Key Developments in Intellectual Property - 2010

One Page Summaries

February 2011
At Edwards Angell Palmer & Dodge we know time is precious. We also know how important it is for you to be able to keep your eyes on the road before you. We believe that knowledge is power, and knowing about the lessons others have learned is a great way to avoid speed bumps. That is why we’ve developed our Real Intellectual Property Case Law Guide, a handy little tool to fill you in on some of the most significant cases tried to date. So go ahead, keep your eyes on the road before you, we’ll be on the lookout for anything that could get in your way.

Get Real... Real Lessons. Real IP Case Law.
Contents

Search Engine Keywords: Brand Owners Need to Monitor Use of Their Trade Marks By Third Parties Within Google’s AdWords Programme 4

No liability for unjustified threats made in without prejudice correspondence 6

Co-Existence Agreement upheld by the English High Court 8

VODKAT loses battle over Vodka 10

Copyright held to subsist in newspaper headlines 12

Copyright protection recognised in sporting fixture lists 14

Registered design for vacuum cleaner unenforceable against competitor product 16

Promotional slogans are not subjected to stricter criteria when compared with trade marks 18

Initial interest confusion sufficient to satisfy likelihood of confusion requirement for trade mark infringement in the United Kingdom 20

English High Court holds that location of database infringement is determined by where transmission takes place 22

Identical surnames are not necessarily confusingly similar trade marks 24

Goodwill in the design of a popular vacuum cleaner held to be enforceable against replica product 26

Positional marks remain difficult to register as trade marks 28

Functional shapes do not enjoy trade mark protection 30
Supermarket’s advertising held to take advantage of well-known brand


“Isolated” DNA Is Not Patentable?

How Difficult Should It Be To Invalidate A US Patent?

When Does the “Online Marketplace Operator” Become Responsible for Contributory Trademark Infringement?

Copyright Exhaustion or Copyright Infringement: Is Software Sold Or Licensed?

List of Top US IP Cases in 2010

Fine upheld for abuse of patent system and procedures for marketing pharmaceutical products

Court of Appeal refuses to dismiss possibility of competition defence to trade mark infringement action


Enlarged Board of Appeal of the European Patent Office decides on the patentability of surgical methods

Enlarged Board of Appeal of the European Patent Office decides that dosage regimes are patentable
Search Engine Keywords: Brand Owners Need to Monitor Use of Their Trade Marks By Third Parties Within Google’s AdWords Programme

Google France v LVMH and others (Cases C-236/08, C-237/08 and C-238/08) 23 March 2010
Portakabin Ltd v Primakabin BV (Case C-558/08) 8 July 2010
Eis.de GmbH v BBY Vertreibsgesellschaft mbH (Case C-91/09) 26 March 2010
Die BergSpechte Outdoor Reisen und Alpinschule Edi Koblmüller GmbH v Günter Guni and trekking.at Reisen GmbH (Case C-278/08) 25 March 2010

Google’s policy of allowing advertisers to bid for other businesses’ trade marks as keywords remains controversial and has led to significant litigation in Europe and the United States. Decisions from the CJEU have clarified some of the issues.

Key Practical Consequences

• Trade mark owners need to monitor the use of their trade marks by third parties within Google’s AdWords program.
• If a trade mark owner considers that a Sponsored Ad infringes its trade mark, it can file a take down notice with Google (found here https://services.google.com/inquiry/aw_tmcomplaint). Google will only remove the offending Sponsored Ad if the trade mark is used in the ad text or headings.
• If the Sponsored Ad is infringing but does not include the trade mark within the ad text or heading, the trade mark owner will need to consider issuing (or threatening) trade mark infringement proceedings against the advertiser.

Discussion

Google provides its Internet search services for free. Google generates 99% of its substantial $23.7 billion in revenue from its AdWords program. In addition to the natural search results returned in response to a particular search term, Google will also display “sponsored ads” where the advertised has “bid” for the search term within Google’s AdWords program (in other words, the advertiser pays for its advert to be displayed to Internet users who are searching against a particular term of combination of terms). For example, a law firm might bid for “trade mark lawyer” and Google would then display the sponsored ad for that law firm when an Internet user searches for “trade mark lawyer”.
In 2004, Google decided to offer within the AdWords program both generic terms (e.g. “trade mark lawyer”) and trade marks. Until 2009, Google was generally cooperative when trade mark owners objected to the use of their trade marks within the AdWords program. In 2009, in addition to abandoning its famous “Don't be Evil” slogan, Google also ceased to cooperate with trade mark owners who objected to the use of their trade marks within the AdWords program. This led to considerable litigation across Europe and the United States.

Trade mark owners complaints include the use of the AdWords program by advertiser’s whose sites offer counterfeits, unlawful grey imports and competing products.

In 2010 the Court of Justice gave its decisions in a series of cases which considered whether Google and/or the advertisers who bid for third party trade marks within Google’s AdWords program were liable for trade mark infringement.

The findings of the Court of Justice can be summarised as follows:

**Question 1:** Was Google's offer of TM with AdWords program “trade mark use”?  **Answer: No**

**Question 2:** Was Advertiser’s use of TM “trade mark use”?  **Answer: Yes**

**Question 3:** Did advertiser’s use of TM create customer confusion?  **Answer: No, provided advertiser is clear there is no association with the trade mark owner.**

**Question 4:** Could Google rely on the ISP defence available under the e-commerce Directive (2000/31/EC)?  **Answer: Yes**

The CJEU found that a sponsored ad will be infringing if it “does not enable an average internet user, or enables that user only with difficulty to ascertain whether the goods or services referred to therein originate from the proprietor of the trade mark ... or on the contrary, originate from a third party.”

The CJEU also found that Google cannot be held responsible for infringing sponsored ads that it is hosting “unless, having obtained knowledge of the unlawful nature of those data or of that advertiser’s activities, it failed to act expeditiously to remove or to disable access to the data concerned.”

