded that Congress' enactment of Section 514 did not violate the First Amendment — which permits regulation of speech in cases where a content-neutral statute is narrowly tailored to advance important governmental interests. While the government presented three reasons to support its

position, the appellate court focused on one — obtaining legal protections for American copyright holders' interests abroad — in concluding that the statute did not violate the First Amendment of the Constitution. In doing so, the court credited testimony before Congress that indicated the likelihood of reciprocal treatment abroad, i.e., the likelihood that if the United States did not provide equal treatment to foreign works under U.S. law, then other countries would respond in kind toward works by American copyright holders. The court found that Section 514 was narrowly tailored to address this problem.

The petitioners to the Supreme Court argued that restoring works from the public domain exceeds Congress' power under the Constitution, that the interests of enacting Section 514 relate primarily to private economic interests of foreign authors rather than serving a public purpose, and that the obligations of Berne could have been satisfied without enacting Section 514. The petitioners further emphasized the need for certainty in the law so that those who wish to use works in the public domain can have the peace of mind that the works will remain there. The government filed a brief in response, urging the Supreme Court to deny certiorari primarily on the ground that the appellate court cited below: that following the Berne Convention is essential to protecting U.S. rights abroad, and that determining how to serve that purpose is within the sound discretion of Congress. On 7 March 2011, the Supreme Court announced that it would certify the petition and review the case. While a grant of certiorari does not mean that the decision below will be reversed, several amicus briefs are likely to come from parties from around the world who own copyrights and use pre-existing works. We will keep you updated on this important proceeding on copyright law, international relations, and the scope of the public domain. ■



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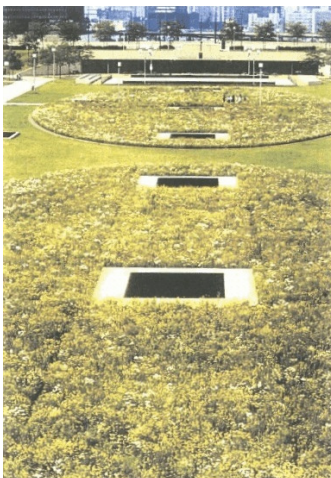


**A VERY NON-GARDEN-VARIETY CASE: LANDSCAPER-ARTIST'S "RIGHTS OF INTEGRITY" NOT VIOLATED BY CITY TRIMMING HIS GARDEN** — COURT OF APPEALS FOR THE SEVENTH CIRCUIT, DECISION OF 15 FEBRUARY 2011, NOS. 08-3701, 08-3712, KELLEY V. CHICAGO PARK DISTRICT

*Nothing is coming up roses for Chapman Kelley, the artist responsible for creating an acclaimed showpiece garden in Chicago's Grant Park. A federal appeals court rejected Kelley's claim that his "rights of integrity" were violated when the city altered his artistic garden.*

In the hands of a skilled artist with a green thumb, a garden can be a great many things. Refreshing. Aromatic. Romantic. Uplifting; inspiring, perhaps. However it cannot — so long as the seasons change and nature holds sway — be copyrighted in the United States. And because it cannot be copyrighted, an artist cannot successfully claim that her "moral rights" are violated if the garden is altered or destroyed, either.

This was the holding in *Kelley v. Chicago Park District*, an opinion issued in February by the influential United States Court of Appeals for the Seventh Circuit. Artist Chapman Kelley planted "Wildflower Works" in Chicago's Grant Park in 1984, pursuant to a permit granted to him by the Chicago Park District. It was to be a form of "living art": two elliptical flower beds occupying 1.5 acres in the heart of downtown Chicago. As a good artist should, Kelley accounted for aesthetic, cultural, environmental, and practical concerns as he chose his flowers and otherwise crafted his garden. When the flowers bloomed in the spring of 1985, Kelley's "living landscape art" was met with widespread acclaim.



Chapman Kelley's "Wildflower Works"

The display remained largely unaltered (perhaps it could have used more tending, as the court observed) for the next 19 years, until the Parks District transformed Kelley's ellipses to rectangles, reducing the square footage from 66,000 to

30,000. Kelley sued, claiming that his moral rights were violated under the Visual Artists Rights Act of 1990 (VARA).

