

Intellectual Property
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Contents

TRADEMARKS AND BRANDS	1		
European Union	1		
Barbara Becker scores before the Court of Justice; No general principle that trademarks consisting of the same surname are likely to be confused			
Trademark protection granted for slogan "VORSPRUNG DURCH TECHNIK"	1		
Scope of "LIFE / THOMSON LIFE"; No similarity between "MEMORY" and "Educa Memory game"; Descriptive character of word mark "MEMORY"	2		
Green + Yellow = John Deere; Protection granted for an abstract color trademark	2		
Benelux (Belgium, The Netherlands, Luxembourg)	4		
Community trademarks and use requirement; Benelux Intellectual Property Office introduces strict requirements			
France	5		
Sale of genuine luxury products in poor conditions constitutes trademark infringement			
Germany	6		
Distinctive character of color mark can only be established in very specific circumstances			
Limited scope of FIFA's commercialization rights on the Football World Cup	6		
A trap for the speedy FIREFOX? - Fighting fraudulent websites offering downloads of Mozilla FIREFOX software	7		
Russia	8		
Russia, Belarus and Kazakhstan establish Customs Union			
United Kingdom	9		
Comparison lists of "smell-alike" perfumes constitute trademark infringement; Court of Appeal follows Court of Justice of the European Union with regret			
USA	10		
Stronger basis for dilution infringement			
Japan	11		
No likelihood of confusion with The Rolling Stones' tongue longue			
PATENTS	12		
European Union	12		
Scope of patent protection for DNA sequences			
The legality of a European and Community patents court	12		
Germany, the United Kingdom, the Netherlands,	14		
Assessment of damages (and account of profits) in patent litigation			
France	17		
Translation of the specification of a European patent is no longer required			
Germany	18		
Düsseldorf Court of Appeal sets standard for preliminary injunctions in patent infringement cases			
Italy	19		
Use of liposomes in an active compound is not a method of treatment of the human body			
The Netherlands	20		
Right to Fair, Reasonable and Non-Discriminatory (FRAND) licence is not a safeguard to infringe patent rights			
USA	21		
Bilski v Kappos: Patent eligibility under section 101 not limited to the machine-or-transformation test			
Requirements to include a patent prosecution bar in a protective order	21		
Important changes in patent false marking law: Avoid becoming victim of the variety of patent trolls	22		
China and Hong Kong	24		
New judicial interpretation and regulations relating to Chinese patent law			
Hong Kong court grants a pre-trial "springboard" injunction against a generic drug distributor	25		
DESIGNS AND COPYRIGHT	26		
European Union	26		
Requirements for invalidity of a Community design due to an earlier trademark; Annulment of OHIM decision due to error in law			
Crocs' Community design invalid; Disclosure of a design outside the EU destroys novelty	26		
Principle of "res judicata" in design cases: Board of Appeal is bound by decision of German court in infringement proceeding ruling a design to be invalid	27		
France	28		
Right to publish a copyright protected work after the death of the author entitles to negotiate publishing contract			
Germany	29		
Infringement of Daimler's designs for the S-Class series by producer of stretched cars			
Requirements for a sequestration of infringing products in preliminary proceedings	30		
Italy	31		
Individual character of a Community design not destroyed by similar design filed a considerable time ago outside the EU			
Spain	32		
Spanish copyright levy system in breach of European Copyright Directive?			
USA	33		
Digital Millennium Copyright Act (DMCA) provides Google with "safe harbor" protection from Viacom's copyright infringement claims			

Trademarks and Brands

European Union

BARBARA BECKER SCORES BEFORE THE COURT OF JUSTICE; NO GENERAL PRINCIPLE THAT TRADEMARKS CONSISTING OF THE SAME SURNAME ARE LIKELY TO BE CONFUSED - COURT OF JUSTICE OF THE EUROPEAN UNION, DECISION OF 24 JUNE 2010, C-51/09 P (BECKER V HARMAN INTERNATIONAL INDUSTRIES)

Barbara Becker, the ex-wife of the German tennis player Boris Becker, applied to register her name as a Community trademark for goods in classes 9. The US company Harman International Industries (Harman) opposed the application on the basis of its Community trademark BECKER covering identical goods in class 9. OHIM's Opposition Division upheld the opposition. OHIM's Board of Appeal annulled the decision holding that the signs were conceptually clearly distinct due to Barbara Becker's celebrity status (at least in Germany) and ruling out a likelihood of confusion despite the identity or close similarity between the goods.

Harman appealed to the General Court of the European Union and scored what seemed to be the decisive point. The court said that according to earlier case-law consumers generally attributed greater distinctiveness to surnames contained in trademarks than to first names.¹ Furthermore, if a composite mark contains an earlier mark belonging to a third party, the earlier mark and the composite mark can be regarded as similar if the third party mark has an independent distinctive role in the composite mark, even if it is not its dominant element.² The General Court concluded that since "Becker" was a common surname it retained an independent distinctive role in the mark "Barbara Becker" so there was sufficient similarity to produce likelihood of confusion.

However, Barbara Becker did not surrender. On further appeal to the Court of Justice of the European Union she won what could be the decisive set of this match. The Court of Justice re-iterated that for the examination of likelihood of confusion all factors of the case must be taken into account, in particular the overall impressions of the marks, their distinctive and dominant components and the perception of the marks by the average consumer. It said that although in some parts of the EU surnames might be perceived more distinctively than first names, account must be taken of all factors of the case and, in particular, if the surname was unusual or, on the contrary, common (as here: the surname "Becker"). Account must also be taken if the person who applies for the registration of his (or her) first name and surname as a trademark was well-known since that factor may obviously influence the perception of the mark by the

relevant public. Furthermore, the court said that in a composite mark, a surname did not retain an independent distinctive role in every case merely because it will be perceived as a surname. Such finding must be based on an examination of all facts of the case.

The Court of Justice said that the General Court erred in law by basing its decision only on earlier case-law and not by taking into account the specific facts of case. As a result, it annulled the decision and referred the case back to the General Court for reconsideration. ■

[Andreas Renck](#)
Partner, Alicante

TRADEMARK PROTECTION GRANTED FOR SLOGAN "VORSPRUNG DURCH TECHNIK" - COURT OF JUSTICE OF THE EUROPEAN UNION, DECISION OF 21 JANUARY 2010, C-398/08 P

In January 2003, Audi AG applied for the registration of the slogan "VORSPRUNG DURCH TECHNIK" (German for "Advance by Technology") as a Community trademark for goods and services of classes 9, 12, 14, 16, 18, 25, 28, 35 to 43 and 45.

OHIM's examiner refused the registration for most of the designated goods and services, holding that the slogan "VORSPRUNG DURCH TECHNIK" did not have distinctive character and that the relevant consumers perceived it as a descriptive advertising slogan. OHIM's Board of Appeal upheld the decision, except for the designated goods in class 12 for which Audi provided evidence that the slogan had acquired distinctive character through use.

The General Court of the European Union confirmed this decision, holding that the relevant public would perceive the slogan "VORSPRUNG DURCH TECHNIK" as an objective laudatory message, despite the varying levels of technical sophistication of the goods and services.

On further appeal, the Court of Justice of the European Union said that the difficulty in establishing distinctive character for advertising slogans did not justify applying stricter criteria than those applicable to other types of marks. It was not required that the advertising slogan displayed "*imaginativeness or even conceptual tension which would create surprise and so make a striking impression*". A trademark was not devoid of distinctive character merely because it was perceived by the relevant public as an advertising slogan and could also be used, theoretically, as an advertising slogan by other companies. A sign could have distinctive character of a trademark even when the relevant public perceived it as both a promotional slogan and as an indication of the commercial origin.

¹ Decision of the General Court, T-185/03, ENZO FUSCO

² Decision of the Court of Justice of the European Union, C-120/04, LIFE / THOMSON LIFE

According to the Court of Justice, the General Court had failed to substantiate its findings to the effect that the relevant public perceived Audi's trademark as an indication of the commercial origin of the designated goods and services. The slogan "VORSPRUNG DURCH TECHNIK" could have a number of meanings, constitute a play on words or be perceived as imaginative, surprising and unexpected and, therefore, easily remembered. Although such features were not obligatory for establishing the distinctive character of an advertising slogan, they were likely to provide it with the necessary distinctive character.

The Court of Justice concluded that Audi's slogan had distinctive character and could be registered as a trademark. Accordingly, it annulled the decisions of the General Court and of OHIM's Board of Appeal.■

[Yvonne Draheim](#)
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SCOPE OF "THOMSON LIFE"; NO SIMILARITY BETWEEN "MEMORY" AND "EDUCA MEMORY GAME"; DESCRIPTIVE CHARACTER OF WORD MARK "MEMORY" - GENERAL COURT OF THE EUROPEAN UNION, DECISIONS OF 19 MAY 2010, T-243/08 (RAVENSBURGER AG V OHIM) AND T-108/09 (EDUCA BORRAS SA V OHIM)

Educa Borrás SA (Educa) is the owner of a figurative Community trademark for games and playthings.



Educa's trademark

In the case T-243/08 Ravensburger AG filed for a declaration of invalidity based on its earlier word mark "MEMORY" registered in Germany and Austria for goods in classes 28, in particular board games. OHIM's Cancellation Division granted the claim. OHIM's Board of Appeal disagreed and annulled the decision.

The General Court of the European Union said that according to the landmark decision of the Court of Justice of the European Union in the LIFE / THOMSON LIFE case³, a sign composed of an earlier mark and the name of a company could be regarded as similar with the earlier mark if the earlier mark has an independent distinctive role in the composite sign without necessarily constituting the dominant element.

Examining the similarity of Educa's and Ravensburger's trademarks the court said that the word element "Memory" did not have an independent distinctive role in Educa's trademark

as it was strongly linked with the word element "game", both having the same typeface and size. The German-speaking relevant public perceived the whole expression "*memory game*" as being distinct from the element "Educa" and, most importantly, as descriptive of one of the characteristics and the purposes of the goods. Furthermore, the word element "Educa" had a dominant position in the structure and layout of the mark which made it even more prominent. The court concluded that although both trademarks contained the word "Memory", they were not similar.

The court also rejected Ravensburger argument that its earlier word marks enjoyed a reputation, holding that this was only to be taken into account when assessing the likelihood of confusion but not when examining the similarity of the marks.

As a result, the General Court held that Educa's trademark was not invalid and upheld OHIM's Board of Appeal decision.

In the parallel case T-108/09 Educa filed for a declaration of invalidity of Ravensburger's Community word mark "MEMORY", registered for goods in classes 9 and 28 (games recorded on data carriers, board games). OHIM's Cancellation Division and Board of Appeal granted the invalidity claims.

The General Court said that the sign "MEMORY" was descriptive of games and board games. These goods included, in particular, memory games in which the key for success is the use and development of the memory. Therefore, Ravensburger's word mark described directly and specifically one of the characteristics and purposes of the games for which it was registered. Accordingly, the General Court upheld the Board of Appeal's finding that the mark was invalid.

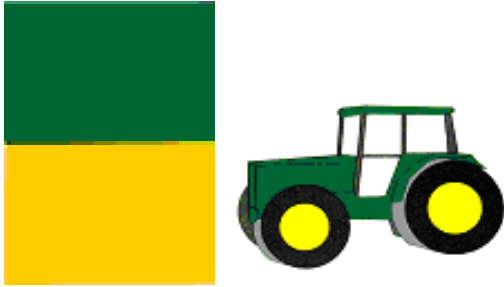
Educa's defensive strategy against the attack on its Community trademark proved to be successful. The General Court's findings on the application of the "LIFE / THOMSON LIFE" case-law, however, should be taken with caution and, given the special circumstances of the case, should not be generalized.■

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Partner, Alicante

GREEN + YELLOW = JOHN DEERE; PROTECTION GRANTED FOR AN ABSTRACT COLOR TRADEMARK - GENERAL COURT OF THE EUROPEAN UNION, DECISION OF 28 OCTOBER 2010, T-137/08 (BCS V OHIM - DEERE)

This case concerned the validity of a Community trademark consisting of a combination of the colors green and yellow, registered for agricultural and forestry machines for Deere & Company (John Deere) in 2001. The trademark application, filed in 1996, described the arrangement of the colors as follows: "*green for the vehicle body and yellow for the wheels, as shown by the following picture*":

³ C-120/04



John Deere's trademark and description

In 2004, the Italian company BCS SpA (BCS) filed for a declaration of invalidity claiming that John Deere's trademark did not have distinctive character and that there was insufficient evidence that the mark had acquired distinctive character by use. Furthermore, it claimed infringement of its Italian non-registered trademark which also consisted of a combination of the colors green and yellow and had been used before 1996 in relation to agricultural machines in several European countries. OHIM's Cancellation Division refused the claim. OHIM's Board of Appeal confirmed the decision and dismissed the appeal.

The General Court of the European Union said that colors per se could acquire a distinctive character as a consequence of their use in the market. In the present case the use and market presence of the combination of green and yellow in John Deere's agricultural machines were sufficient to enable the relevant public to attribute the combination of the colors to John Deere and therefore to identify the commercial origin of the goods covered by the mark. John Deere could also prove that it used the same combination of colors on all its agricultural machines continuously for a considerable period before 1996.

The court emphasized that although the distinctive character of a trademark must be established throughout the European Community, it was not necessary to provide the same type of evidence in respect of each European member state, e.g. to carry out an opinion poll in every member state or to show that the trademark achieved a large market share in every member state. It was sufficient to prove that the trademark had a strong and long-lasting presence on the market even if the evidence differed in strength and type. Therefore, although John Deere's market share was low in some member states this was compensated by John Deere's presence in such markets for more than 30 years before the application of the mark.

The General Court also rejected BCS' claim of infringement of its unregistered Italian trademark. This was because BCS did not prove extensive use and presence of its trademark in the relevant national markets. It had not used the combination of colors in a consistent and uniform manner over the years.

As a result, the General Court confirmed OHIM's decision and dismissed the action of BCS as unfounded.

The graphical representation and description of the arrangement of the color in the trademark application might have contributed to John Deere's success as it was conventional for a color trademark and described the mark as a specific rather than an abstract color mark. ■

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Trademarks and Brands

Benelux (Belgium, The Netherlands, Luxembourg)

COMMUNITY TRADEMARKS AND USE REQUIREMENT; BENELUX INTELLECTUAL PROPERTY OFFICE INTRODUCES STRICT REQUIREMENTS - BENELUX OFFICE FOR INTELLECTUAL PROPERTY, DECISION OF 15 JANUARY 2010

In an opposition decision, the Benelux Office for Intellectual Property (BOIP) ruled that a Community trademark which had been used in the Netherlands could not be considered as genuinely used in the European Community.

The opposition against the application for the Benelux trademark "OMEL" was based on the Community trademark "ONEL" which was used for the services of a Dutch trademark agency. The parties agreed that the Community trademark "ONEL" was genuinely used in the Netherlands. Use outside the Netherlands was not alleged.