Considerable uncertainty remains, in particular regarding the circumstances under which a sponsored ad will or will not enables an Internet user to ascertain whether the goods or services referred to in the sponsored ad originate from the proprietor of the trade mark or from a another party.”

**Comment**

Brand owners are now faced with the need to monitor Google and enforce their trade marks against individual advertisers whose sponsored ads are confusing.

Google has also introduced a “notice and take down” procedure so that trade mark owners can object to unlawful sponsored ads. The complaint form can be found here:

https://services.google.com/inquiry/aw_tmcomplaint

Google will only remove unlawful sponsored ads where the trade mark is used in the heading of ad text.

Despite Google’s claims to the contrary, there remain issues that are yet to be resolved. We hope that some of these issues – notably some clarification as to when a sponsored ad is unlawful – will be resolved when the CJEU gives its decision this summer in Interflora and others v Marks & Spencer and others (Case C-323/09). Owners of trade marks with “reputation” (i.e. marks that are likely the most attractive to competitors using Google’s AdWords program) will also wish to explore whether bidding for the trade mark as an AdWord infringes under Article 9(1)(c) of the CTM Regulation (provisions relating to “free riding”).
No liability for unjustified threats made in without prejudice correspondence

*Best Buy Co Inc & Anr v Worldwide Sales Corporation España SL* (Floyd J; [2010] EWHC 1666 (Ch); 08.07.10)

The parties were unable to reach settlement in opposition proceedings and as a result the claimant threatened court proceedings against the defendant in the United Kingdom for trade mark infringement. The defendant issued proceedings against the claimant under the unjustified threats provisions of the Trade Marks Act. While the court considered the threat to be worded too broadly to come under the statutory exclusions to unjustified threats, the claim was dismissed on the ground that the threat was made in a settlement letter and therefore the communication was privileged.

Key Practical Consequences

- Unjustified threats actions cannot be brought when the alleged threat is made in the course of negotiations genuinely aimed at settlement, as such correspondence will be protected by privilege.

- Potential claimants need to ensure that allegations are drafted carefully to ensure that they fall within the exclusions under the unjustified threats provisions of the Trade Marks Act. A “threat” that is worded so broadly so that it covers activities beyond the excluded acts will not qualify.

- The threatened proceedings will be viewed to be proceedings in the United Kingdom, even when both parties are non-resident if a “reasonable recipient” of the threat would consider that the United Kingdom would be a likely forum for the infringement proceedings.

- It is irrelevant whether the threatened proceedings related to a national or Community trade mark. Instead, the threatened proceedings must relate to a possible infringement action in the United Kingdom.

Discussion

This decision highlights the limitations of the groundless threat provision under section 21 of the Trademark Act 1994, which enables any person whose commercial interests have been
affected by a groundless threat of trademark infringement to commence legal action against the maker of the threat. The claimant, a US company and its UK subsidiary “Best Buy”, sought to launch their consumer electronics business in the UK under the name “Best Buy” for which it had made trademark applications. These applications were opposed by the defendant, a Spanish corporation “España”, who owned community and national trade marks including the words “Best buy”. Best Buy was a US retailer, known for its consumer electronic shops who was looking to expand its business into Europe.

As part of the opposition proceedings, Best Buy wrote to España suggesting a cooling-off period to allow time for settlement negotiations and to consider the possibility of a co-existence in Europe. Best Buy responded and expressed its right to take legal action to defend its interests, with reference to its prior rights, if Best Buy chose to use the BEST BUY name in Spain and Europe. España did however suggest that it would allow Best Buy to use the BEST BUY name providing it received compensation. España’s letter then provided a fifteen day deadline by which Best Buy was required to confirm its agreement to enter negotiations or to provide undertakings not to use the BEST BUY mark in Europe. Settlement negotiations broke down and Best Buy issued UK proceedings against España on the grounds that the letter from España contained a threat in accordance with Section 21 of the Trademarks Act 1994. The action was dismissed.

Even though the mark in question was a Community trade mark, and the business activities of both parties were based outside the UK, the court held that the threat was actionable because a “reasonable recipient” of the letter would consider that the UK might be a likely forum for the Community trade mark owner to bring infringement proceedings. The court reasoned that, because España had not limited the threat to Spain, and instead included all of Europe, and since Best Buy sought to launch its business operations in the UK, which had been widely publicised, it was reasonable for Best Buy to view the UK as a likely choice for proceedings. Section 21 provides exclusions, which include for example “the supply of services under the mark”, however the judge held that because España’s letter sought undertakings in respect of any trade mark use, this included non-excluded uses such as “offering to supply services”. As such, the wording was too broad and the exclusion did not apply. The judge confirmed that an alleged threat must be worded carefully to benefit from the exclusions provided by Section 21.

Despite this, the Section 21 action was dismissed due to the context in which the alleged threat was made. The judge held that the letter from Best Buy offered a settlement proposal but at the same time stated the strength of its position. In response, España’s letter suggested it might be prepared to settle but at the same time underlined the strength of its own position. As such, the letter from España formed part of genuine settlement negotiations and was therefore protected by privilege. Notably, the letter from España was not actually marked “without prejudice”.

Comment
This decision highlights the limitations of bringing an unjustified threats action. If a perceived threat is made as part of a without prejudice correspondence seeking a settlement, then a court cannot chop up the letter but instead must view the entire letter as privileged. Further, brand owners also need to exercise caution when making claims of infringement that relate to the United Kingdom. In particular, the determining factor is how a “reasonable recipient” of the letter would interpret the threat and whether they would view the UK as a likely forum.