VARA is the United States' attempt to import the concept of "moral rights" into its copyright code, as required by the Berne Convention for the Protection of Literary and Artistic Works. Kelley claimed a violation of one category of his "moral rights" — his "rights of integrity," which guarantees an artist's right to prevent any "distortion, mutilation, or other modification of" the artist's work that "would be prejudicial to his or her honor or reputation." Crucially, VARA protection does not apply to "any work not subject to copyright protection." Thus, in order to succeed, Kelley needed to prove that (a) he is the "author" of the work, and (b) that the garden was a work that is "fixed" in a "tangible medium of expression."

Kelley could not establish either, according to the court. A garden is composed of living things (in this case, wildflowers). Its elements, rather than being "fixed," are inherently changeable, and thus cannot meet the statutory requirements for fixation. Further, Kelley was not the "author" of the work, as the garden's artistic characteristics "originate[] in nature, not in the mind of the gardener." While the court acknowledged that Kelley's garden may be viewed as a form of "postmodern conceptual art," it simply did not bear the characteristics of "authorship" and "fixation" necessary to entitle it to copyright protection — thus it was not entitled to VARA protection, either.

The court also commented on other issues that, although not necessary for its holding, warranted clarification. First, VARA protection applies to "painting[s]" and "sculpture[s]" (among other works), and a garden is neither. In this regard, VARA protection is actually more limited than general U.S. copyright law, which protects "pictorial" and "sculptural" works, i.e., works that are like, but not actually, pictures and sculptures. Second, the court declined to go so far as to say that, as a matter of law, "VARA does not apply to site-specific art at all," in contrast to the approach taken by its sister court, the United States Court of Appeals for the First Circuit.

*Kelley demonstrates the United States' reluctance to embrace an expansive application of "moral rights," notwithstanding the United States' acceptance of the relevant terms of the Berne Convention. VARA protection is explicitly limited to artists who create copyrightable works — and only a subset of those, at that. Before pressing any argument about "moral rights" in the United States, counsel would be wise to ensure that the work in question meets the basic requirements for copyright protection in the first place. ■*



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## Hogan Lovells IP Practice Events and Conferences

### APRIL

14 Celine Crowson will be speaking at the ABA Section of Litigation, Annual Conference on "Using Negotiated Settlements to Determine Damages."

14 Steffen Steininger, Martin Chakraborty and others will be taking part in the "Münchner Patentrechtsgespräche 2011," in Munich, Germany

18-20 Andrew Cobden will be speaking at the All China Patent Agents Association Seminar on the Enforcement of Legal Rights Overseas, in Beijing, China.

27 Daniel Brook will be among the participants in IPO's IP Chat Channel webinar on inventor assignment.

### MAY

5 Adam Cooke will be co-presenting a LexisNexis webinar on pharmaceutical and biotech patents.

14-19 Members of Hogan Lovells' international trademarks team will be attending INTA 2011 in San Francisco. Timothy J. Lyden will be moderating a roundtable event on "Fair Use and the Internet: Meta Tags, Keyword Advertising and Related Online Uses." David Taylor will be presenting on "What's New in Europe: Keywords, AdWords and Domain Name Developments."

18 Bert Oosting will be speaking on "Practical Experiences with WIPO's Mediation/Arbitration System" and take part in a panel discussion on "Best Practices in Mediation/Arbitration/Court Litigation of Patent Disputes" at the joint programme of LES, WIPO Arbitration and Mediation Center in Munich, Germany.

19 Wolfgang Büchner and Undine von Diemar will be hosting a workshop on "Data Protection and Other Compliance Requirements with regard to Cloud Computing Services" at the 2nd Hogan Lovells Compliance Day in Munich, Germany.

### JUNE

7- 10 Nils Rauer will be speaking at "100. Bibliothekar-Tag" in Berlin, Germany.

7 Sahira Khwaja will be presenting a LexisNexis webinar on "Intellectual Property Law - IP Transactions and Due Diligence."

8 Quentin Archer will be hosting a meeting of the Computer Law Group at Hogan Lovells' London office.

8-11 Andreas Renck will be speaking at the ECTA annual conference in Stockholm, Sweden. Tobias Dolde will also attend the conference.

21-24 Quentin Archer will be chairing the Sedona Conference event on e-discovery and data privacy in Lisbon, Portugal.

Stefan Engels and the Hamburg media team will be hosting a "Social Media Workshop" in Hamburg, Germany.

### JULY

8 Andreas Renck will be speaking at the Forum Institut Internationaler Markenschutz in Cologne, Germany. ■



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