BOIP considered that use in only one European member state could not constitute use "*in the Community*" as required by article 15 of the Community trademark regulation (CTMR). In light of the expansion of the European Union, it would confer too broad a monopoly on the trademark owner if, by using the mark only "*locally*", it could secure trademark protection across the entire European Union. The Joint Statements¹ in which the European Council and the European Commission had declared that use in one member state constituted use in the European Community, were brushed aside by BOIP which relied on Court of Justice of the European Union case-law according to which the Joint Statements were not legally binding.² BOIP also noted that article 112(2) (a) CTMR expressly allowed the conversion of an unused Community trademark into a national mark if the use of the mark was sufficient under the laws of the member state in question. It said that this provision had little justification if use in one member state constituted genuine use of the Community trademark.

BOIP concluded that for the purposes of the Benelux opposition decision the earlier Community trademark was to be disregarded and rejected the opposition.

The owner of the Community trademark "ONEL" has now filed an appeal before the Court of Appeal in The Hague which might refer questions to the Court of Justice of the European Union for a preliminary ruling or simply overrule BOIP's decision if it considers the position under EU law to be

sufficiently clear without referring the matter to the Court of Justice.

For the moment, BOIP's decision has no impact on the validity of the Community trademark "ONEL", as national trademark offices have no say on the validity of registered Community trademarks.

The position taken by BOIP is contrary to OHIM's consistent position manifested in its guidelines³ and in its manual⁴, as well as the position taken in numerous opposition and court decisions in other member states. It has therefore given rise to some discussion, including an official statement from OHIM⁵ and a statement by the Hungarian PTO supporting BOIP's position.

The impact of BOIP's decision should, however, not be overstated. To begin with, it only affects the Benelux, while offices and courts in other member states, as well as of course OHIM, remain free to reach their own conclusions as to whether use in one member state is enough to constitute use in the European Community. More importantly, the question of genuine use must be seen in the context of recent case law of the Court of Justice of the European Union in connection with dilution protection of Community trademarks. In the PAGO⁶ case, the Court of Justice said that a Community trademark with a reputation in only one member state (in that case Austria) was to be regarded as having a reputation "*in the Community*". That "*the Community*" is to be seen independent of country borders also appears to be the position of the European Council who has just published its conclusions on the future revision of the trademark system in the EU.

Finally, from a practical standpoint, even if BOIP's rule were the law, the Community trademark owner would of course be free to convert the Community trademark into a national trademark to retain protection in the jurisdiction where it is actually using the mark. ■

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¹ Joint statements by the Council and the Commission of the European Communities entered into the minutes of the Council meeting at which the Regulation on the Community Trademark was adopted on 20 December 1993, OJ OHIM 1996, p. 615

² Decisions of Court of Justice of the EU of 26 February 1991 in case C-292/89 - Antonissen - and of 07 July 2005 in case C-418/02 - Praktiker Bau- und Heimwerkermärkte

³ Guidelines, part 6, p. 14-15, see <http://oami.europa.eu/ows/rw/pages/CTM/legalReferences/guidelines/guidelines.en.do>

⁴ Manual, part 6, p. 13-14, see <http://oami.europa.eu/ows/rw/pages/CTM/legalReferences/guidelines/OHIMManual.en.do>

⁵ See <http://oami.europa.eu/ows/rw/news/item1273.en.do>.

⁶ Decision of Court of Justice of the EU of 6 October 2009 in case C-301/07, par. 27-30 - PAGO

Trademarks and Brands

France

SALE OF GENUINE LUXURY PRODUCTS IN POOR CONDITIONS CONSTITUTES TRADEMARK INFRINGEMENT - FRENCH SUPREME COURT, DECISION OF 23 MARCH 2010 (CAUD / CHANEL)

Chanel SA and the Galeries Rémoises had entered a selective distribution agreement for the distribution of luxury perfumes and cosmetics bearing Chanel's trademark. The agreement prohibited sales outside the selective distribution network.



Chanel's trademarks

After Galeries Rémoises had gone into administration, the liquidator of Galeries Rémoises sold Chanel's luxury goods at an auction to Futura Finances which further sold them to Caud SARL, a company operating a discount store business.

Chanel claimed infringement of its trademark rights and unfair competition practice by Caud in respect of the unsatisfactory conditions in which Chanel's products were advertised and offered for sale in the discount store. In particular: They were marketed in a self-service discount store, displayed in a shed located on a trading estate, their packaging was damaged due to excessive and careless handling and small posters advertising a 30% discount were of poor quality.

Article 713-4 of the French Intellectual Property Code (which implements Article 7 of the Directive No. 2008/95/EC) provides that a trademark entitles the owner to prohibit its use in relation to goods which have been put on the market in the European Economic Area under that trademark by the owner or with his consent if there are legitimate reasons for the owner to oppose further marketing of the goods, in particular where the condition of the goods changes or is impaired after having been put on the market.

The Court of first instance said that the conditions in which the goods were sold were detrimental to Chanel's reputation. It concluded that Caud had improperly used and therefore infringed Chanel's trademarks and granted Chanel's claims. On appeal, the decision was upheld.

On further appeal, the French Supreme Court confirmed that Chanel's infringement action was well-grounded. The circumstances and conditions in which the goods were sold and advertised tarnished the allure and the prestigious image of Chanel's luxury perfumes and cosmetics and, therefore,

damaged the value and reputation of Chanel's trademarks. These circumstances gave Chanel legitimate reasons to oppose the further marketing and sale of the goods by Caud in accordance with article 713-4 of the French Intellectual Property Code. As a result, the French Supreme Court upheld the decision.

The decision is in line with the recent decision of the Court of Justice of the European Union which stated that: *"the proprietor of a trademark can invoke the rights conferred by that trademark against a licensee who contravenes a provision in a license agreement prohibiting, on grounds of the trademark's prestige, sales to discount stores such as the ones at issue in the main proceedings, provided it has been established that that contravention, by reason of the situation in the main proceedings, damages the allure and prestigious image which bestows on them an aura of luxury"* (C-59/08, Copad / Christian Dior Couture, paragraph 37). ■

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Trademarks and Brands

Germany

DISTINCTIVE CHARACTER OF COLOR MARK CAN ONLY BE ESTABLISHED IF THERE ARE SPECIFIC CIRCUMSTANCES - FEDERAL COURT OF JUSTICE, DECISION OF 19 NOVEMBER, I ZB 76/08

The German energy supplier Yello Strom GmbH (Yello Strom) applied for the registration of the abstract color mark yellow at the German Patent and Trademark Office (GPTO).



Yello Strom's trademark

The GPTO and, on appeal, the Federal Patent Court refused the registration due to lack of distinctive character.

On further appeal, the Federal Court of Justice partly annulled the decision. It said that because shapeless color marks generally lacked the required distinctive character, this could only be established if there were specific circumstances, e.g. if trademark protection was only sought for very few goods or services or if the relevant market was highly specific. It required an overall assessment of all relevant factors affecting the perception of the relevant public in the relevant sector of goods or services with regard to the color.

With regard to the designated goods and service of classes 9, 37 and 38 (telecommunication), the court said that Yello Strom's trademark did not have distinctive character. In this sector the relevant public did not perceive the color of a product or service as an indication of its commercial origin. The public interest in keeping colors freely available for competitors must also be taken into consideration. In the telecommunications sector a huge number of products and services were offered by different companies. Colors were not commonly assigned to one specific market sector and therefore not used as an indication of origin.

With regard to classes 35, 36 and 42 (professional business, organizational, financial and technical services and ecological consultancy in the energy sector), the court noted that the Federal Patent Court had not substantiated its reasons sufficiently by failing to examine if the relevant public perceived colors in the sector of energy consultancy services as an indication of origin and Yello Strom's yellow color as an indication of its commercial origin. In this regard, the Federal Court of Justice therefore referred the case back to the Federal Patent Court for another examination. ■

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LIMITED SCOPE OF FIFA'S COMMERCIALIZATION RIGHTS ON THE FOOTBALL WORLD CUP - FEDERAL COURT OF JUSTICE, DECISION OF 12 NOVEMBER 2009, I ZR 183/07

The Fédération Internationale de Football Association (FIFA) owns numerous trademarks in relation to the Football World Cups 2006 in Germany and 2010 in South Africa. Ferrero produces and sells the chocolate wafers "DUPLO" and "HANUTA". Since 1982, it had distributed free collectible stickers of the football players of the German national team with these chocolate wafers before and during the Football World Cups. The packaging showed logos bearing the letters "WM" (German abbreviation for World Cup), the year of the football event and other figurative elements. In order to protect these signs, Ferrero registered several trademarks which featured various word elements such as "WM 2010" or "2010" as well as figurative elements, e.g.:



FIFA's trademarks

FIFA requested the cancellation of the trademarks claiming trademark infringement and unfair competition practice. It based its claims on its serial trademarks (WM + year) and on its work titles for "GERMANY 2006" and "SOUTH AFRICA 2010".¹ While the Regional Court of Hamburg granted FIFA's claims, the Court of Appeal Hamburg dismissed FIFA's claims.

On further appeal, the Federal Court of Justice said that there was no trademark infringement as there was no likelihood of confusion between FIFA's and Ferrero's trademarks. In this regard, the court also pointed out the limited scope of protection of FIFA's trademarks. The court further decided that FIFA could not base its claims on its work titles for "GERMANY 2006" and "SOUTH AFRICA 2010". With regard to the unfair competition claim, the court rejected FIFA's argument that Ferrero's trademarks deterred FIFA's world cup marketing because Ferrero's trademarks would not cause the relevant public to assume that Ferrero was an official FIFA sponsor of the World Cups. FIFA's basic constitutional right to exploit commercially the football tournaments it organizes did not extend to a monopoly right of exclusive commercial exploitation. As a result, the Federal Court of Justice dismissed FIFA's claims. ■

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¹ Work titles are names or designations of printed, filmed or other comparable work, e.g. publication titles. Under German trademark law work titles enjoy the same legal protection as trademarks or company names.

A TRAP FOR THE SPEEDY FIREFOX? – FIGHTING FRAUDULENT WEBSITES OFFERING DOWNLOADS OF MOZILLA FIREFOX SOFTWARE

Fraudulent online traps are a phenomenon frequently encountered in Germany. The operators of such fraudulent websites take advantage of the consumer's trust in a free download of the popular internet browser FIREFOX or other freeware or Open Source Software (F/OSS). The traps follow a uniform pattern: A Google search for "FIREFOX" leads to search results that redirect to a website offering various well-known F/OSS programs for download. The user is prompted to make a simple quick mouse-click: "DOWNLOAD NOW", alongside an image of the well-known FIREFOX logo. Users hardly ever notice the hidden small print with information on the price and duration of the contract. They simply agree to the website's terms and conditions by mouse-click as a matter of routine. But therein lies the trap: The download of a software program supposedly free of charges turns out to be a two-year subscription for a software database at a cost of about 100 Euros p.a. The fraudulent scheme is highly profitable, with some websites issuing as many as 170,000 invoices per week - equaling a weekly invoicing amount of 16.32 million Euros. Even if only a fraction of misled consumers actually pay, this leaves a generous profit.

Mozilla Foundation, represented by Hogan Lovells, has successfully fought back against several subscription traps in Germany through preliminary injunctions based on trademark infringement as well as on unfair competition practice.

The fraudulent websites use the well-known trademark FIREFOX for identical goods without authorization from the right owner, Mozilla Foundation.



Mozilla's trademark

Mozilla generally grants everyone the right to download FIREFOX and to distribute it under the terms of the "Mozilla Public License"², as well as to use Mozilla's trademarks under the terms of the "Mozilla Trademark Policy"³. But Mozilla's consent depends on one fundamental requirement: Every further distribution of the software must be free of charges - and subscription traps are not.

By using FIREFOX trademarks without complying with these conditions, the defendant operators of the subscription traps infringed Mozilla's trademark rights.

The defendants cannot claim exhaustion of Mozilla's trademark rights as this exemption only applies with regard to

each individual piece of work for which the trademark is used. If a consumer downloads a software program over the internet, a completely new piece of work comes into existence when saved on a data carrier. Exhaustion would only apply if this new copy of the program were passed on further. But at the prior download stage, there is no exhaustion. Likewise, the defendants cannot successfully argue that they are only making descriptive use of the FIREFOX trademark by offering additional information about the software program. German courts have consistently ruled that the trademarks are not used in the context of complementary services but that the main purpose of the websites is the offering of the software itself under the corresponding trademarks.

In addition to infringing Mozilla's trademarks, the fraudulent schemes also amount to unfair competition (on various counts) by not complying with the principles of truthfulness and transparency to be observed under German unfair competition law when providing price information to consumers. The contractual obligation to pay for the download of F/OSS programs is deliberately concealed by presenting the payment information in small print and hiding it in unexpected places. The overall presentation of the websites suggests a standard free offer of the well-known freeware. The fraudulent offers also fulfill one of the absolute grounds of unfair competition contained in the new so-called "blacklist" of the German Unfair Competition Act: *"An offer amounts to unfair competition if goods or services are untruthfully offered as being free of charge."* (no. 21 of the blacklist)

Once Mozilla had successfully obtained an interim injunction, the hurdle of enforcement had to be taken. If defendants do not comply with an injunction, there are several alternative means of obtaining compliance. One option is to hold the responsible internet provider liable. Under German law, internet providers are liable for an infringement committed on a hosted website once they are given notice of the particular infringement through a cease and desist letter. Proceedings for contempt of court serve as a further coercive measure in cases of continued infringement. Where a preliminary injunction is breached by continued infringements, German courts can award penalty payments upon application by the right owner.

Even though fighting against online infringements can sometimes resemble the travails of Don Quixote, it is working well for FIREFOX. More often than not new subscription traps flourishing on the internet no longer include Mozilla's software among the programs offered for download. ■

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² www.mozilla.org/MPL/MPL-1.1.html

³ www.mozilla.org/foundation/trademarks/policy.html

Trademarks and Brands

Russia



RUSSIA, BELARUS AND KAZAKHSTAN ESTABLISH CUSTOMS UNION

As of 1 January 2010, Russia, Belarus and Kazakhstan have established a Customs Union constituting a common customs territory with an external customs border embracing Russia, Belarus and Kazakhstan.

New Customs Union

The legal basis of the Customs Union was created by the adoption of the Unified Customs Tariff and the signature of the Agreement on the Customs Code of the Customs Union on 27 November 2009.

Following the creation of the Customs Union, the Russian-Belorussian border customs control will be abolished, starting 1 July 2010. The import/export customs clearance procedures are no longer applicable to goods in trade between Russia and Belarus. The same is planned to become effective for the Russian-Kazakh border as of 1 July 2011 (before this date the regime will be introduced for the trade between Russia and Belarus only partially).

The new customs regime will most probably result in a more intense circulation of goods within the Customs Union territory.

In order to prevent the import of counterfeited goods into the member states from third countries and, therefore, to minimize the risk of the circulation of such goods within the Customs Union territory, the Customs Code of the Customs Union requires a unified register for intellectual property rights of Russia, Belarus and Kazakhstan to be established. The work on introducing the unified register is currently being processed but no precise time frame for establishing the register is scheduled yet. Thus, at the moment, the only workable solution available to rights holders is to make sure that the trade marks used in the territory of the Customs Union are registered in each of Russia, Belarus and Kazakhstan and to record trademarks and copyrights (where applicable) with the Customs Services of Russia, Belarus and Kazakhstan. Upon introduction of the unified customs register, recordal on the unified customs register is to be highly recommended.