There are exceptions to the Section 21 rule which can prevent a threat from becoming actionable, for example where the trade mark owner can show that the acts in respect of which proceedings were threatened do constitute trade mark infringement. However, any “threat” that covers activities beyond the exclusions under Section 21, will not be exempt. As such, threats need to be drafted carefully to ensure that they fall within the excluded acts.
Co-Existence Agreement upheld by the English High Court

Omega Engineering Inc v Omega SA & Others, High Court (Chancery Division), [2010] EWHC 1211 (Ch)

In the long-running dispute over the mark OMEGA, the High Court confirms that the English Courts will uphold the terms of a trade mark co-existence agreement properly concluded between the parties. Co-existence agreements therefore remain a practical way to resolve conflicts between identical or similar marks, at least in the UK.

Key Practical consequences
- Trade mark owners who are parties to co-existence agreements can be assured that their terms will be taken into account by the English courts.
- The acknowledgement of the co-existence agreements by the English courts, calls for their clear and precise drafting.
- The approach that OHIM will take towards such agreements remains, however, uncertain.

Discussion
Omega SA ("Swiss") manufactures and markets wristwatches. Omega Engineering Inc ("Engineering") manufactures and markets products for the measurement and control of temperature, humidity, pressure, strain, force, flow, level, pH and conductivity. Both companies operate under the trade mark OMEGA. In 1984 Swiss and Engineering entered into a Co-Existence Agreement. Under Clause 5 of the Agreement, Swiss undertook inter alia not to object to the use and registration by Engineering of the trade mark OMEGA in relation to the following goods (the “Excluded Goods”): “instruments and apparatus intended for a scientific or industrial application in measuring, signalling, checking, displaying or recording heat or temperature and having provision to display the time of day”.

In 2007, Engineering applied to register the trade mark OMEGA in respect of the Excluded Goods. Swiss opposed on the basis on their earlier rights in the OMEGA name. Engineering counterclaimed that the Co-Existence Agreement amounted to consent. Swiss submitted that consent was irrelevant to an objection on relative grounds. This argument was based on
the decision of the Court of First Instance (as it then was) in Case T-90/05 *Omega SA v OHIM* (2007). In this case, OHIM considered that they did not have to take account of Co-existence agreements, since these are not “facts”, as their terms are subject to interpretation. In the alternative, Swiss contended that the Agreement only provided consent to the registration of the Excluded Goods in Class 9 and not in Class 14. The hearing officer of the UK Intellectual Property Office rejected these arguments and Swiss appealed. Engineering commenced proceedings in the High Court of England and Wales for breach of Clause 5 of the Agreement and later applied for a summary judgment.

The High Court favoured Engineering’s arguments in relation to the construction of the Agreement. Regarding the classification of the Excluded Goods, the court held the definition of the Excluded Goods to mean any of the goods listed in the Agreement, regardless of their Class. In relation to Swiss’ assertion that, following *Omega SA v OHIM*, the Agreement was irrelevant to oppositions on relative grounds, The court held that the existence of an agreement between the parties was a “very palpable fact” and concluded that it would be unjust to permit a party who had previously consented to the registration to successfully oppose an application in contravention of its contract.

**Comment**

Brand owners who regularly enter into co-existence agreements will welcome the acknowledgement of their significance and relevance in the UK. On the basis of this acknowledgement, the drafting of co-existence agreements will always be fundamental to their enforcement. It therefore appears that such agreements are a means to avoid protracted and expensive litigation, while retaining the protection of any trade mark rights in the UK. Whether the same approach will be adopted by the OHIM, however, it remains to be seen.
VODKAT loses battle over Vodka

Diageo North America, Inc and Another v Intercontinental Brands (ICB) Ltd and Others Court of Appeal (Civil Division), [2010] EWCA Civ 920

The Court of Appeal has confirmed the High Court's earlier ruling that the alcoholic drink “VODKAT” was unlawfully passed off as vodka. The Court also confirmed that products do not need to be of superior quality to qualify for protection under the tort.

Key Practical Consequences

• Extended passing off protects the goodwill developed in a particular product itself. This form of protection has been granted in the UK in respect of champagne, sherry, advocaat, whisky and vodka.

• Traders in certain classes of products can prevent imitations, even where registered trade mark rights have not been obtained.

• In order to avoid findings of passing off, marketers should take care to distinguish their products from the class of products with which they wish to align themselves.

Discussion

The Diageo group of companies (“Diageo”) is one of the leading producers and distributors of alcoholic drinks in the world. Since the 1950s, Diageo has marketed the SMIRNOFF vodka in the UK. Intercontinental Brands Ltd (ICB) produced VODKAT, a mixture of vodka and naturally fermented alcohol. Under EU Council Regulation No. 110/2008/EC, vodka is required to have an alcohol by volume (ABV) of at least 37.5 per cent. VODKAT had an overall ABV of 22 per cent and was initially marketed in a get-up which was strongly reminiscent of vodka. Diageo brought legal proceedings against ICB in respect of its “VODKAT” drink which Diageo claimed ICB was passing off as vodka.

In order for a claim in passing off to succeed, the claimant must prove goodwill, misrepresentation and damage. As to goodwill, the High Court ruled that the term vodka has a protectable reputation. Vodka’s qualities as a clear, tasteless, distilled, high strength spirit had created significant goodwill in the name. In considering misrepresentation, it was found
that the marketing of VODKAT was “calculated to deceive a substantial number of members of the public into believing that the product is vodka”. The name VODKAT suggested that it was Vodka, or a version of Vodka or contained or was made from Vodka. As a result of the misrepresentation, the High Court concluded that there had been a loss of sales and that ICB's marketing of VODKAT was likely to erode the distinctiveness of the term vodka.

On appeal, ICB did not challenge the High Court’s findings in respect of reputation, misrepresentation or damage. The appeal was based on the claim that the extended form of passing off should be limited to products which have a cachet and are perceived by the relevant public as being of superior quality. In ICB’s view, Vodka did not possess such a requirement. The Court of Appeal, however, held that cachet was not a requirement of passing off and concluded that there was no reason why the necessary goodwill could not attach to a product because consumers like and value it for its inherent qualities rather than its premium status. The Court confirmed that extended passing off seeks to protect such generic terms, which have themselves developed well defined meanings without actually being distinctive of one particular marketer, as in a classic passing off action. Indeed, the term “vodka” denoted a clearly defined class of goods and had a reputation giving rise to protectable goodwill.

Comment
The decision highlights that extended passing off not only protects premium or superior goods but can include any distinctive product which has the necessary reputation and goodwill among the public. What is required is that the product has become clearly defined in the eyes of members of the public, under a particular name, as being seen to possess certain defined qualities or characteristics.

The decision also confirms that traders in certain classes of products can prevent “copycats” from intruding the market through launching imitation products and passing them off as products of a particular type. Thus, companies should avoid using commonplace but well-known terms to market competing products or should make sure that they sufficiently distinguish their products.
Copyright held to subsist in newspaper headlines

*Newspaper Licensing Agency Ltd v Meltwater Holding BV Chancery Division* (Companies Court) [2010] EWHC 3099 (Ch)

The UK High Court ruled that newspaper headlines are capable of copyright protection and that users of online media need to obtain the appropriate licence to avoid infringement.

Key Practical Consequences

- A newspaper headline can be capable of copyright.
- There is no defence of fair dealing for forwarding news articles summaries with the headlines as they are aimed at targeted clients and not for public consumption.
- Users of online news monitor services require a copyright licence.

Discussion

Six major UK newspapers and the Newspaper Licensing Agency (“the NLA”), the claimants, brought an action against Meltwater News UK Ltd and its parent company (together “Meltwater”). The third defendant was the Public Relations Consultants Association Limited (“PRCA”), an association that represents the interests of UK public relations providers, many of which use Meltwater’s service. Meltwater is an online news monitor that collects newspaper content and sends its subscribers alerts containing articles matched to search terms they have chosen. The alerts contain the article headline, the first 256 characters of the article and a link to the full article. Meltwater agreed to obtain a licence from the NLA to provide this service.

The claimants sued the defendants for copyright infringement. The court had to decide whether the end users of the Meltwater news service required a licence from the NLA to avoid the infringement of the copyright owned by the publishers. If the court held that the end users did not require a licence, then the NLA sought to charge Meltwater a higher fee to cover this use by the end users. Meltwater was profiting substantially...
from using the articles at the expense of the NLA and the NLA submitted that, at the very least, some headlines are copyright works meaning end users required a licence. In its defence, the PRCA argued that headlines are not capable of copyright as they are too short, fact based, banal and form part of the article and are therefore not independent copyright works.

The judge was bound to apply the Court of Justice of the European Union decision in Infopaq, which held that short sentences, or precisely eleven words extracted from newspaper articles, are protected so long as they are an “expression of the intellectual creation of the author”. It was therefore held that newspaper headlines are either independent literary works or literary works in combination with the article. As regards the “fair dealing” defence, it was held that the receipt of Meltwater's news alerts and/or the forwarding of these to clients, was not “reporting current events” for the purpose of the defence under the UK Copyright Designs and Patents Act 1988. Moreover, Meltwater is not intended for public consumption and instead is targeted to clients for their end users. Accordingly, it was held that through their use and receipt of the email alerts, Meltwater users infringed newspaper publishers’ copyright and would need a separate licence from the NLA to allow non-infringing use of the service.

Comment
The Meltwater decision is the first time a UK court has considered the issue of whether a copyright exists in a newspaper headline. This decision provides that a newspaper headline can achieve copyright independently and, as such, media monitors will have to be mindful of the way in which they use and report articles to ensure they do not infringe the publisher's copyright. The UK Copyright Tribunal will meet next year to review and consider the fairness of the NLA’s web licence agreements with media monitors.
Copyright protection recognised in sporting fixture lists

Football Dataco Limited and others v. Brittens Pools Limited and others [2010] EWHC 841 (Ch)

The English High Court found in the Claimant’s favour that the English and Scottish football leagues’ databases of match fixtures benefited from database copyright protection. They did not, however, benefit from any other type of copyright protection. The decision has however been appealed and questions on fixture lists referred to the Court of Justice of the European Union.

Key Practical Consequences

• Anyone who wishes to exploit the information contained within the English and Scottish football premier leagues and football leagues will now need to secure a licence, or else be liable for copyright infringement. It is conceivable that this will also apply to other similar sporting fixture lists (of which there are many in the UK).

• The Court of Appeal has referred questions on the interpretation of the Database Directive in relation to football fixture lists to the Court of Justice of the European Union.

Discussion

The Claimants organise professional football matches in England and Scotland, and produce and publish the annual fixture lists. The Defendants comprised of a football pools company, a media company, and two betting companies, who used the data for their own commercial means without obtaining a licence. The Claimants argued that unlicensed use was an infringement of their rights as the fixture lists were protected under either database copyright (sections 3 and 3A Copyright, Designs and Patents Act 1988); the sui generis right (Database Regulations 1997 SI 1997/3032); or copyright as a literary work irrespective of whether it was a database.

The Court held that the fixture lists were protected by database copyright, but not by the sui generis right or copyright as a literary work. It found that database copyright could protect selection and arrangement of the contents of the database even where this took place before all the data was created.
Database copyright did require that the contents of the database must represent the author's own intellectual creation. The Court noted that the Claimant's efforts in creating the database entailed “significant labour and skill”. A measure of this intellectual creativity was that no two fixtures in the list would be able to be interchanged without affecting the others, thus meeting the standard for database copyright to subsist. The *sui generis* right did not apply to the protection of fixture lists. The investment provided by the Claimant was held to be in the creation of the database and not in the obtaining and verifying or presenting of the data, a pre-requisite of *sui generis*. The claim for subsistence of copyright irrespective of database copyright was also dismissed.