Encryption-enabled devices

Furthermore, on 1 January 2010 unified non-tariff regulation rules entered into force. These rules provide for a new procedure for customs clearance of electronic devices with encryption (cryptographic) technologies (such as cell phones, laptops, PDAs, Bluetooth devices etc.). The importer or exporter of such devices will now need to obtain a licence from or file a notification with an authorized state authority (e.g. with the Federal Security Service and Ministry for

Industry and Trade in Russia). The filing of a notification for a particular product by the producer or its authorized representative will allow the import of this product into the member states of the Customs Union by any importers, without the need to apply for further permissions in the other member-states. Similar rules apply for alcoholic products and pharmaceuticals. ■

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Trademarks and Brands

United Kingdom

COMPARISON LISTS OF "SMELL ALIKE" PERFUMES CONSTITUTE TRADEMARK INFRINGEMENT; COURT OF APPEAL FOLLOWS COURT OF JUSTICE WITH REGRET - COURT OF APPEAL, DECISION OF 21 MAY 2010, L'ORÉAL SA V BELLURE NV [2010] EWCA CIV 535

L'Oreal is the owner of the registered UK, Community and International trademarks for the words TRESOR, MIRACLE, ANAIS-ANAIS and NOA NOA and depictions of the packaging of those brands, all registered in class 3 for perfumes.



Some of L'Oreal's trademarks

Bellure manufactured, marketed and distributed "smell alike" imitations of fine fragrances, including those of L'Oréal, with similar bottle and packaging designs. Bellure marketed their products by way of comparison lists indicating the name of the branded perfume which its product smelled like.

L'Oréal instigated trademark infringement proceedings against Bellure in the UK in relation to the lookalike packaging and the use of its trademarks on the comparison lists. By the time the Court of Appeal gave judgment the only outstanding issue was Bellure's use of comparison lists.

Following an appeal by Bellure against the High Court's decision, the Court of Appeal referred various questions to the Court of Justice of the European Union on the interpretation of the Trademark Directive (TMD) and Comparative Advertising Directive (CAD). The Court of Justice gave its ruling in June 2009 (as reported in Lovells' *IP Newsletter autumn 2009*).

Following this ruling, the Court of Appeal's final judgment was handed down on 21 May 2010. Lord Justice Jacob delivered the leading judgment, with which the other two judges agreed. Applying the Court of Justice's interpretation of the relevant law, he held:

The use by Bellure of L'Oreal's marks in the comparison lists constituted trademark infringement under article 5 (1) (a) TMD (identical mark/identical goods). The use was not "purely descriptive" because it was used for advertising purposes, which affected the "communication, investment and advertising functions" of the trademark. These functions were

recognized by the Court of Justice in addition to the origin function of a trademark.

The comparison lists did not escape infringement by virtue of article 3(a) (1) CAD. In particular, the comparison did not satisfy the condition that "it does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name" because Bellure's perfumes were presented as imitations of L'Oreal's. Failure to comply with the CAD meant that Bellure's use of the trademarks fell foul of the defense of article 6(1) (b) TMD as the use in the comparison lists was "not in accordance with honest practices".

Although not required to rule on the point, Jacob LJ indicated that, if so required, he would have held that the comparison lists also infringed article 5(2) TMD. The Court of Justice concluded that where a third party attempts, through use of a similar sign, to ride on the coat-tails of a mark with a reputation in order to benefit from its power of attraction, reputation and prestige and to exploit, without paying any financial compensation and without being required to make its own marketing efforts, the advantage must be considered unfair. In Jacob LJ's view, the Court of Justice had clearly indicated that any "free riding" on the "coat-tails" of a trademark would amount to an "unfair advantage" and would therefore infringe article 5(2).

Jacob LJ expressed his deep regret at reaching the decision, but felt bound to follow the Court of Justice. His main criticisms of this decision were as follows:

Negative implications for free speech. Bellure would be "muzzled" from telling the truth that their perfumes smelt like famous brands. There were no grounds that justified a restriction on the freedom of speech in this case, particularly where it was accepted that the comparison lists caused no harm to L'Oreal. Although the truth was uncomfortable for L'Oreal, there was no reason to suppress it.

Negative implications for competition. The Court of Justice's decision could potentially restrict competition in important areas of trade where businesses needed to tell customers which branded products their own products are equivalent to. In Jacob LJ's view, the Court of Justice judgment meant that no line between "permissible free riding" and "impermissible free riding" was to be drawn and thus, all free-riding was "unfair". Accordingly, copyists, even of lawful products should be condemned, which amounts to a "pointless monopoly".

Jacob LJ mentioned in his judgment that the EU Commission has asked the Court of Justice to reconsider its opinion in this case. It remains to be seen whether any such reconsideration will lead to a different result. ■

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Trademarks and Brands

United States of America

STRONGER BASIS FOR DILUTION INFRINGEMENT - SIXTH CIRCUIT, DECISION OF 19 MAY 2010, V SECRET CATALOGUE, INC., V. MOSELEY, 2010 WL 1979429

The case of *V Secret Catalogue v. Moseley*, in its several iterations, has been at the center of a debate over the proper standard to be applied to trademark dilution claims in the United States. On May 19, 2010, the Sixth Circuit issued a new ruling in the ongoing saga which, for the first time, could provide owners of "famous marks" with a stronger basis for protecting their rights against third parties which harm the reputation, or "dilute by tarnishment", their famous marks.

The traditional claim of trademark infringement centers around proving whether consumers are likely to be confused between two similar marks used on or in connection with similar goods and services (and/or in similar markets). In contrast, a trademark dilution claim provides another basis for owners of famous marks to challenge problematic uses of their marks. In a trademark dilution claim, typically a third party uses a mark highly similar in appearance to a famous mark on or in connection with *non-similar goods or services*, in a manner that is likely to impair the distinctive character of the famous mark (called "dilution by blurring", e.g. use of a famous mark in a non-similar field like "POLAROID" on refrigeration and heating systems¹) or harm the reputation of the mark (called "dilution by tarnishment", e.g. "POTTERY BARN" used in the context of sexually-oriented websites²). Importantly, a dilution claim is only available for so-called "famous" marks which are widely recognized by the general consuming public in the U.S. as a designation of source for their particular goods or services - a difficult threshold to meet.

This dispute, initiated in 1998, involved a claim by V Secret Catalogue – retailer of women's lingerie, and owner of the famous mark VICTORIA'S SECRET– against a sex shop in Kentucky (owned by a couple, Victor and Cathy Moseley) named "Victor's Secret", and later "Victor's Little Secret". The plaintiff V Secret charged that, by selling products of a sexual nature, the Moseleys' store diluted plaintiff's famous mark by tarnishment (a claim that survived even though there was no likelihood of confusion found to support V Secret's claim of likelihood of confusion). This led to a 2006 Supreme Court decision, which held that under Congress' existing dilution statute the owner of a famous mark had to prove "*actual harm*" by dilution, a standard V Secret could not meet. As a result of the outcry from trademark owners, Congress found that the ruling placed too great a burden on plaintiffs, and

thereby passed Trademark Dilution Revision Act of 2006, which overturned the holding in the Supreme Court case and clarified that a plaintiff must only prove that the defendant's activity was "*likely to dilute*" the famous mark. See 15 U.S.C. §1125(c).

Following passage of the new trademark law, the case was remanded to the District Court, which reviewed the case in light of the new law and, this time, issued an injunction in favor of the plaintiff. In its May 19 ruling, the Sixth Circuit affirmed the injunction, holding "*any new mark with lewd or offensive-to-some sexual association raises a strong inference of tarnishment*" – or a "*kind of rebuttable presumption*" in favor of dilution by tarnishment - so long as there is a "*clear semantic association*" between the two marks.

The court reviewed prior tarnishment cases (most determined before the new law was passed) and noted, "*there appears to be a clearly emerging consensus in the case law that the creation of an "association" between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power.*" The holding made clear that, in the Sixth Circuit at least and in the context of offensive sex-related conduct, the burden is now on the *defendant* to show non-dilution, where it had previously been on the *plaintiff* to prove a likelihood of dilution by tarnishment. The court found that the Moseleys did not overcome this strong inference because they did not introduce evidence demonstrating that tarnishment was unlikely.

The Sixth Circuit's ruling appears to create a strong inference of tarnishment in favor of owners of famous marks when a third party uses such a mark in connection with promoting offensive products or services in the sex or pornographic fields. Further, the reasoning behind this holding could open the door to similar successful claims of tarnishment on the basis of association of a famous mark with crime, drugs or other unsavory or offensive activities that may impair the value of the mark. Nonetheless, the case could be appealed back to the U.S. Supreme Court to clarify the dilution by tarnishment standard and presumptions. Stay tuned.■

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¹ See *Polaroid Corp v. Polaroid Inc.*, 319 F.2d 830, 836 (7th Cir. 1963).

² See *Williams –Sonoma, Inc. v. Friendfinder, Inc.*, 2007 WL 4973848 at *7 (N.D. Cal, Dec. 6, 2007).

Trademarks and Brands

Japan

NO LIKELIHOOD OF CONFUSION WITH THE ROLLING STONES' TONGUE LOGO - IP HIGH COURT, DECISION OF 13 JANUARY 2010, 2009-GYOKE-10274

Yugen Kaisha Uprise Product (Uprise) filed for the registration of a trademark, mainly consisting of a human's tongue and lips for goods and services in classes 9 and 41, such as phonograph records and presentation of musical performance.



Uprise's trademark

After the Japan Patent Office (JPO) had granted the registration, an opposition was filed, mainly based on the ground that Uprise's trademark was likely to be confused with the tongue logo used by the famous rock band The Rolling Stones and therefore could not be registered under Japanese trademark law.



Tongue logo used by The Rolling Stones

Article 4(1) (xv) of the Japanese Trademark Act provides that a trademark which is likely to cause confusion in relation to the goods or services of the business of another person may not be registered.

The JPO found that there was a likelihood of confusion between Uprise's trademark and the tongue logo of The Rolling Stones. It partially cancelled the registration with regard to certain goods and services, including phonograph records and presentation of musical performance.

Uprise filed an action with the Intellectual Property High Court (IP High Court), seeking revocation of the JPO's cancellation decision.

The IP High Court disagreed with the JPO. Although it found that there were some similar features in the appearance of Uprise's trademark and The Rolling Stones' tongue logo, the court also pointed out several differences between the signs. For example, Uprise's trademark consisted of a two-dimensional image, while The Rolling Stones' tongue logo was a three-dimensional depiction. Uprise's trademark also featured three black figurative shapes on the tongue, while the Rolling Stones' logo only showed the tongue and lips.

Furthermore, the court said that The Rolling Stones' tongue logo was famous among Japanese consumers and music businesses. Therefore, the differences between Uprise's trademark and The Rolling Stones' tongue logo were more likely to be recognized. Consumers who purchased CDs or attended concerts would pay a certain degree of attention if the goods or services were what they intended to purchase or attend. Music stores and people in the music business were not likely to confuse Uprise's trademark with goods or services relating to The Rolling Stones. Even if Uprise's trademark was used for goods and services such as phonograph records or presentation of musical performance, it was not likely that the relevant consumers confused these goods and services with the goods or services of The Rolling Stones.

The court concluded that Uprise's trademark registration did not fall within the ground of objection under article 4(1) (xv) of the Japanese Trademark Act. Accordingly, the IP Court revoked JPO's decision to cancel Uprise's trademark registration. ■

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Patents

European Union

SCOPE OF PATENT PROTECTION FOR DNA SEQUENCES - COURT OF JUSTICE OF THE EUROPEAN UNION, DECISION OF 6 JULY 2010, C-428/08 (MONSANTO TECHNOLOGY V CEFETRA)

The Court of Justice of the European Union has handed down an important judgment relating to patents for biotech products, in the present case GM crops.

Monsanto's European patent EP 0546090 claims protection over an isolated DNA sequence with the ability to confer on growing plants resistance to glyphosate herbicide, a feature used in its "Roundup-Ready" soya plants. Monsanto does not have patent protection in Argentina, where farmers have been able to grow the Roundup-Ready soya plants, produce the soy meal ("RR soy meal") and export it to the EU. Monsanto sued importers of RR soy meal in the UK, Denmark, Spain and the Netherlands. Traces of the patented DNA sequence were present in the RR soy meal, but the DNA was no longer performing its function of herbicide resistance.

The English court decided that the RR soy meal did not infringe the patent. The claims in issue related to "an isolated DNA sequence". The court interpreted this as meaning that the DNA had to be separated from other molecular species and suitable for further genetic manipulation.

The Spanish and Dutch courts applied their national laws based on article 9 of Directive 98/44/EC (the "Biotech Directive") and considered that the protection afforded by the patent did not extend to the DNA where it could not perform its function.

Article 9 of the Biotech Directive states:

"The protection conferred by a patent on a product containing or consisting of genetic information shall extend to all material [...] in which the product is incorporated and in which the genetic information is contained and performs its function" [emphasis added]

The Dutch court felt that clarification was needed on the interpretation of article 9. It therefore referred certain questions to the Court of Justice of the European Union. The Court of Justice broadly followed the opinion of Advocate General Mengozzi and decided as follows:

1. Article 9 of the Biotech Directive does not confer patent protection on a DNA sequence where it is contained in soy meal and does not perform the function for which it is patented (i.e. herbicide resistance), notwithstanding that it has previously performed that function or might be able to do so again if extracted.

2. The Directive is exhaustive in the areas it addresses: more extensive protection cannot be given under national laws. The reason for this is to ensure harmonised, uniform protection across the EU thereby avoiding barriers to trade between Member States.

3. The Directive applies to all patents, irrespective of whether granted before or after the date when the Directive was implemented into the national laws of Member States.

4. This interpretation of article 9 of the Directive does not conflict with the TRIPS Agreement.

The Court of Justice's answer to Question 1 is consistent with the requirement that a function must be disclosed for a DNA sequence in order for it to be patentable, and with the present tense wording used in article 9. Under the Directive, protection of DNA sequences is therefore limited to the purpose for which they were patented (in the present case, to confer herbicide resistance on soya plants) - the DNA must be able to perform its function in the material in which it is incorporated. There is therefore no unqualified product protection for DNA sequences as such.

The judgment is welcome insofar as it gives guidance as to the scope of protection of patents for GM products: if there were absolute protection for DNA sequences, the scope of a patent could extend to any derivative product containing traces of the original DNA.

The claims of Monsanto's patent related only to DNA sequences, methods of producing GM plants tolerant to glyphosate herbicide, and glyphosate-tolerant plants and plant cells. Monsanto's innovation may however have been protected if the patent had included claims to the RR soy meal itself and/or the process for producing that RR soy meal. But some uncertainty remains: unless article 9 is interpreted as relating only to unclaimed derivatives of claimed DNA sequences, even claims to the RR soy meal itself could fall foul of the literal wording of article 9.