**Comment**

This case is relevant given the profile and value of sporting events in the UK. Such events often attract significant sponsorship and it is useful for major brands to understand to what extent fixture lists can be used. In the case of the English football leagues, a licence is now required. This is potentially a developing area of law and the decision of the CJEU is awaited with interest.
Registered design for vacuum cleaner unenforceable against competitor product

Dyson Ltd v Vax Ltd [2010] EWHC 1923 (Pat)

The English High Court dismissed the Claimant’s claim that its registered design for a cyclonic vacuum cleaner had been infringed by the import and sale of the Defendant’s vacuum cleaners, as the two vacuum cleaners created different overall impressions on the mind of the relevant person, namely an observant consumer. This was despite similarities between the products and despite the very broad protection enjoyed by the Claimant’s design.

Key Practical Consequences

- Companies who are considering bringing proceedings for infringement of their registered designs should not lose sight of the importance of the overall design and the impression it creates on the informed user.
- In considering strategy in infringement proceedings, it should be borne in mind that complex arguments over aesthetic appeal versus functionality, whilst persuasive, will ultimately be of less consequence than the impression created by the overall design.

Discussion

The Claimant was a very well known manufacturer of vacuum cleaners, who held a registered design for a type of cyclonic dust separating vacuum cleaner. When the Defendant launched a similar product in the UK the Claimant brought a claim for infringement which was dismissed by the High Court. In its decision, the court noted that the Claimant’s product enjoyed a high level of protection given the high degree of design freedom available at the time of its design. On statements of novelty, the court further noted that they do not serve to restrict the scope of the design’s protection. In the instant case this meant that although the Claimant had not expressly sought to protect a ‘transparent collecting bin’ as part of its registration, it was not necessarily outside the scope of protection. Protection would not be offered however where the design was determined by functional requirements.
The main consideration in the Court’s decision was that an informed user (in this case a member of the public with relatively good attention to detail – rather than, for example, a vacuum cleaner salesman) would perceive a difference in the overall impression of the two products. They would notice similarities, but these would not be significant and, importantly, they would also notice significant differences.

Comment
This case is obviously important for parties who hold registered designs. It should be noted that even in the case of products that hold high levels of protection (given the creative freedom available at the time of design), overall impression is key. If the overall impression of a potentially infringing design is different from that of the earlier design it is unlikely that a Court will make a finding of infringement.
Promotional slogans are not subjected to stricter criteria when compared with trade marks

Audi AG v OHIM (Case C-398/08 P)

The fact that a mark is laudatory or a promotional statement should not result in the application of stricter criteria as to registrability, and should not necessarily prevent its registration, so long as the mark is capable of distinguishing the brand owner’s goods and services. This is a positive development for brand owners who use slogans to market their brands, and wish to protect their slogans as trade marks.

Key Practical Consequences

• It has not been unusual for Community trade mark applications to be refused on the basis that the mark consists solely of a promotional statement which acts as an indication of quality or an incitement to purchase goods or services.

• The car manufacturer Audi had been unable to register the slogan Vorsprung durch Technik (‘advance or advantage through technology’) as a trade mark, except on the basis of acquired distinctiveness in a single Class (namely, for ‘vehicles, apparatus for locomotion by land, air or water’ in Class 12).

Discussion

Following an appeal by Audi, the Court of Justice of the European Union considered the registrability of the slogan Vorsprung durch Technik. The Court decided that the fact a word mark was laudatory or promotional in nature did not prevent it from fulfilling the essential function of a trade mark, namely as an indication of the commercial origin of goods or services. Furthermore, it held that it was inappropriate to assess slogans under stricter criteria than those applied to other trade mark applications. In particular, the Court decided that it was not appropriate to apply any requirements that a slogan must be imaginative, memorable or striking in order to qualify for trade mark protection, and that even a slogan with a simple, objective message could qualify for registration as a trade mark if it was capable of indicating to consumers the commercial origin of goods and services.
The decision confirmed that promotional marks or slogans, which brand owners frequently use in advertising, only need to pass the same threshold as any other mark or sign in order to satisfy the requirements for trade mark registration, namely that the slogan is capable of being perceived by relevant consumers as an indication of the commercial origin of the goods and services covered by the mark.

Comment
Brand owners should now be reassured that they can secure trade mark registrations for promotional slogans, even where these are simple and objective messages, as long as the slogan can be shown to distinguish the brand owner’s goods and services from those of other undertakings, including any distinctiveness acquired through use.
Initial interest confusion sufficient to satisfy likelihood of confusion requirement for trade mark infringement in the United Kingdom

Och-Ziff Management Europe Limited and another v Och Capital LLP and others [2010] EWHC 2599 (Ch)

The English High Court has recently held that the American concept of “initial interest confusion” can apply in the UK, offering further protection to brand owners trying to prevent others using misleading signs to attract customers seeking the brand owners’ goods or services.

Key Practical Consequences
• UK trade mark law now allows brand owners to prevent competitors from misusing their trade marks in advertisements, in order to divert customers to the competitors goods and services using so-called “bait-and-switch” tactics.
• Brand owners can seek an injunction through the UK courts when competitor’s seek to use such tactics.
• Advertisers should beware that using a well-known third party brand to attract customers will infringe UK trade mark law, regardless of any deliberate intention to do so, and should beware of doing so as part of any marketing campaigns.

Discussion
“Initial interest confusion” is a concept imported from United States trade mark law. It provides that infringement can be found in circumstances where consumers may be initially confused as to the source of goods or services at the time of interest, but where such confusion is corrected by the time of making the purchase of the goods or services. For example, an advertiser uses an on-line advert that uses a trade mark which suggests a connection with a well-known brand, but when the Internet user clicks through to the advertiser’s website, it is clear to customers that the website is not connected with that well-known brand in any way. Courts in the United States have held that initial interest confusion can misappropriate the
goodwill in a brand to attract customers to unrelated goods or services, even if any confusion is corrected by the time of purchase. In contrast, in the European Union a likelihood of confusion at the time of purchase is required for infringement.