The Court of Justice's answers to Questions 2 and 3 are perhaps surprising insofar as it has decided that article 9 has retroactive effect. In this regard, Monsanto applied for its patent many years before the Directive was finalised. As to the UK, the Directive was implemented into UK law such that it only applies to patent applications made on or after 28 July 2000. The UK will now need to consider whether this is in conformity with the Court of Justice's judgment. ■

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THE LEGALITY OF A EUROPEAN AND COMMUNITY PATENTS COURT - A BRIEF REPORT ON THE ORAL HEARING BY THE COURT OF JUSTICE OF THE EUROPEAN UNION

In June 2009, the Council of the European Union sought an opinion from the Court of Justice of the European Union in relation to the legality of the proposed Patent Court Agreement (PCA) and EU Patent Regulation (EUPR). The Court of Justice held an oral hearing on 18 May 2010 during

which the Council, Commission, Parliament and a number of Member States participated. The decision of the court is expected in autumn. The principal issues discussed during the hearing are summarized below.

Article 118 TFEU

The court flagged and explored whether the Lisbon Treaty on the Functioning of the European Union (TFEU), apparently meaning its article 118, was pertinent. Article 118 (1) TFEU provides that the European Parliament and the Council "*shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for setting up of [...] centralized Union-wide authorization, coordination and supervision arrangements*". This is to be done "*in accordance with the ordinary legislative procedure*". The effect of this new article for the requested Opinion could be twofold:

- a) Does it enhance the competence (jurisdiction) of the EU, thereby enabling it to participate in the PCA?
- b) Does it oblige the Parliament and the Council to provide, regarding the PCA and/or the EUPR, for "*authorization, coordination and supervision arrangements*"?

The interplay between the PCA and the EU's Judicial System

The court was also concerned with the possible effects of the PCA on the judicial system of the EU. Three possible effects were considered:

- a) Does the PCA impair the existing competences of the court?
- b) If not, does the PCA nonetheless disturb the judicial system of the EU?
- c) Is the autonomy of the court in interpreting EU law impaired?

The majority view of the participants at the hearing appeared to be that any such effects could be ignored.

Advocate General's questions

The questions from Advocate General, Prof. Kokott, provoked an exchange of views which put the representatives of the Parliament, the Council and the Commission in a somewhat defensive position. The questions were (to be distinguished: the European Patent granted by the EPO; the EU patent on the basis of the future EUPR):

- a) **Does the EU delegate the grant of the EU patent to the EPO and does it accept the outcome of the patent granting process in the EPO as it is, positive or negative? Is this compatible with the decision-structure of the EU?**

Whilst the Council's representative accepted the idea of a delegation taking place, the Commission's representative sought to distinguish the role of the EPO and the EU, stating that the EUPR was the means by which the EU creates the EU patent on the basis of a EU patent granted by the EPO and so there is no delegation. This distinction would, however,

require several changes to the draft EUPR (Considerations 2, 2a, 2b, 3a; Art. 2, 4, 5 *et al.*).

- b) **If the grant of the patent is refused, the applicant only has the possibility of an internal appeal to the Appeal Board. There is no court-control against the final negative decision of the EPO. Is that compatible with the EU judicial system?**

The Commission's view again was that the EPO is responsible only for the grant or refusal to grant a European Patent, for which there is no EU judicial control necessary or even possible. The discussion returned to this question, with the President being concerned as to whether only the EPO Appeal Boards could decide on the conformity with EU law (see "*Outlook*", below).

- c) **Does it violate the principle of fair and equal treatment that the defendant must defend himself in a court the language of which he does not speak and which might be the language of the claimant?**

First it was noted that this applied to both patentee and accused infringers as possible claimants. Further, an infringer who confines his sales to his own country will have a PCA-court speaking his own language. An infringer who exports into other countries and is sued not in the PCA-court of his residence but in a PCA-court of the country of infringement has already been doing business there.

Outlook

It was not possible to predict from the proceedings to date what the Court of Justice is likely to decide on these issues. Clear concerns were raised about the position of the EPO, as the body responsible for assessing whether European Patent applications proceed, and the position of the Court of Justice itself regarding EU Patents. The authors consider that an appropriate solution is possible in giving the Appeal Boards of the EPO the ability to refer questions directly or indirectly under Art 267 TFEU, but we will have to wait and see what the court decides. ■

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Patents

Germany, the United Kingdom, the Netherlands

ASSESSMENT OF DAMAGES (AND ACCOUNTS OF PROFITS) IN PATENT LITIGATION

Damages inquiries in patent cases in Europe are rare. One reason for this is that the injunction is normally the key remedy sought with the result that parties generally seek a settlement once liability has been determined. This article compares the approaches adopted in Germany, the United Kingdom and the Netherlands to the assessment of damages and accounts of profits in patent infringement cases.

Germany

Both the patentee and an exclusive licensee can claim damages in respect of patent infringement. There are three possible options for determining the quantum of the damages:

- "Lost profits" – the patentee (or exclusive licensee) can recover the sums he would actually have earned but for the patent infringement;
- "Fair licence" - the patentee can recover an amount equivalent to the licence fee that the infringer would have had to pay if the infringer had negotiated a fair and reasonable licence with the patentee; or
- "Extraction of the infringer's profits" – the patentee can claim a share of up to 100 per cent of the profits that the infringer has made based on the infringing acts: the categories of costs that may be deducted to compute the 'profits' are very limited.

Lost profits

The patentee (or exclusive licensee) is not entitled to make a claim for lost profits if he does not offer his own competing products.¹ Equally, if the patentee is prevented from distributing his own products by a further patent (perhaps owned by the infringer), then he cannot claim lost profits.² In assessing lost profits, a determination is made of what additional profits the patentee would have earned if the patent infringement had not been committed.

Lost profits should be considered, in particular, in cases in which the patent infringement has caused a massive price drop (for instance, infringing generic pharmaceuticals). In these cases, the lost profits method is the only method which is likely to result in a full compensation of the loss suffered. In most cases however, patentees rarely choose the method of lost profits for a number of reasons.

Fair licence

The fair licence fee is determined by asking the question what licence fee the patentee and the infringer would have negotiated in out of court licence negotiations, in which both parties would have acted fairly and reasonably. In this

assessment all factors are considered that are relevant in normal licence negotiations between licensing partners acting reasonably.³ In the court practice, the starting point typically is an assessment as to what royalty rate is common in similar licensing situations (similar in terms of the relevant industry sector, the importance of the product, the strategic impact of the licensed patent, etc).⁴ This method is mainly attractive in smaller cases as the determination of the amount of damages requires less effort than with the other methods. The licence fee can be determined without data on the profit situation and based on comparatively few assessment steps. An advantage over lost profits is that the patentee does not need to reveal any data concerning his own profit situation.

Extraction of infringer's profits (or an account of profits)

In most cases, it is the method of extraction of the infringer's profits which gives the patentee the greatest damages. Using this method, the amount of damages is determined in two steps: first, the "profit" is determined, second, a patentee's share (which can be up to 100 per cent of the profits) is determined.

Under the case law developed by the Federal Court of Justice over the last 10 years, the "profit" determined in the first step of the method is significantly higher than what accountants would regard as profit. In the decision *Gemeinkostenanteil*, the court said that, in the profit determination, overhead costs can only be considered if they clearly and unambiguously belong to the infringing products.⁵ In this regard the burden of proof is on the infringer. According to the present court practice, costs of employees, equipment, buildings and/or financing that are used for both infringing and non-infringing products are not regarded as clearly belonging to the infringing products and cannot therefore be considered.⁶ In particular it is not admissible to consider a percentage of these cost factors on the basis of an assessment of what share of the respective factor was used for the infringing products. The costs in respect of these factors (work force, equipment etc.) can be considered in the profit calculation only if the respective factor was exclusively used for the infringing products.

The more recent decision *Steckverbindergehäuse* adds a further restriction on costs that can be considered in the profit calculation.⁷ Even costs that are clearly belonging to the infringing products cannot be considered if these costs would not have been incurred if the patentee, instead of the infringer, had made and supplied the products. An example would be the R&D costs for the infringing product; these costs clearly belong to the infringement, however, they cannot be considered, as it is assumed that the plaintiff has a developed product and would therefore not spend the cost for R&D of

³ Federal Court of Justice, *GRUR* 2000, 685 – *formunwirksamer Lizenzvertrag*.

⁴ Federal Court of Justice, *GRUR* 1980, 841 – *Tolbutamid*.

⁵ Federal Court of Justice, *GRUR* 2001, 329 – *Gemeinkostenanteil*

⁶ Federal Court of Justice, *GRUR* 2007, 431 – *Steckverbindergehäuse*

⁷ Federal Court of Justice, *GRUR* 2007, 431 – *Steckverbindergehäuse*

¹ Federal Court of Justice, *GRUR* 1970, 296 - *All purpose farming machine*

² Reichsgericht, *RGZ* 126, 127, 131

another product. Other types of costs not considered following this decision include the cost for the waste due to production testing or the legal costs incurred defending against patent infringement allegations.⁸ These restrictions on cost deductions often result in profits in the range of 20 to 60 per cent of the turnover.

To determine the share of profits to be extracted in the second step, the question asked is whether factors other than the patented technology were driving factors in the customers' decision to purchase the infringer's product. In cases where a product without the patented technology would not have any chance in the marketplace, 100 per cent of the profits have to be extracted.⁹ This would, for example, be the case if the patent protects a pharmaceutical compound that is critical for fighting a disease. In other cases where a design around is available or the patent protects a minor aspect of the product (e.g. a specific mirror support in a car), the defendant can submit that other factors like a famous brand,¹⁰ other technology protected by other patents, or other non-protected technology, also contributed to the customers' decisions to purchase the product. The court then has to estimate what impact in percent terms the patented technology had on the customers' decisions.¹¹ In recent court cases, the courts have adopted percentages between 15 and 80 per cent.

It becomes obvious from the above that extraction of infringer's profits is the most promising method in most cases and currently, in the vast majority of the cases the patentee will elect for this method.

Effect of subsequent revocation of the patent

Where a patent is revoked by the Federal Patent Court or the EPO, the patent is deemed not to have had its effects, from the outset (Art. 68 EPC, § 21 (3) German Patent Act). Thus, the patentee cannot claim any damages. Where the infringement court has already granted damages and this decision has become "final", this judgment can also be nullified in specific proceedings (Restitutionsklage). Typically, the parties will resolve this kind of situation by way of settlement.

The United Kingdom

In the UK, the patentee has a choice between either his lost profits or an account of the infringer's profits. In the first case the damages are intended to be compensatory; the second, restitutionary. In calculating the patentee's lost profits, the general rule is that the measure of damages is to be, as far as possible, that sum of money that will put the patentee in the position as he would have been in had there been no infringement. In calculating the infringer's profits, the purpose of the remedy is to deprive the infringer of the profits which he

has wrongly made by his infringements and to transfer those profits to the patentee.

Lost profits

The patentee can recover loss which was (i) foreseeable, (ii) caused by the infringement, and (iii) not excluded from recovery by public or social policy. Where the patentee has exploited his patent by manufacture and sale he can claim (a) lost profit on sales by the infringer that he would have made otherwise; (b) lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price; and (c) a reasonable royalty on sales by the infringer which he would not have made.

Where the patentee licenses his patents, then a reasonable royalty will be assessed. This assessment proceeds on the assumption of a willing licensor and a willing licensee. Where truly comparable licenses exist in the relevant field, the court will normally use these as guidance in setting the royalty rate.

One fairly recent case exemplifies the UK approach, *Ultraframe v Eurocell*.¹² Ultraframe manufacture conservatories, Eurocell were distributors of the Ultralite 500 system (made according to the patent). Eurocell started to make and sell their own version, called Pinnacle 500. The Pinnacle 500 was found to infringe Ultraframe's patent. At the damages inquiry, Ultraframe were found to be entitled to damages for the lost profit on lost sales of Ultralite 500, a royalty of 8% on sales of Pinnacle 500 that did not represent lost sales, damages for price depression, damages for losses, post-infringement caused by price depression and disruption of the market, and interest.

Account of profits

The purpose of this remedy is to deprive the infringer of the profits which he has improperly made by wrongful acts committed in breach of the patentee's rights and to transfer those profits to the patentee. The remedy is rarely used however because, unlike in Germany, the infringer may set off against gross revenue both direct costs and apportioned indirect costs (i.e. overheads).

An interesting aspect of this remedy is how it works where there are multiple parties in the supply chain. Can the patentee seek lost profits damages from some in the chain and then claim an account of profits from others? How does that affect parties in the supply chain who have provided indemnities to others in the chain? Does an exclusive licensee have to seek an account of profits if the patentee has done so?

The UK courts have addressed these potential problems by requiring that the patentee (and the exclusive licensee) must choose to receive either an account of profits or damages in relation to each infringing product or process. In addition, although the patentee may seek accounts of profits from

⁸ Court of Appeal of Düsseldorf, *InstGE 7, 194 – Schwerlastregal II*

⁹ Court of Appeal of Düsseldorf, *InstGE 5, 251 – Lifter*

¹⁰ Court of Appeal of Düsseldorf, *InstGE 8, 257 – Tintentankpatrone*

¹¹ Court of Appeal of Düsseldorf, *InstGE 5, 251 – Lifter*

¹² *Ultraframe (UK) v Eurocell Building Plastics and others*, [2006] EWHC 1344 (Pat).

multiple infringers in the supply chain, the accounts must be taken together.¹³

Effect of subsequent revocation of the patent

Another issue which the UK courts have considered fairly recently is what happens where a patentee is successful in national proceedings and is awarded damages (or an inquiry is ordered) and then the national court or the EPO revokes the patent. Are the damages still payable or, if already paid, should they be paid back?

The Court of Appeal has answered the question in the negative. As between the parties, the issue is *res judicata* with the consequence that at any subsequent damages inquiry, the paying party cannot seek to overturn the judgment (it is estopped from raising the issue afresh). A situation where a later national decision revoked the patent arose in *Coflexip*¹⁴, a third party (Rock water) successfully revoked the patent which Stolt had been found to infringe, after the decision in Stolt's proceedings but before the Stolt damages inquiry took place. The position where an EPO opposition results in the patent being revoked was considered in *Unilin*, and the result was found to be no different.¹⁵ Jacob LJ concluded: "*So I think the Judge was wrong to hold that there was no estoppel. I am not sorry to reach that conclusion. It means that businessmen in this country know that they can use the rather speedy court system here to get a conclusion one way or the other. If the patent is revoked, the way is cleared; if it is upheld and held infringed then compensation will be payable for past acts. And an injunction will run unless there is a later revocation by the EPO. Subject to that last point, the effect of all this is that one does not have to wait to find out who has won until the slowest horse in the race gets there.*"

The Netherlands

The patentee can either claim his damages resulting from the infringement of the patent or an account of the infringer's profits. Literally, Article 70(5) Dutch Patent Act (DPA) provides that the patentee can claim damages and an account of profits. The Dutch Supreme Court however has decided that damages and an account of profits cannot cumulate indeterminately.¹⁶ The patentee can ask the infringer to provide information on the basis of which the patentee can determine which option will lead to the largest amount and he can then elect for such option.

Damages typically can consist of lost profits of the patentee or a reasonable royalty. In addition, damages can consist of loss of value of the exclusive right and extra judicial costs of enforcement, to the extent that they were not included in any

cost order by the court. If the patentee wishes to claim a reasonable royalty, he may set the royalty rate at the highest end of what can be considered as a reasonable rate, in the circumstances of the case.¹⁷ In most cases damages are determined as a sum of money, but it is possible to claim non-monetary damages. An example of this is the so called moratorium, i.e. an injunction to be effective for a certain period after expiry of the patent, to compensate for damages suffered by a too early entry into the market by the infringer.¹⁸

In order to determine his damages and/or the infringer's profits, the patentee can claim information from the infringer such as copies of invoices, lists of purchasers, possibly with a specification of amounts and supply dates.¹⁹ The patentee can claim that an independent accountant certifies that this information by the infringer is accurate and complete.

Damages in relation to a patent which is later revoked

Article 50 (2) DPA provides for the situation where a patent is revoked after a judgment ordering payment of damages because of infringement. Once the judgment is final and not open to appeal and furthermore this judgment has been executed, these damages need not be paid back. So far, there has been no judicial interpretation of this provision.

Conclusion

The Dutch, English and German approaches to the assessment of damages and taking of accounts of profits are broadly similar. However significant differences still remain, for example the very generous approach of the German courts to accounts of profits in contrast to that of the UK courts.■

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¹³ *Spring Form v Toy Broker*, [2002] F.S.R. 17.

¹⁴ *Coflexip v Stolt Offshore MS*, [2004] EWCA Civ 213.

¹⁵ *Unilin Beheer BV v Berry Floor NV*, [2007] EWCA Civ 364.

¹⁶ Dutch Supreme Court 14 April 2000, NJ 2000, 489 (*HBS/Danastyle*) par. 3.3.5, confirmed by Dutch Supreme Court 8 December 2005 (*Shoppinggame II*) par. 3.3. These were copyright cases but it is generally believed that the decision is also applicable to patent infringement, see District Court The Hague 19 December 2007 (*Fleuren/Ruvo II*) par. 4.4.

¹⁷ See e.g. District Court The Hague 20 March 2002, *BIE* 2002, 82 (*Koster/Bureau Verburg-Holland*) and District Court The Hague 17 December 2003, *BIE* 17 December 2003 (*Medinol/Boston Scientific*).

¹⁸ See e.g. Dutch Supreme Court 18 December 1992, *BIE* 1993, 81 (*ICI/Medicopharma*) or District Court The Hague 22 May 1995, *BIE* 1996, 109 (*Sandoz/Stephar*).

¹⁹ HR 23 February 1990, *BIE* 1991, 81 (*Hameco/Smith Kline*).

Patents

France

TRANSLATION OF THE SPECIFICATION OF A EUROPEAN PATENT IS NO LONGER REQUIRED - COURT OF APPEAL OF PARIS (POLE 5 - CHAMBER 1), DECISION OF 14 APRIL 2010, F. HOFFMAN - LAROCHE A.G. V. THE DIRECTOR OF THE INPI

On 1 May 2010, the London Agreement on the Application of Article 65 EPC affecting the requirement to provide translations of European patents (the "London Agreement") came into force in France. The relevant French provisions are Act No. 2007-1477 authorizing the ratification of the London Agreement and amending article L. 614-7 of the French Intellectual Property Code and Decree No. 2008-469 implementing the provisions of the Agreement.

Prior to the implementation of the London Agreement, article L. 614-7 of the French Intellectual Property Code provided that for a granted European patent designating France, the specification of which was published in English or German, the patent proprietor must, within three months of grant, file a French translation of the specification at the French Intellectual Property Office (INPI) in order for the patent to come into force in France. Following the implementation of the London Agreement, such a translation is no longer required.

Article 9 of Decree No. 2008-469 (which corresponds to article 9 of the London Agreement) contains a transitional provision to the effect that the changes apply to European patents whose grant is mentioned in the European Patent Bulletin after the date of coming into force of the Agreement. This provision could be interpreted as meaning that only European patents designating France in respect of which the mention of grant is published after 1 May 2008 (the date on which the London Agreement came into force) do not need to provide French translations of the specification.

However, the Court of Appeal of Paris has now given a broader interpretation of the provision.

Hoffman-LaRoche AG is the owner of a European patent designating France granted on 28 April 2004. After it had filed a French translation with INPI on 8 July 2004, the European Patent was amended in EPO opposition proceedings. The amended patent was published on 18 March 2009.

Since its European patent was originally granted prior to the implementation of the London Agreement in France, Hoffman-LaRoche understood from Decree No. 2008-469 that it had to submit a translation of the amended patent even if the amendment itself was published after the implementation of the London Agreement in France. However, INPI rejected the filing of the translation of the amended patent, holding that according to the new article L. 614-7 of the Intellectual Property Code a translation was not required anymore.

Hoffman-LaRoche appealed to the Court of Appeal of Paris, in order to avoid any loss of the French designation of its European patent if a translation was in fact still mandatory.

The Court of Appeal of Paris ruled that the provisions of the London Agreement applied both to European patents designating France in respect of which the mention of grant is published in the European Patent Bulletin after the Agreement entered into force in France and also to all European patents designating France granted **before** 1 May 2008 if they were published or republished after 1 May 2008.

Consequently, for European patents designating France which were published and granted before 1 May 2008 but subsequently amended in the course of an opposition and then re-published after 1 May 2008, it is no longer necessary to file a translation with the French Intellectual Property Office. ■

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Patents

Germany

DÜSSELDORF COURT OF APPEAL SETS STANDARDS FOR PRELIMINARY INJUNCTIONS IN PATENT INFRINGEMENT CASES - COURT OF APPEAL OF DÜSSELDORF, DECISION OF 29 APRIL 2010, I-2 U 126/09 (URINARY CATHETER)

In a landmark decision, the Court of Appeal of Düsseldorf has set the standards under which conditions a preliminary injunction can be issued in patent infringement cases. The decision is significant since the Düsseldorf courts are the most important patent infringement courts in Germany.

In the case at issue, the patent was granted in March 2009. A few weeks later, the patentee filed an application for a preliminary injunction. The respondent argued that the patent was invalid, in particular due to lack of novelty.

In German infringement proceedings the courts have no competence to rule on the validity of a patent. The question of validity is within the exclusive jurisdiction of the patent offices and the Federal Patent Court. However, in preliminary injunction proceedings, the infringement courts may only grant a preliminary injunction if the validity of the patent is sufficiently ascertained. Therefore, in preliminary injunction proceedings the infringement courts need to assess whether the patent is likely to be upheld in potential opposition or revocation proceedings.

In its decision, the court held that in patent infringement proceedings a preliminary injunction may only be granted if *"the validity of the patent and the infringement of the patent can be decided so clearly in favor of the patentee that a wrong decision which would have to be reversed in main infringement proceedings can be effectively ruled out."*

As to the infringement of the patent, the patentee must prove beyond reasonable doubt that the patent is infringed. This requires that the infringement of the patent is either undisputed or obvious.

The validity of the patent is particularly difficult to assess in preliminary injunction proceedings since the parties have only limited time to research the facts and this puts a particular burden on the respondent. A preliminary injunction cannot therefore be granted if there are *"reasonable"* arguments that the patent will be revoked.

In order to determine if there are *"reasonable"* arguments for a revocation of the patent, the Court of Appeal of Düsseldorf suggested the following steps:

1. In general, the respondent must have filed an opposition or a German nullity action (where this is admissible) against the patent. However, this is not required if the patent was granted only very few months ago and if it is impossible for the

respondent to conduct a full and appropriate prior art search, in particular if the respondent is searching for prior public use and for foreign printed publications. If the time between the grant of the patent and the preliminary injunction request is too short for the respondent to conduct a reasonable prior art search, a preliminary injunction is not available at all.

2. If the patent has been attacked in an opposition or nullity action, the patentee has the burden to convince the court that the patent will survive such action - which has the following consequences:

a) If the opposition or nullity action has been filed in a foreign language or is based on foreign documents, the patentee must provide translations of all foreign language documents.

b) The patentee must provide prima facie evidence of the validity of the patent. Such prima facie evidence could be:

- The validity of the patent has already been confirmed in a first instance opposition or nullity action decision.
- The respondent had already filed observations in the patent examination proceedings and these arguments were rejected by the examiner. In such a situation the respondent needs to submit new facts and arguments in order to cast doubt on the validity of the patent.
- The patent was granted several years ago and other companies obtained licenses under the patent.
- The respondent's attacks on the patent obviously do not stand a chance.

c) If the patentee is unable to present prima facie evidence of the validity of the patent, a preliminary injunction is only available if there are extraordinary circumstances, i.e. if the infringement court can positively determine that the patent is valid and that the patentee would suffer extraordinary and irreparable harm if the preliminary injunction was not granted. Such extraordinary circumstances might be present if the infringement would cause a significant drop in the market prices which is typically the case if manufacturers of generic drugs enter the market. However, the patentee has the burden to prove that such extraordinary harm is likely. ■

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Patents

Italy

USE OF LIPOSOMES AS CARRIERS OF AN ACTIVE COMPOUND IS NOT A METHOD FOR TREATMENT OF THE HUMAN BODY - COURT OF APPEAL OF TURIN, DECISION OF 7 JULY 2009, N. 991 (IDEA/MIKA)

Idea AG is the owner of the European patent EP 0475160 relating to a preparation for the transport of drugs (or other substances) in and through natural barriers such as the human skin in the form of minute liquid droplets. The droplets (Transfersomes®) are characterized by a specific membrane-like coating which allows them to pass intact through the skin, releasing the active compound encapsulated only in the derma.

Mika Pharma GmbH (Mika) manufactures and sells in Italy (and many other European countries) a product under the brand Dolaut or Topfans. Idea claimed that the product reproduced the teaching of its patent as small drops with the characteristic features of Transfersomes® would be formed after the product was sprayed on the skin of the patient.

Mika sought a declaration of invalidity and non-infringement of Idea's patent before the Court of Turin. As to invalidity, Mika claimed that the subject matter of Idea's patent was not patentable under article 52 (4) EPC (now article 53 (c) EPC) as it covered a method for the treatment of the human body. Transfersomes® would assimilate into a drug when loaded with a pharmaceutical active compound.

Idea replied that the use of its patent referred to the carrier and not to the active compound encapsulated. It was not limited to pharmaceutically active principles but also extended to other substances such as cosmetics compounds. The patent did not provide medical indications or indications of diseases to be treated.

In order to overcome Mika's objection, Idea put forward a request to limit claim 1 in the form of a Swiss claim.

The Court of Turin partially annulled claim 1 of Idea's patent to the extent that the Transfersomes® carried a pharmaceutically active compound. The court decided that in this case the carrier itself became a drug owing to the substance it delivered into the human body. The court rejected any limitation of claim 1 in the form of a Swiss claim on the basis that the patent did not indicate any particular diseases to be cured.

The Court of Appeal of Turin annulled this decision stating that the purpose of article 52 (4) EPC served the "*need to ensure the therapeutic freedom of doctors who must be able to adopt, without restraints of any kind, the most effective treatment for the health of their patients. However, this need does not require that drugs are excluded from patent protection since this does not affect the doctors' freedom. The*

grant of exclusive patent rights for drugs is directed against the manufacturers and not against the users of the drugs who shall purchase the drugs from the patent's owner and not from counterfeiters".

The court noted that according to EPO case-law, the use of a pharmaceutical compound for medical purposes could be claimed without limiting the therapeutic freedom of doctors provided that the use related to the production of a drug (as was the case in the Swiss claim). However, the formulation of a Swiss claim required the previous indication of one or more particular diseases to be treated.

The court further held that the decision of the Court of Turin was contradictory as it had held that Idea's patent covered a medical method but also rejected the limitation of the claim in the form of a Swiss claim on the ground that the patent lacked the indication of any disease to be treated.

The Court of Appeal of Turin concluded that a pharmaceutical carrier (in this case, the Transfersomes®) could not be considered a pharmaceutical compound as it was not intended to cure any specific disease. The possible content of the carrier was therefore not relevant for the qualification of the product as it did not affect its function.

Consequently, the Court of Appeal of Turin annulled the decision of the Court of Turin. ■

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Patents

The Netherlands

ENTITLEMENT TO FAIR, REASONABLE AND NON-DISCRIMINATORY (FRAND) LICENCE IS NOT A SAFEGUARD TO INFRINGE PATENT RIGHTS - DISTRICT COURT OF THE HAGUE, DECISION OF 17 MARCH 2010

The District Court of The Hague rendered a decision on a (non-successful) FRAND defense in proceedings between the Dutch company Philips and the German company SK Kassetten.

In its decision, the court deviated from the earlier landmark judgment of the German Federal Court of Justice in the "Orange Book" case¹. The different outcome might be due to some important differences between this case and the German Orange Book case.

In this case, Philips filed for a preliminary injunction at the District Court of The Hague, claiming patent infringement by SK Kassetten who had offered and sold CD-R and DVD-R discs in, inter alia, the Netherlands until December 2009. SK Kassetten had purchased the discs from its German subsidiary and from manufacturers in Asia. Philips invoked two of its patents relating to CD-R technology and DVD-R technology - both of which technologies have been standardized.

SK Kassetten had not made any offer to Philips to enter into a license agreement on FRAND (= Fair, Reasonable and Non-Discriminatory) terms. One of SK Kassetten's defenses was, however, that Philips acted in breach of competition law by refusing a license for the CD-R and DVD-R technology on the basis of FRAND terms.

With regard to this defense, the court held that the claimed entitlement to a FRAND license was not a safeguard for SK Kassetten to infringe Philip's patent rights. If the entitlement to a FRAND license had been converted into a license as a result of an agreement with Philips or a court decision, SK Kassetten would have been entitled to use the technology - but this was not the case.

In the "Orange Book" decision, the German Federal Court of Justice had stated that a patent proprietor was not allowed to enforce its patent against a third party who (i) made an unconditional offer to conclude a license agreement on non-discriminatory and non-restrictive terms which the patent proprietor could not reject, and (ii) complied with the obligations under the license agreement yet to be concluded (including payment of the royalties and the obligation to report).

The different approach of the Dutch court in the case at issue may be explained by the fact that although SK Kassetten was

aware of Philips' patent rights it did not convert its entitlement to a license, either by making an unconditional offer for a FRAND license to Philips and paying royalties to Philips or by seeking a judgment from a court before starting to sell the CD-R and DVD-R discs. ■

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¹ Decision of 6 May 2009, KZR 39/06

Patents

United States of America

BILSKI V. KAPPOS: PATENT ELIGIBILITY UNDER SECTION 101 NOT LIMITED TO THE MACHINE-OR-TRANSFORMATION TEST - U.S. SUPREME COURT, DECISION OF 28 JUNE 2010, 561 U.S. ____ (2010)

On 28 June 2010 the U.S. Supreme Court affirmed the Federal Circuit's decision in *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008), holding that Bilski's claims were not patentable under 35 U.S.C. § 101 because they recited abstract ideas. In so holding, the court also concluded that the "machine-or-transformation test" was not the sole test for determining patentability and that § 101 does not categorically exclude business methods.