The court considered whether the use of a confusingly similar sign would infringe an earlier mark, even if the alleged infringement did not result in any additional sales. It also considered whether there would be any damage caused to the proprietor of the earlier mark, even where the confusion was dispelled prior to purchase. Following principles taken from the recent European decisions in Die BergSpechte and Portakabin, the court held that the use of a confusingly similar mark in advertising was still an infringing use, even where it did not directly result in a diversion of sales, as it resulted in a possibility that the reputation or distinctiveness of the earlier mark would be eroded. The judge consequently held that “initial interest confusion” is actionable under a claim of a likelihood of confusion.

Comment
This judgment is good news for trade mark owners, as many instances of alleged infringement occur when unscrupulous advertisers seek to attract customers using “bait and switch” tactics. Such tactics may now be considered to infringe a trade mark, even where any customer confusion has been corrected by the time of purchase.
English High Court holds that location of database infringement is determined by where transmission takes place

*Football Dataco Limited and others v Sportradar Gmbh and another* [2010] EWHC 2911 (Ch)

The English High Court has recently held that a website’s copyright and database right infringement takes place where the servers are based, not where the site is viewed. The court concluded that the act of “making available to the public” by online transmission is committed and committed only where the transmission takes place. The court further noted that this point was not acte claire but decided that it was not necessary to refer such a question to the European Court.

**Key Practical Consequences**

- Website owners may want to seek legal advice as to the national database right laws applicable in the jurisdiction where the server is based.
- Infringers may be encouraged to locate their servers in jurisdictions where the law is less strict.

**Discussion**

The claimant Football Dataco creates football fixture lists for the English and Scottish premier leagues. The defendant Sportradar GmbH hosts live sports statistics on its servers in Austria. Football Dataco claimed Sportradar copied data relating to the English and Scottish football matches which are compiled in a database known as “Football Live”. This data includes goals scored, goal scorers, penalties, yellow and red cards and substitutions. The claimants argued that when members of the British public viewed Sportradar’s websites, Sportradar was infringing Football Dataco’s UK copyright and database right.

In reaching its decision, the court referred to the interpretation
of the law concerning satellite broadcasts in the European Union, where it has been established that the so called ‘emission theory’ applies. This theory states that transmission occurs at the place where the content is “introduced under the control of the person making the broadcast into an uninterrupted chain of communication”. For a satellite broadcast, that place is the terminal that the signal is up-linked from. The judge concluded that the “emission theory” applied in this case and held as follows: “The act of making available to the public all or a substantial part of the contents of a database by online transmission within the meaning of art 7(2)(b) of Parliament and Council Directive 96/9/EC on the Legal Protection of Databases was committed and committed only where the transmission took place.”

**Comment**

This judgement could be bad news for right owners, as UK infringers may be encouraged to base the servers of their infringing websites in jurisdictions where copyright and database right law is less strict than in the UK.
Identical surnames are not necessarily confusingly similar trade marks

*Becker v Harman International Industries*, Court of Justice of the European Union, Decision of 24 June 2010, C-51/09

The Court of Justice of the European Union held that the marks BARBARA BECKER and BECKER were not confusingly similar as the surname was common and Barbara Becker’s name was well known, which influenced the perception of the mark by the general public.

Key Practical Consequences

- Owners of trade marks consisting of common surnames may find it more difficult to prove likelihood of confusion against marks which contain an identical surname.
- Owners of trade marks consisting of names of well-known individuals may benefit from enhanced protection against owners of earlier marks comprising identical surnames, especially if the surname is common.

Discussion

Barbara Becker, the ex-wife of the German tennis player Boris Becker, applied to register her name as Community trade mark (“CTM”) for goods in Class 9. The US company Harman International Industries opposed the application on the basis of its earlier CTM for the mark BECKER also in Class 9. The General Court of the European Union held that since “Becker” was a common surname it retained an independent distinctive role in the mark BARBARA BECKER. On such basis, there was likelihood of confusion between the marks. The applicant appealed the decision before the Court of Justice.

The Court of Justice annulled the appealed decision and referred the case back to the General Court. The Court of Justice held that the General Court should have taken into account the specific facts of the case instead of relying only on the earlier case-law. All factors must be considered, such as the overall impression of the marks, their dominant components and the perception of the marks by the average consumer. Also, account must be taken of whether the surname in question is unusual or common: in this case, “Becker” is common.
Moreover, account must be taken if the applicant whose name comprises the mark is well known (like in this case, at least in Germany) as this will influence the perception of the mark by the relevant public. Finally, the Court of Justice held 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.

**Comment**

This decision is interesting as it requires all factors to be considered in assessing whether a likelihood of confusion arises, and not simply that the surnames in question overlapped. Other important considerations may apply, such as whether the surname is common or not, or whether one of the names is well known among the public.
Goodwill in the design of a popular vacuum cleaner held to be enforceable against replica product

Numatic International Limited v Qualtex Limited [2010] EWHC 1237 (Ch); [2010] RPC 25

In Numatic v Qualtex, the English High Court held that there was a protectable goodwill in the combination of the features including the shape of a popular vacuum cleaner which the public associate with Numatic. The Court held that the sale by Qualtex of a replica product with the same shape and a major design feature as the vacuum cleaner known as “the Henry” was likely to cause confusion among the public even though the replica product did not feature all of the design features of the original product. Therefore the Court granted Numatic an injunction to prevent Qualtex from placing the replica on the market.

Key Practical Consequences

• For product designers, the case demonstrates how a passing off action may successfully be brought to prevent use of expired design rights whether they were once registered or not.

• Competitors wishing to market a look-a-like of a striking product must ensure that there is no likelihood that the public believe the look-a-like is the original product.

• To avoid liability for passing off, it may not suffice to make minor design changes and replace the original product branding with yours.

• The get-up of the look-a-like must be “out of the norm of what is expected” of the original.

Discussion

Numatic sought an injunction to prevent Qualtex from launching the replica. However, it was still required to establish goodwill or reputation, a misrepresentation and the likelihood of damage. Provided the shape of a product is not dictated by the function of the product, the shape may acquire goodwill which may be protected. In this case, there was no argument
that there was goodwill in the combination of the features of the Henry which included the brand name, a black bowler hat top and a smiley face.

Numatic produced survey evidence to show that Qualtex’s replica product was likely to mislead consumers into believing the replica was the Henry or Numatic’s product, even though the replica only featured the shape and the bowler hat of the Henry. The Court held that the omission of the face and the brand was not sufficient to prevent passing off since some consumers may not notice the omission and others may believe that it is a revamped version of the Henry. Qualtex had realised that there was a large market for a look-a-like of the Henry and identified expired designs of Numatic cleaners, on which to base the design of the replica. They believed that so long as they rebranded the replica, there would be no risk of confusion with the Henry. However the Court held that Qualtex’s rebrand of the replica as “Quick Clean Equipment” was not enough to dispel the risk of confusion, since “Quick Clean” was a descriptive name, it had not acquired a reputation in the name and the replica was likely to be displayed in some retailers without branding.

Comment
Competitors wishing to launch look-a-likes of popular designs must undergo an in-depth clearance exercise to ensure that they do not infringe not only any registered rights but also any unregistered rights protecting the design. Competitors should not simply copy prominent design features, and must adopt brand names which are distinctive and/or have an established reputation on the market or else risk not only possible claims for trade mark infringement but also in passing off.
Positional marks remain difficult to register as trade marks

_X Technology Swiss GmbH v OHIM_ (Case T-547/08 ) and (Case C-429/10 P)

_X Technology Swiss GmbH (“X Technology”) was unsuccessful in its bid to register a mark characterised by orange colouration of a sock toe as a Community Trade Mark on the ground that the public would perceive the mark as mere decoration._

**Key Practical Consequences**
- Brand owners should be wary of the hurdles they face in registering positional marks.
- As shown in this case, the courts may consider more positional marks on clothing, notably those covering features other than lines, stripes or other precise shapes to be mere decoration and hence not registrable as a trade mark.

**Discussion**
_X Technology applied to register the representation of an orange toe of a sock as a Community trade mark for clothing namely hosiery, socks and stockings. In the application it stated that the mark was a positional mark with the following description: “the positional mark is characterised by an orange colouration, of the shade Pantone 16-1359 TP, in the form of a hood covering the toe of each article of hosiery. It does not cover the toes entirely; it features a limit, which, viewed from the back and the side, appears essentially to be horizontal. The mark always appears in sharp colour contrast to the remainder of the article of hosiery and is always in the same place.”_ The examiner rejected the application on the ground that it was devoid of any distinctive character. On appeal, the applicant’s mark was rejected on the basis that the description accompanying the application was not precise enough to be admissible, that the applicable rules made no provision for the category of “positional marks” and that the mark was hence a 3-D or figurative mark lacking distinctive character. X Technology next appealed to the General Court, which also rejected its claims.
The General Court held that although the relevant rules did not refer to positional marks as a specific category, the list was non-exhaustive. Positional marks appeared similar to 3D and figurative marks as applied to a surface of a product. The court did not see the relevance of classification of a positional mark as a figurative mark or three-dimensional mark, or as a specific category of marks for assessing its distinctive character. In assessing the perceptiveness of consumers, the General Court drew a distinction between articles of clothing which consumer's are generally attentive to when buying and those to which they are not. Socks and other items of hosiery fell into the later category given that they are not normally tried on prior to purchase. In this case, the colouration of a sock toe was judged to be devoid of distinctive character and subsequently refused for registration. As such, the General Court confirmed that the Board of Appeal did not err in finding that, by absence of any significant divergence from the norms and customs of the hosiery sector, the mark applied for would be perceived by the relevant public as a decorative element and that it was, for that reason, devoid of any distinctive character. X Technology is now appealing this decision to the Court of Justice of the European Union.

Comment
Positional marks remain difficult to register as trade marks, since they will need to show that they function as trade marks and are not merely decorative. It will be of interest to see how the Court of Justice of the European Union will decide on the registrability of such marks, and possibly provide guidance as to what distinctiveness requirements will be applied to such marks, in particular whether the same strict requirements as for figurative or three-dimensional marks apply.
Functional shapes do not enjoy trade mark protection

Lego Juris A/S v OHIM (Mega Brands Inc. intervening) (Case C-48/09 P)

The Court of Justice of the European Union (“CJEU”) dismissed toy giant Lego’s appeal against the General Court’s decision that its trade mark consisting of the three-dimensional shape of an eight-bobble Lego brick was invalid. The CJEU concluded that the shape of the Lego brick was necessary to perform the technical result of connecting it to another brick and was as a result not registrable as a trade mark.

Key Practical Consequences

• Brand owners should take care when seeking to register the shape of a product as a trade mark in the event that the shape may be considered necessary to obtain a technical result.

• Even if the shape appears unique and creative, if the shape fulfils a particular function then it cannot be protected as a trade mark.

Discussion

Lego secured trade mark registration for the three-dimensional shape of a red brick for construction toys in 1999. Shortly thereafter, Ritvik Holdings Inc (now MEGA Brands Inc) which is Lego’s main competitor in snap-together toys, applied for a declaration that the mark was invalid. MEGA Brands argued that Lego’s trade mark registration would have to be refused as it consisted exclusively of the shape of goods which is necessary to obtain a technical result. In 2004, OHIM declared that the registration was invalid on the basis that it consisted exclusively of the shape of goods which was necessary to obtain a technical result. Lego filed an appeal against this decision, which was dismissed.