The Federal Circuit's decision in *In re Bilski* attempted to craft an exclusive test for determining patentability under § 101 which governs the types of inventions that are patent eligible (e.g. processes, machines, manufactures, compositions of matter). The Federal Circuit arrived at the "machine-or-transformation test" which provides that an invention is patentable if "(1) it is tied to a particular machine or apparatus, or (2) it transforms a particular article into a different state or thing."¹ In applying the "machine-or-transformation test" to Bilski's claims, the Federal Circuit held that such claims which were directed to a business process that claimed how buyers and sellers of commodities in the energy market could protect against the risk of price change were not patent eligible.

(1) Is the "machine-or-transformation test" the exclusive test for patentability under § 101?

NO. The court held that the "machine-or-transformation test" is not the exclusive test; rather, it is simply a "useful and important clue". The exclusive use of the "machine-or-transformation test" would be inconsistent with § 100(b), which specifically defines a "process" as any "process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material." The court found no ordinary, contemporary, or common meaning of any of these terms that suggested that they should be tied to a machine or transform an article.

(2) Are business methods patentable subject matters under § 101?

YES. § 101 does not categorically exclude business methods from patentability. The court again noted that § 100(b) calls rather broadly for any "process, art, or method", and does not provide any basis for the exclusion of business methods. It also noted that other portions of the Patent Act undermine the exclusion of business method patents, such as 35 U.S.C. § 273(b)(1), which provides that the prior use of a "method of doing or conducting business" may be a defense to an alleged infringement of a "process" patent or claim.

(3) Were Bilski's claims directed to risk hedging patent eligible?

NO. The court held that the claimed process of hedging risks is an "abstract idea". The court noted that Congress chose expansive terms in deciding what categories of inventions are patent eligible. But the court went on to re-articulate the three judicially recognized exceptions to this broad statute, ss. inventions are not patent eligible when they exclusively claim "laws of nature, physical phenomena, or abstract ideas."

From this framework, the court found Bilski's claims to be nonpatentable. It held that "[t]he concept of hedging [...] is an unpatentable abstract idea" and that "[a]llowing petitioners to patent risk hedging would pre-empt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea."

Looking forward after *Bilski*

While the USPTO has the option of continuing to employ the "machine-or-transformation test" we can expect it to come up with new tests to provide Examiners with a framework for determining patentability under § 101. In the interim, attorneys prosecuting claims before the USPTO should consider making sure that their claims meet the "machine-or-transformation test". While this test is no longer the exclusive test for patent eligibility, it still is "a useful and important clue" as to whether a particular claim is a patent eligible process under § 101. Indeed, in response to the court's decision, the USPTO has already issued a memorandum² providing interim guidance to Examiners. In this memorandum, the USPTO has directed Examiners to continue to apply the machine-or-transformation test, and stated that if a claimed method does not meet this test, it should be rejected under § 101 unless "there is a clear indication that the method is not directed to an abstract idea."■

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INCLUSION OF PATENT PROSECUTION BAR IN PROTECTIVE ORDER IS GOVERNED BY FEDERAL CIRCUIT LAW - COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECISION OF 27 MAY 2010, *IN RE DEUTSCHE BANK TRUST COMPANY AMERICAS AND TOTAL BANK SOLUTIONS, LLC. (MISCALLENOUS DOCKET NO. 920), _F.3D_(FED. CIR. 2010)*

The Court of Appeals for the Federal Circuit held, in a case of first impression, the determination of whether a protective

¹ 545 F.3d at 954

² dated 29 June 2010

order should include a patent prosecution bar is a matter governed by Federal Circuit law.

This case came to the Federal Circuit on Petition for a Writ of Mandamus to the U.S. District Court for the Southern District of New York, Judge Victor Marrero. In the District Court, the defendants Deutsche Bank Trust Company Americas and Total Bank Solutions, LLC (Deutsche Bank) sought a protective order including a patent prosecution bar that would prevent anyone who gained access to certain designated documents from having any involvement in prosecuting any patent in a specified area of technology during the litigation and for a limited time period after its conclusion. The Magistrate Judge granted Deutsche Bank's request as to all of plaintiff's trial counsel but exempted the lead trial counsel, Mr. Macedo. After a motion to reconsider and the filing of objections to the Magistrate Judge's order, the District Judge held that the decision by the Magistrate Judge was not clearly erroneous or contrary to law and adopted the Magistrate Judge's order in its entirety. The petition for mandamus followed.

The Federal Circuit first had to determine whether to apply Second Circuit or Federal Circuit law. The court acknowledged that it had generally deferred to regional circuit law when the issue involves an interpretation of the Federal Rules of Civil Procedure but recognized that it has held that Federal Circuit law applies to discovery matters if the determination implicates an issue of substantive patent law. It considered several factors including the uniformity in regional circuit law, the need to promote uniformity in the outcome of patent litigation and the nature of the legal issue involved. It concluded, based upon the unique relationship of the issue to patent law and the importance of establishing a uniform standard that the determination of whether a protective order should include a patent prosecution bar is a matter governed by Federal Circuit law.

The court then examined its prior decisions as well as decisions by the regional circuits involving patent prosecution bars in protective orders. It relied on its first decision on the subject, *U.S. Steel Corp. v. United States*,³ in which it articulated the "competitive decision-making" test. Blanket denial of access to information because counsel also prosecutes patents is an improper generalization. Rather, each case should be decided based upon specific facts of that case. The court criticized decisions by district courts that have held that patent prosecution inherently involves competitive decision-making. After discussing the risks of inadvertent disclosure or competitive use the court cautioned that the trial court must balance that risk against the potential harm to the opposing party from restrictions imposed on that party's right to have the benefit of counsel of its choice.

The court held that a party who seeks to impose a patent prosecution bar must show that the information designated to trigger the bar, the scope of activities prohibited by the bar,

the duration of the bar, and the subject matter covered by the bar reasonably reflect the risk presented by the disclosure of proprietary competitive information.

Finally the court held that the party seeking an exemption from a patent prosecution bar must show on a counsel-by-counsel basis:

1. that counsel's representation of the client in matters before the PTO does not, and is not likely to, implicate competitive decision-making related to the subject matter of the litigation so as to give rise to a risk of inadvertent use of confidential information learned in litigation, and
2. that the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use. ■

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IMPORTANT CHANGES IN PATENT FALSE MARKING LAW: AVOID BECOMING VICTIM TO THE NEWEST VARIETY OF PATENT TROLL

Recently, "a new breed of [patent] troll"⁴ has entered the patent litigation arena: individuals seeking pecuniary gain by filing *qui tam*⁵ actions under 35 U.S.C. § 292, the patent false marking statute.⁶ Under section 292, individuals are incentivized to police instances of false marking by being able to collect half of all fines imposed on an accused false marker-fines that can be up to \$500 "for every such offense."⁷

While this provision was not of much concern in the past, the Federal Circuit's recent decision in *Forest Group, Inc. v. Bon Tool Company*,⁸ holding that "every offense" applies on a "per article basis" opened the floodgates for litigation.

While the Federal Circuit's very recent decision in *Pequignot v. Solo Cup Co.*, holding that products covered by expired patents are "unpatented articles", has not helped matters, other aspects of that decision (requiring intent to deceive the public and finding that relying on advice of counsel

⁴ Donald W. Rupert, *Trolling for Dollars: A New Threat to Patent Owners*, 21 INTELL. PROP. & TECH. L. J. 1, 3 (2009). As normally defined, a patent troll is an "entity that exists solely to acquire patents for licensing or litigation." John M. Golden, *Principles for Patent Remedies*, 88 TEX. L. REV. 505, 559 (2010).

⁵ "A *qui tam* statute authorizes a private person, known alternatively as a 'relator' or 'informant,' to bring suit on behalf of the government and to share in the financial recovery." *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 718 (E.D. Va. 2009).

⁶ See Rupert, *supra* note 1, at 3 ("Since 2007, there have been five lawsuits filed by individuals who are relying on the patent false marking statute in an attempt to reap potentially staggering amounts of money.") See also *infra* note 12.

⁷ § 292(a).

⁸ 590 F.3d 1295 (Fed. Cir. 2009).

³ 730 F. 2d 1465 (Fed. Cir 1984)

demonstrated a lack of such intent) has provided some avenues to reduce risk.⁹

Forest Group, Inc. v. Bon Tool Company

In *Forest Group*, the Federal Circuit held that "[t]he plain language of [section 292] requires a fine to be imposed on a per article basis."¹⁰ There, the district court had "assessed only \$500 in penalties against Forest for a single 'decision to mark its [products (stilts)] after it knew the stilts did not meet all the claims of the [patent at issue]," without calculating the number of stilts falsely marked. In remanding for this calculation, the Federal Circuit rejected Forest Group's arguments that "every offense" did not correspond to each article improperly marked, and held that the plain language of the statute and other policy considerations support an interpretation that an "offense" occurs each time an article "is falsely marked with intent to deceive."

Pequignot v. Solo Cup Co.

Many issues left unresolved by *Forest Group, Inc. v. Bon-Tool Co* were recently resolved in *Pequignot v. Solo Cup Co*. Critically, the Federal Circuit held that the definition of an "unpatented article" extends to cover articles once protected by now-expired patents.¹¹ Adopting the reasoning of the district court, the Federal Circuit reasoned that "an article that was once protected by a now-expired patent is no different from an article that has never received protection from a patent. Both are in the public domain." This holding expands the reach of potential liability for false marking dramatically and requires all patent owners who mark their products to carefully monitor and remove expired patent numbers from their products.

The Federal Circuit, however, tempered its decision by clarifying a plaintiff's requirement to show that patents are falsely marked "for the purposes of deceiving the public" in order to establish liability under section 292. The court held that, in accord with *Clontech*¹² and Supreme Court precedent, "the combination of a false statement and knowledge that the statement was false creates a rebuttable presumption of intent to deceive the public, rather than irrebuttably proving such intent." Further, the court held that the criminal nature of section 292 invokes a high level of specific intent,¹³ which can

be rebutted through evidence with the same burden of proof required to establish the intent itself - a preponderance of the evidence. Because Solo Cup demonstrated that its decision to falsely mark its products was based on the advice of counsel and legitimate business concerns, the court found the presumption of culpable intent rebutted.

Recommendations

In view of these decisions there are some actions patent-marking businesses can perform to protect against or mitigate possible fines under 35 U.S.C. § 292.

First, in light of *Pequignot v. Solo Cup*, businesses should diligently remove marks on products corresponding to expired or inapplicable patents. Companies may wish to "establish a consistent process to review their patent marking procedures and seek guidance from counsel on issues concerning the applicability of their patents to their products"¹⁴ or create an automated alert system (through email for example) that will notify relevant personnel of a patent's ensuing expiration a reasonable period beforehand so that marks can be removed accordingly.

Second, businesses may try to lobby Congress to eliminate section 292's *qui tam* provision. Given that few *qui tam* provisions remain in force generally,¹⁵ the constitutionality of section 292's *qui tam* provision has been questioned,¹⁶ and the Senate and House have recently proposed amending the false marking statute to eliminate its *qui tam* provision, Congress may be inclined to enact new law in this area.

Finally, businesses may seek advice from counsel as to whether marking products is beneficial. This may not only serve to demonstrate lack of intent to deceive the public, counsel's advice can help businesses weigh the risks of failing to mark (such can limit the extent to which damages can be awarded in an infringement action)¹⁷ against the costs associated with litigating possible claims of false marking. ■

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⁹ See generally *Pequignot v. Solo Cup Co.*, No. 2009-1547, Slip Op. at 9 (Fed. Cir. June 10, 2010). Indeed, Thomas A. Simonian, a resident of Illinois, appears to have filed 20 *qui tam* actions under § 292 against various high-profile companies, such as 3M and Pfizer, between Tuesday, February 23, 2010 and Wednesday, February 24, 2010. See, e.g., Complaint, *Simonian v. Pella Corp.*, No. 1:10-cv-01253 (N.D. Ill. Feb. 24, 2010); Complaint, *Simonian v. 3M Corp.*, No. 1:10-cv-01255 (N.D. Ill. Feb. 24, 2010); Complaint, *Simonian v. BP Lubricants USA, Inc.*, No. 1:10-cv-01258 (N.D. Ill. Feb. 24, 2010); Complaint, *Simonian v. Pfizer, Inc.*, No. 1:10-cv-01193 (N.D. Ill. Feb. 23, 2010); Complaint, *Simonian v. Blistex, Inc.*, No. 1:10-cv-01201 (N.D. Ill. Feb. 23, 2010).

¹⁰ 590 F.3d at 1301.

¹¹ See *Pequignot v. Solo Cup Co.*, No. 2009-1547, Slip Op. at 9 (Fed. Cir. June 10, 2010).

¹² *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347 (Fed. Cir. 2005).

¹³ See *id.* at 12 ("Because the statute requires that the false marker act 'for the purpose of deceiving the public,' a purpose of deceit, rather than simply knowledge that a statement is false, is required").

¹⁴ Rupert, *supra* note 1 at 4.

¹⁵ See *Pequignot v. Solo Cup Co.*, 640 F. Supp. 2d 714, 719-20 (E.D. Va. 2009) (noting that because of abuse of *qui tam* statutes, many were repealed and, now, only four remain).

¹⁶ See *id.* at 719-27 (ultimately holding that § 292's *qui tam* provision is constitutional but that "[i]t is likely an accident of history that [it] survives as one of only a few remaining *qui tam* statutes in American law").

¹⁷ 35 U.S.C. § 287 provides in pertinent part: In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

Patents

China and Hong Kong

NEW JUDICIAL INTERPRETATION AND REGULATIONS RELATING TO CHINESE PATENT LAW

After the Third Amendment to the Patent Law of the PRC came into effect on 1 October 2009, the Chinese Supreme People's Court issued its "Interpretation on Several Issues Concerning the Application of the Law on Trials of Patent Infringement Disputes" ("Judicial Interpretation") on 28 December 2009. In addition, the Chinese State Council has revised the Implementing Regulations of the PRC Patent Law ("Implementing Regulations"), and the State Intellectual Property Office has revised its Patent Examination Guidelines. Both revisions took effect on 1 February 2010. Below are some of the notable changes contained in these recent revisions to the Chinese patent regime.

Rules on claim interpretation

Articles 2-4 of the Judicial Interpretation provide some clarity on how claim language is to be interpreted. Put simply, articles 2-3 specify that intrinsic evidence should be used first in claim interpretation, and only if the meaning of the relevant claim language cannot be determined by use of intrinsic evidence, may extrinsic evidence be used. Also, article 3 states that a patentee can be his own lexicographer in re-defining claim terms in the patent specification. Regarding means-plus-function claims, article 4 limits the scope of protection for such claims to the embodiments that are described in the patent specification and their equivalents.

Affirmation of the doctrine of prosecution history estoppel

Article 6 of the Judicial Interpretation affirms the doctrine of prosecution history estoppel which has previously been applied in various courts in China. However, the Judicial Interpretation does not specify whether the doctrine of equivalents may still be applied for a claim element that was narrowed during prosecution.

Products that use an infringing component

Article 12 of the Judicial Interpretation specifies that if a product is made from a component that infringes a patent, the acts of making and selling the product are infringing acts. This provision clarifies an issue that was argued in some patent infringement cases in China. With this clarification, downstream manufacturers would be found liable for using patent infringing components to make their products.

Interpretation of the prior art defense

The doctrine of prior art defense has been codified into the Amended Law, Article 62. Article 14 of the Judicial Interpretation provides that the requirements of the prior art defense is satisfied "if all the technical limitations which have been accused to have fallen within the scope of protection of patent rights are identical to *or have no substantive differences* with the corresponding technical limitations of a

prior art technical scheme". Therefore, the allegedly infringing technical scheme does not have to be exactly the same as the prior art - the prior art defense can succeed if the two are considered equivalent.

Damage calculation: rule of apportionment

Article 16 of the Judicial Interpretation provides that when calculating damages based on infringer's profit, "profits of the infringer that have been generated due to other rights shall be excluded". The provision specifies that if only a component of a final product infringes, the court shall determine the amount of damages based on factors such as the value of that component and its contribution to the total profit of the final product. This rule of apportionment would limit a court's power in granting damage awards equal or close to total profits.

Right to a declaratory judgment action

Article 18 of the Judicial Interpretation clarifies one situation under which an alleged patent infringer has the right to start a declaratory judgment action. It states that if the party who has received a warning of patent infringement from the right-holder (or an interested party) has urged in writing that the right-holder exercises its right to sue, but the right-holder fails to do so and does not withdraw the warning in a certain period of time, the warned party (or an interested party) would be entitled to bring a declaratory judgment action.

Rewards and remuneration for inventions made by employees

Article 16 of the Patent Law specifies that employers shall reward an employee-inventor for her patents, and in addition, shall provide "reasonable remuneration" based on the exploitation of the patented invention and economy benefits derived from it.

The Implementing Regulations to a certain extent eased the concern over the issue of remunerations. Article 76 of the Implementation Regulations specifies that employers may "reach an agreement with the inventor or designer of the patent or specify in its legitimately enacted company rules the form and amount of the reward and remuneration." This and other relevant articles will likely be interpreted to mean that employment contracts or company rules control the form and amount of rewards and remunerations.

Conclusion

While certain issues have not been addressed in the latest revisions to the Chinese patent regime (e.g. indirect infringement), they bring greater clarity to the patent system and move the law closer to the patent laws of more developed nations such as European countries and the US. ■

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HONG KONG HIGH COURT GRANTS A PRE-TRIAL "SPRINGBOARD" INJUNCTION AGAINST A GENERIC DRUG DISTRIBUTOR - HONG KONG HIGH COURT, DECISION OF 8 JANUARY 2010, ABBOTT GMBH & CO KG V. PHARMAREG CONSULTING CO LTD

In the case *Abbott GmbH & Co KG v Pharmareg Consulting Company Limited*, the Hong Kong High Court had to decide whether or not to grant a pre-trial injunction which extended beyond the life of the patent, against a number of generics companies which had obtained pharmaceutical product registrations (marketing authorizations) to supply generic pharmaceuticals while Abbott's patent was still in force.

In many countries, there is an exception to patent infringement which permits activities for the purposes of obtaining regulatory approval necessary to market pharmaceuticals. Manufacturers and distributors of generic drugs rely on this exception to conduct clinical trials or to submit samples of their products during the life of another party's patent, in order to obtain marketing approvals so they are ready to launch the generic drug as soon as the patent expires. However, in Hong Kong there is no "regulatory approval" exception to patent infringement.

Background

Abbott is the owner of a Hong Kong Standard Patent covering the compound commonly known as "Sibutramine" used for the treatment of obesity. Abbott alleged that the defendants infringed Abbott's patent by importing and putting on the market OBIRAX, which contains Sibutramine. In April 2009 Abbott obtained a pre-trial injunction which was to be in force until 21 November 2009 when Abbott's patent expired. Abbott also has applied for summary judgment, but this application is unlikely to be decided by the court until later in 2010.

Shortly before Abbott's patent expired it asked the court to extend the pre-trial injunction for an additional nine months, being the period taken by the Hong Kong Department of Health after the defendant filed the applications to grant pharmaceutical product registrations for OBIRAX.

In Hong Kong, an applicant for a pharmaceutical product registration must include a sample of its product as part of its application. Abbott argued that importing and using a patented drug for the purpose of submitting samples of OBIRAX constituted an act of patent infringement. Although the court can grant an injunction to stop sales of an infringing product in Hong Kong, it has no power to order that the defendant's product registrations be withdrawn. In light of this, Abbott argued that the court should continue the injunction beyond the date of expiration of the patent in order to prevent the defendants from unfairly benefiting from any advantage obtained from their acts of infringement committed during the term of the patent. Such injunctions, which are aimed at preventing accelerated re-entry into the market of infringing products covered by existing product registrations after the

patent expires, are sometimes called "springboard injunctions".

The court's decision

Abbott had argued that it was just and reasonable for the pre-trial injunction to be extended for a period up to nine months after the patent had expired. The court agreed stating that the fact that the pre-trial injunction being sought related to the period up to nine months after the expiry of the Hong Kong Patent should not make the slightest difference to the usual criteria that had to be applied in deciding whether a pre-trial injunction should or should not be granted.

The court considered that if the pre-trial injunction was not extended, this was likely to cause irreparable harm to Abbott. On the other hand, any damage which may be caused to the defendants if it turned out later that the injunction was wrongly granted would be clearly quantifiable and capable of assessment. Furthermore, Abbott was in a position to pay any damages which may be assessed to the defendants for those additional nine months, should that be the case.

Comment

Distributors of generic drugs in Hong Kong often apply for pharmaceutical registrations before the innovator company's patent expires. Because of the requirement to submit a sample with the application, and in the absence of any regulatory approval defense, this will involve an act of patent infringement.

If a patentee becomes aware that a generics company has obtained a product registration for an infringing product, it is usually best if the patentee takes immediate action. Sending warning letters is inadvisable because of the "unjustified threats" provision under Hong Kong patent law. Starting proceedings is generally the best approach and often cases will settle quickly on favorable terms for the patentee. Whether the case settles or continues to trial, a patentee should ask that a generics company which has obtained a product registration during the term of the patent be prevented from selling the generic product for an additional period (usually about six to nine months) after the patent has expired, so that it can maximize its period of exclusivity in the Hong Kong market. ■

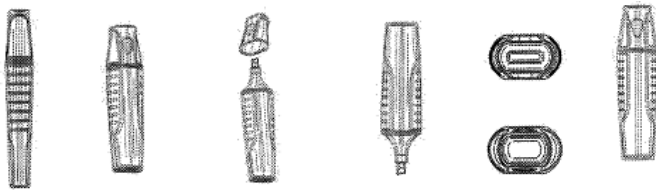
[Andrew Cobden](#)
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Designs and Copyright

European Union

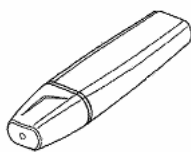
REQUIREMENTS FOR INVALIDITY OF A COMMUNITY DESIGN DUE TO EARLIER TRADEMARK; ANNULMENT OF OHIM DECISION DUE TO ERROR IN LAW - GENERAL COURT OF THE EUROPEAN UNION, DECISION OF 12 MAY 2010, T-148/08

The Chinese company Beifa Group Co. Ltd (Beifa) is the owner of a registered Community design for "instruments for writing".



Beifa's Community design

Schwan-Stabilo Schwanhäußer GmbH & Co. KG (Stabilo) applied for a declaration of invalidity, claiming that the design was confusingly similar to its German trademark, registered for "instruments for writing", and therefore invalid under article 25(1) (e) Community Design Regulation (CDR).



Stabilo's German trademark

OHIM's Invalidation Division declared the Community design invalid. OHIM's Board of Appeal confirmed this decision.

The General Court of the European Union gave some clarification on the interpretation of article 25(1) (e) CDR which provides that a Community design may be declared invalid "if a distinctive sign is used in a subsequent design, and Community law or the law of the Member State governing that sign confers on the right holder of the sign the right to prohibit such use."

The court said that article 25(1) (e) CDR was not only applicable where a design uses an identical sign to the claimed sign but also where it uses a similar sign.

Furthermore, the owner of the challenged Community design could request proof that the trademark relied upon has been genuinely used if the law governing the trademark requested such use. As the German Trademark Act requires proof of genuine use, Beifa had the right to submit a request for providing such proof. However, this request had to be made

before the Invalidation Division and not for the first time before the Board of Appeal (as in this case).

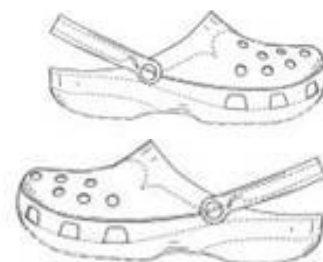
Finally, the owner of a trademark could only claim invalidity under article 25(1) (e) CDR if there was a likelihood of confusion. The General Court said that when examining the likelihood of confusion, OHIM's Invalidation Division and Board of Appeal had erred in law by referring to a three-dimensional mark, whereas Stabilo had based its application for declaration of invalidity on a figurative mark. The reference to the "three-dimensional shape" of the earlier mark led to the conclusion that OHIM had based its decision as to the likelihood of confusion on the comparison of Beifa's design with a sign other than Stabilo's mark.

The General Court concluded that OHIM had erred in law and annulled the decision. ■

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CROCS' COMMUNITY DESIGN INVALID; DISCLOSURE OF DESIGN OUTSIDE THE EU DESTROYS NOVELTY - OHIM BOARD OF APPEAL, DECISION OF 26 MARCH 2010, R 9/2008-3

Crocs, Inc. was the owner of a Community design registration for "shoes".



Crocs' Community design

Holey Soles Holdings Ltd. claimed invalidity of Crocs' Community, holding that Crocs had already disclosed the design of the well-known clogs more than one year before filing its Community design, i.e. before the relevant 12 months grace period stated, by selling 10,000 pairs of clogs in Colorado and Florida, by displaying and selling the clogs at a boat show in Florida and on a website.

According to article 7 Community Design Regulation (CDR) an earlier disclosure of an identical design in any part of the world can destroy the novelty of a Community design unless it "could not reasonably have become known in the normal course of business to the circles specialized in the sector concerned, operating within the Community".

OHIM's Invalidation Division declared the Community design invalid due to lack of individual character.

On appeal, OHIM's Board of Appeal said that each of the three earlier disclosures might "*reasonably have become known*" to the relevant Community circles. It pointed out that the launch of a new product always attracted attention in the relevant business circles, in the media and the public at large. In the internet era, this sort of news circulated instantly and easily.

As to the sales of the 10,000 clogs, the Board said it was unlikely that the relevant Community circles would not reasonably have known due to (i) the high volume of sales, (ii) the fact that the shoes were immediately worn by fashion conscious people, (iii) the commercial success of the clogs and (iv) the fact that the sales occurred ten months before the relevant grace period stated which was "*an eternity in the field of fashion*".

As to the exhibition and sale of the clogs at a boat show in Florida this was sufficient to destroy the novelty because (i) it was one of the biggest events of its category in the world and 1,000 pairs of clogs were sold during the show, (ii) the show took place seven months before the grace period stated and (iii) it was immaterial that it was a boat show as these shows are also of interest for the footwear industry.

As to the display and sale of the clogs on the website, the board said that it was very likely that this could reasonably have become known to the relevant circles because the website was up and running and quite sophisticated at the relevant time. Also, the products could be bought online. The design of the website did not suggest a narrowly targeted audience; instead, it was designed to attract a broad range of consumers.

The Board of Appeal concluded that the earlier disclosure of the design destroyed its novelty and declared the Community design invalid.

Considering the Board's findings it appears that what seems relatively limited disclosure in a non-EU country can be sufficient to destroy novelty. Consequently, for the design owner it might be quite difficult to prove that an earlier disclosure of a product is not known to the circles specialized in the sector concerned. Design owners are therefore best advised always to file their Community design within twelve months of first disclosure of the design. ■

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PRINCIPLE OF "RES JUDICATA" IN DESIGN CASES: BOARD OF APPEAL IS BOUND BY DECISION OF GERMAN COURT IN INFRINGEMENT PROCEEDING RULING A DESIGN TO BE INVALID - OHIM BOARD OF APPEAL, DECISION OF 22 MARCH 2010, R 578/2008-3

In this case, the Community design registration by Sport-Service-Lorinser Sportliche Ausrüstungen GmbH (Lorinser) for vehicle wheel rims was challenged by RH Alurad Höffken GmbH (RH) who claimed it was identical to its earlier German design and therefore lacked novelty and individual character.



Lorinser's Community design



RH's German design

OHIM's Invalidity Division declared the design invalid for lack of individual character.

Following the appeal by Lorinser, RH further claimed that Lorinser's identical German design registration had already been declared invalid by a decision of the German Regional Court of Stuttgart which acquired the status of *res judicata*. RH replied that the principle of *res judicata* was not applicable because the decision in issue related to an infringement proceeding in which the Regional Court of Stuttgart only gave a legal analysis of the validity of the German design which was, however, not binding so that it was still effective.

OHIM's Board of Appeal confirmed that the requirements of *res judicata* were fulfilled: (i) both cases were between the same parties, (ii) they related to the same issue, namely the validity of Lorinser's design (even if they related to two design registrations: one for the European Community and one for Germany) and (iii) were based on the same submissions, namely RH's claim of lack of individual character.

The Board of Appeal concluded that the principle of *res judicata* was applicable and it was bound by the German invalidity decision. As a result, OHIM's Board of Appeal dismissed the appeal. ■

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Designs and Copyright

France

RIGHT TO PUBLISH COPYRIGHT PROTECTED WORK AFTER THE DEATH OF THE AUTHOR ENTITLES TO NEGOTIATE PUBLISHING CONTRACT - FRENCH SUPREME COURT, DECISION OF 25 MARCH 2010, NO. 09-67.515, LÉVINAS, HANSEL VS. ED. GRASSET AND FASQUELLE

The right to publish a work protected by French author rights was the subject of a decision of the 1st Chamber of the French Supreme Court relating to the publication of posthumous works of the well-known philosopher Emmanuel Lévinas.

Emmanuel Lévinas died in 1995 leaving his two children, Simone and Michaël, as his heirs. Although both inherited the patrimonial rights to his works, only Michaël was designated by his father as the owner of the right to publish his works as part of the moral rights. Lévinas' codicil stated: *"I assign the moral right to my son exclusively in relation to the publication and the preservation of the manuscripts and of the works already published."*

In 2007, Michaël had entered on his own into a publishing contract with the publisher Grasset & Fasquelle for the publication of his father's works. Simone began legal proceedings against her brother claiming that he infringed her right of exploitation of her father's works by failing to seek her consent to the publication. She requested the seizure of all the copies of the books already manufactured or being manufactured and the prevention of any further commercialization.

The Court of Appeal of Paris dismissed Simone's claims. Simone appealed to the French Supreme Court, arguing that the owner of the right to publish was not entitled to enter into a publishing contract which included a notable assignment of the right of reproduction and the right of representation, without the consent of the owners of the patrimonial rights.

The French Supreme Court said that only the owner of the right to publish was entitled to enter into a publishing contract because, according to the French Intellectual Property Code, only the owner of the right to publish *can "determine the methods of publishing and the conditions thereof"*. The court also said that the right to publish, which was part of the moral rights of the author conferred upon its owner the right to disclose the work to the public, which prevailed over the patrimonial rights of the author. Therefore, said the court, the owner of the right to publish was entitled to negotiate the first publishing contract. The owner of the inherited rights was not entitled to take part in the negotiations, unless invited.

However, the court pointed out that the owner of the patrimonial rights was entitled to earn royalties - as are all co-

owners of patrimonial rights and so Simone would not be left out completely.

In confirming the decision of the Court of Appeal of Paris, Michaël was therefore found to be entitled to publish without his sister's consent. ■

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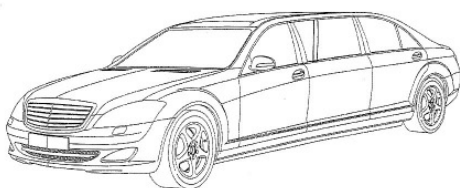
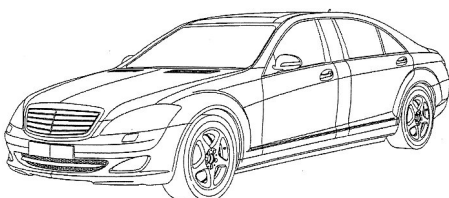
INFRINGEMENT OF DAIMLER'S DESIGNS FOR THE S-CLASS SERIES BY PRODUCER OF STRETCHED CARS - FEDERAL COURT OF JUSTICE, DECISION OF 22 APRIL 2010, I ZR 89/08 (*STRETCHED LIMOUSINES*)

The German car maker Daimler AG is the owner of several Community designs for its Mercedes S-Class cars, including the standard model:



Daimler's Community design for S-Class standard model

as well as for two different versions with an extended chassis:



Daimler's Community design for S-Class models with an extended chassis

Centigon Germany GmbH (Centigon), a manufacturer of stretched and armored vehicles, sold modified versions of the S-Class standard model for which it also owned German design registrations:



Centigon's German designs

Daimler claimed infringement of its Community design rights for the S-Class models with an extended chassis. Centigon replied that Daimler's designs were invalid.

The Stuttgart Regional Court and the Court of Appeal of Stuttgart granted Daimler's claims and ordered Centigon to refrain from selling these cars.

On further appeal, the Federal Court of Justice confirmed the validity of Daimler's Community designs. The court said that Daimler's Community designs had novelty as there were no earlier identical designs. With regard to the necessary individual character, the court held the main criterion was whether the overall impression of the design was different to the overall impression of other designs of prior art and not its level of originality or creativity. Comparing the designs with other models of Daimler's S-Class or E-Class series and those of Daimler's luxury car subsidiary, Maybach, the court found they were sufficiently different. The court said it did not need to take into account Daimler's Community design for the current S-Class standard model as this design was only filed but not published prior to Daimler's Community designs for the S-Class model with an extended chassis. It held that even if one took the design into account there were sufficient differences in the overall impression of the designs due to the different length and overall proportions.

The court then rejected Centigon's argument that Daimler's Community designs were invalid due to technical functionality by holding that the main features of the designs did not serve only technical purposes and, therefore, were not solely dictated by their technical function. Finally, the court rejected Centigon's claim that Daimler's design rights with regard to the front and the rear were exhausted due to the market introduction of Daimler's S-Class model. It held that exhaustion did not refer to single characteristics of a shape of a design but to the whole product put on the market.

Comparing Daimler's Community designs with Centigon's designs, the court found they produced the same overall impression. It concluded that Centigon's designs infringed Daimler's designs and granted Daimler's claims. ■

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REQUIREMENTS FOR A SEQUESTRATION OF INFRINGING PRODUCTS IN PRELIMINARY PROCEEDINGS - COURT OF APPEAL OF FRANKFURT, DECISION OF 25 JANUARY 2010, 6 W 4/10 (USB ADAPTER)

Counterfeiters are a huge problem for the holders of design or trademark rights. A preliminary injunction might stop the further distribution of the infringing products. However, the infringer might try to shift the products to third countries in order to continue distribution there and/or avoid subsequent orders of destruction. In its decision of 25 January 2010, the Court of Appeal of Frankfurt determined the requirements for a sequestration of infringing products in the course of preliminary injunction proceedings.

In the case, the applicant, a Chinese producer of USB adapters, sold its products through a distribution partner on the German market. The applicant's adapters are protected by Community design registrations.

The defendant who operates an online shop sold copied USB adapters imported from another Chinese producer in Germany. The applicant claimed infringement of its Community design rights and applied for a preliminary injunction requesting the defendant to stop the sale of the USB adapters. Furthermore, it applied for an order of sequestration of the infringing products.

The Regional Court of Frankfurt ordered the defendant to stop the distribution of the USB adapters but refused to grant the sequestration claim.

On appeal, the Court of Appeal of Frankfurt said that an order of sequestration - which replaces a claim of destruction in summary proceedings - required that the applicant could demonstrate a reasonable claim of infringement of its rights by the defendant and that there was a considerable risk that the defendant might try to move or hide the infringing products. The risk was even higher if the infringing products could be easily stashed away.

A claim for sequestration could even be granted without notice to a defendant because such a prior warning could defeat the purpose of sequestration. There was no need for a prior warning if the applicant had a reasonable claim of sequestration and if the infringing products - here: the USB adapters - could easily be moved or hidden. As an order of sequestration was often combined with a claim to stop the distribution of the infringing product, an order of sequestration was usually not a restriction too strict on the infringer as he would not be allowed to distribute the infringing products anyway.

The Court of Appeal of Frankfurt therefore annulled the decision of the Regional Court of Frankfurt and ordered the sequestration of the defendant's USB adapters. ■

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Designs and Copyright

Italy

INDIVIDUAL CHARACTER OF A COMMUNITY DESIGN NOT DESTROYED BY SIMILAR DESIGNS FILED A CONSIDERABLE TIME AGO OUTSIDE THE EU - COURT OF MILAN, DECISION OF 3 MARCH 2010, CASE NO. 2843/2009

In 2008, Fortune S.r.l. brought a design infringement action before the Court of Milan against Schneider Italia S.p.a. (Schneider) and the well-known retailer Conbipel S.p.a. Fortune claimed that the production and sale of a prism-shaped watch under the brand "NIAMA" [no pictures available] by Schneider and Conbipel infringed its exclusive rights in various Italian and Community designs protecting different shapes of its prism-shaped watch cases.



Fortune's Community designs

Fortune requested the court to order Schneider and Conbipel to cease sales, withdraw the allegedly infringing products and pay damages. Schneider and Conbipel replied that the design of their watches did not produce the same overall impression as Fortune's designs. In addition, they claimed that Fortune's designs were invalid for lack of novelty and individual character due to the existence of prior American designs relating to watches registered in the first half of the twentieth century. Furthermore, Conbipel objected that its supply agreement with Schneider contained a clause excluding its liability in case the sale of watches amounted to an IP infringement.

The Court of Milan held that Fortune's designs did not lack novelty and individual character.

Compared with the earlier American designs submitted by Schneider and Conbipel, the design of Fortune's watches was sufficiently different. Apart from that this evidence was not relevant as it concerned old American watches. The court said that for the examination of the individual character of a design the knowledge of the informed user in the relevant field must be taken into account. The court clarified that "*the informed user was not a person skilled in the art who has a deep knowledge of prior designs including very early patent rights filed and only marketed outside the European Community*". Therefore the informed user did not necessarily

have knowledge about "*designs filed in very old times*" which have not been used in the relevant market.

Comparing Fortune's designs and the "NIAMA" watch, the court found that they looked very similar. It concluded that the production and sale of Schneider's and Conbipel's watches infringed Fortune's design rights.

With regard to the claim for damages, the court found only Schneider liable to compensate Fortune (in light of the clause in the supply agreement excluding Conbipel's liability). It awarded compensation on the basis of the disgorgement of Schneider's profits calculated by the difference between the sale price and the retail price of the infringing products. In addition, the court awarded equitable compensation for the "*dilution*" caused by the presence of the infringing watches on the market. ■

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Associate, Milan

Alberto Bellan

Associate, Milan

Designs and Copyright

Spain

SPANISH COPYRIGHT LEVY SYSTEM IN BREACH OF EUROPEAN COPYRIGHT DIRECTIVE? - ADVOCATE GENERAL, OPINION OF 11 MAY 2010, C-467/08 (SOCIEDAD GENERAL DE AUTORES Y EDITORES (SGAE) V. PADAWAN, S.L.)

On 11 May 2010, the Advocate General of the Court of Justice of the European Union, Verica Trstenjak, gave her opinion on the system of copyright levies in Spain. If the Court of Justice follows the opinion, it might change the Spanish copyright levies regime dramatically.

According to Directive 2001/29/EC on the harmonization of certain aspects of copyright and related rights in the information society (the "Copyright Directive"), the exclusive right to reproduce a copyright work lies with the copyright owner. However, according to article 5(2) (b) of the Directive Member States may provide for an exemption or limitation of the reproduction right if the reproduction is "made by a natural person for private use for ends that are neither directly nor indirectly commercial, on condition that the right holders receive fair compensation [...]."

Copyright levies have been highly disputed in Spain since the collecting societies (of which there are eight, led by SGAE) started to claim copyright levies from the industry at the beginning of 2000. The late implementation of the Copyright Directive in Spain in July 2006 made things even worse, not least because the collecting societies claimed (i) the payment of copyright levies for digital devices and equipment on the basis of a provision that was enacted when digital technologies did not even exist - against the opinion of the *Consejo de Estado* (State Council)¹ and (ii) for all devices and equipment suitable to reproduce third party's works.

In the case at issue, SGAE brought proceedings against Padawan, S.L., a company which sells CDs, DVDs and MP3 devices, claiming for the payment of copyright levies in the amount of 17,000 Euros for the marketing of those products between 2002 and 2004. The Court of first instance admitted the claim. Padawan appealed to the Court of Appeal of Barcelona arguing that the application of copyright levies for digital support devices (CDs, DVDs and also USB) without taking into account their final use (i.e. private or professional) was in contradiction with the Copyright Directive.

In its decision of 15 September 2008 (AC/2008/1772), the Court of Appeal of Barcelona said that according to article 25 of the Spanish Copyright Act a "*fair compensation*", i.e. the obligation to pay copyright levies, was applicable for all

devices and materials suitable to reproduce copyright protected works for private use. In the case of digital support devices it was applicable without differentiating whether these were used for private copies or for professional purposes. The court held this undifferentiated application might be in breach of the Copyright Directive and referred questions to the Court of Justice of the European Union for a preliminary ruling. It said it was not impossible to establish the final use of the products: if they were sold to consumers it was likely that they were used for private copies, if they were sold to public bodies or to businesses it was likely that they were used for business purposes. Given that the application of the copyright levies required first the determination of the number of devices or material sold, it was also feasible to apply copyright levies only to sales made to consumers and not sales made to public bodies and businesses.

According to the Advocate General, the Spanish system which establishes the indiscriminate application of copyright levies to all equipments, devices or digital reproduction materials without taking into account their final use, i.e. whether or not they will actually be used to make private copies, was not in line with the European law. She said that:

- The indiscriminate application of a private copying levy system to undertakings and professional persons who clearly purchase digital reproduction devices and media for purposes other than private copying is not compatible with the concept of "fair compensation".
- A national system which applies the private copying levy indiscriminately to all digital reproduction equipment, devices and media breaches the Copyright Directive in so far as there is insufficient correlation between fair compensation and the limitation of the private copying right justifying it as it could not be presumed that said equipment, devices and media were used for making private copies.

It remains to be seen whether or not the Court of Justice will follow the Advocate General's Opinion. Whatever the outcome will be, its effects will go far beyond the proceedings pending with the Court of Appeal of Barcelona. Many more questions relating to the Copyright Directive might be referred to the Court of Justice by Spanish courts. ■

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¹ Opinion number 187/2005 issued in the "*Anteproyecto de Ley por la que se modifica el texto refundido de la Ley de Propiedad Intelectual, aprobado por Real Decreto Legislativo 1/1996, de 12 de abril*"

Designs and Copyright

United States of America

DIGITAL MILLENNIUM COPYRIGHT ACT (DMCA) PROVIDES GOOGLE WITH "SAFE HARBOR" PROTECTION FROM VIACOM'S COPYRIGHT INFRINGEMENT CLAIMS - U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, DECISION OF 23 JUNE 2010, VIACOM INTERNATIONAL INC. V. YOUTUBE INC., S.D.N.Y., NO. 07 CIV. 2103 (LLS)

Google Inc. is not liable for copyright infringement resulting from videos made available on the YouTube website because Google has properly implemented the requirements for "safe harbor" protection set forth in the Digital Millennium Copyright Act (17 U.S.C. § 512(c)) (DMCA), a U.S. District court judge for the Southern District of New York ruled in June 2010.

Google is the parent of YouTube, LLC, which operates a popular video-sharing website that allows users to upload, share, and view videos. Viacom Inc., which owns several cable television networks including MTV and Comedy Central, filed a lawsuit in 2007 claiming that Google had illegally exploited Viacom's copyrighted works for profit and seeking more than \$1 billion in damages. In its complaint, Viacom alleged that *"tens of thousands of videos on YouTube, resulting in hundreds of millions of views, were taken unlawfully from Viacom's copyrighted works without authorization"* and Google *"had 'actual knowledge' and [was] 'aware of facts or circumstances from which infringing activity [was] apparent' but failed to do anything about it."*

In March 2010, Google moved for summary judgment in the matter. Google asserted that it was protected from Viacom's infringement claims by the DMCA. The "safe harbor" provisions of the DMCA provide entities that fall within the statutory definition of "service providers" with a shield from liability for copyright infringement if certain criteria are met. A "service provider" is defined as *"a provider of online services or network access, or the operator of facilities therefor, including an entity offering the transmission, routing, or providing of connections for digital online communications, between or among points specified by a user, of material of the user's choosing, without modification to the content of the material as sent or received."* To avail itself of the DMCA's "safe harbor" protection, a qualifying service provider must, among other things, (i) identify an individual to serve as the service provider's designated "agent" for receipt of copyright infringement complaints and register that individual with the United States Copyright Office; (ii) provide directions for copyright owners to follow if they believe their copyrighted work is being infringed; (iii) follow a take-down procedure that complies with the DMCA; and (iv) *"adopt and reasonably implement"* a policy of terminating accounts of users who are found to be repeat infringers.

In a victory for Google, the judge granted Google's motion for summary judgment in the three-year-old lawsuit. The court found that YouTube is a service provider for purposes of the "safe harbor" and the company had properly implemented all of the requirements set forth in the DMCA. The court noted that *"the present case shows that the DMCA notification regime works effectively: when Viacom over a period of months accumulated some 100,000 videos and then sent one mass take-down notice on February 2, 2007, by the next business day YouTube had removed virtually all of them."*

The court specified that if a service provider becomes aware of "specific instances" of infringement, the service provider must "promptly" remove the infringing material. Otherwise, the court ruled, *"the burden is on the owner [of the copyrighted work] to identify the infringement. General knowledge that infringement is 'ubiquitous' does not impose a duty on the service provider to monitor or search its service for infringements."*

Viacom has announced that it plans to appeal the ruling. ■

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