Lego appealed again, but this was also dismissed which resulted in Lego further appealing to the CJEU. In presenting its case, Lego argued that the Trade Marks Regulation should not prohibit the registration of every shape with a technical function, particularly where there were other shapes could perform the same technical
function since as the registration would not create a monopoly. The court, however, rejected this argument and held that marks that consist exclusively of shapes that are necessary to achieve a technical result may not be registered. This was held to be true even if that result can be achieved by other shapes using the same or another technical solution. The court also noted that its decision did not prohibit the registration of ‘hybrid’ marks, i.e. those in with a non-functional element, such as a decorative or imaginative element. Further, the CJEU highlighted the public interest in preventing the granting of monopolies on technical solutions and/or functional characteristics of a product.

**Comment**
The CJEU refused to grant protection to the shape of a product which it considered was necessary to fulfil a technical function. In its decision, the CJEU emphasised the public interest in reaching this decision so that other manufacturers would not be prevented from using that technical solution to make similar toy brick shapes.
Supermarket’s advertising held to take advantage of well-known brand

*Specsavers International Healthcare Limited v Asda Stores Limited* (No. 2) [2010] EWHC 2035 (Ch); [2011] FSR 1

The English High Court held that Asda’s strapline “be a real spec saver” took unfair advantage of Specsavers’ reputation in its registered trade marks. However, the court did not consider Asda’s other strapline “spec savings at Asda” to similarly take unfair advantage.

**Key Practical Consequences**

- Brand owners seeking to “live dangerously” by using their competitor’s marks as a reference point in advertising must ensure that any straplines or slogans do not create a strong association with the competitor mark in the mind of the public.
- Otherwise such strapline or slogan may be considered as taking advantage of the competitor mark.

**Discussion**

The supermarket chain, Asda, launched a marketing campaign to promote its optician services which it provides in its larger stores. The campaign was designed to sail as close to the Specsavers’ brand as legally possible and present Asda as being better than Specsavers on price. Asda launched new logos featuring green ellipses, which were reminiscent of the Specsavers’ logo. However, unlike the Specsavers’ logo, the ellipses in the Asda logos did not intersect and they featured the words “Asda” and “Opticians” prominently. Asda’s marketing campaign featured two main straplines; the first was “Be a real spec saver at Asda” and the second “Spec savings at Asda”.

Specsavers commenced proceedings under claims of trade mark infringement and passing off. The court dismissed the likelihood of confusion claims and for passing off. Due to the prominence of the Asda name in the Asda logos and straplines, there was no possibility of consumers being mislead into believing that the logos were Specsavers or there was a connection with Specsavers. The court also dismissed
the majority of Specsavers’ taking unfair advantage of its reputation claim, holding that the Asda logos and the second strapline had a only weak resonance with the claimant’s marks. However, the court held that the use of “spec saver” in the first strapline took advantage of the claimant’s mark as it made a clear reference to the knowledge of consumers and reputation of the SPECSAVERS brand as representing value. This advantage was unfair because Asda had intentionally sought to draw on the SPECSAVERS brand’s reputation for value.

Comment
It is common practice for brand owners especially supermarkets to “live dangerously” by using competitors’ brands as reference points for new products or in marketing campaigns. The prominent use of a well-known brand will often eliminate the likelihood for confusion with a competitor’s registered mark. However, it may not be enough to prevent liability for unfair use of the competitor’s brands. Brand owners who wish to make value comparisons with competitor brands are best advised if such brands are registered trade marks to make a straight comparison between the prices of their own and competitors’ products in accordance with comparative advertising legislation. Otherwise, more should be done to avoid creating a strong association with the competitor’s mark in the mind of the public.


*The US Supreme Court rejected the CAFC’s restrictive “machine or transformation” test as the sole test for determining whether an invention falls within the statutory categories of patent-eligible subject matter. Instead, the Supreme Court directed the continued use of well-settled precedent that an “abstract idea” (e.g., an algorithm) is not patentable.*

**Key point**
- Business method patents remain an important category of intellectual property in the US – add them to your portfolio in at least the fields of data processing, financial services, medical diagnostic and treatment, gene and biochemical research tools.

**Background**
Determining what is or is not eligible for patenting has been the subject of intellectual property law and subsequent litigation for decades. Determining whether a process or method is patentable has been particularly challenging.

In 2008, the CAFC ruled that processes or methods were eligible for patenting if, and only if, they satisfied one test: the “machine or transformation” test. This test required that a patentable process or method be tied to a particular machine or apparatus, or that it transform a particular article into a different state or thing. Many financial services, software and other industries were concerned that the test, if applied to so-called business methods patents, would render those patents invalid and worthless.

**No Single Test Is To Be Applied**
While the Supreme Court agreed with both the CAFC and the USPTO that Bilski’s commodities trading method was not eligible subject matter for patenting, it rejected the CAFC’s creation and reliance upon the “machine or transformation” test. The Supreme Court made clear that the patent laws...
need to stay dynamic, as was intended, to encompass the inventions in new and unforeseen technologies. In addition, the Court cautioned that “limitations and conditions which the legislature has not expressed” should not be read into the patent statutes enacted by Congress. In other words, since the Patent Act, Title 35, United States Code, does not categorically exclude business method and software patents, it is improper for courts to do so. (N.B. – this is a recurring theme of recent Supreme Court rulings overturning CAFC decisions.)

**Comment**

It is important to recognize that the Supreme Court did not preclude the courts’ further use of the “machine or transformation” test. Instead, the Court disallowed the use of this test as the exclusive test of patent eligibility for processes and methods. This test may still be used as “a useful and important investigative tool,” albeit in conjunction with other criteria and case law precedent to evaluate patent eligibility. Although the Supreme Court declined to impose specific limitations or tests for determining patent eligibility for “process patents” or provide additional insight into the meaning for the term statutory term “process,” it did leave the door open for lower courts to develop other “limiting criteria” (e.g., other tests for patent eligibility) in the area of processes and methods.

Thus, while business method and software patents are not to be entirely excluded from patent eligibility at this time, further development of US law in this area is expected.

**A Cautionary Note**

Of the nine current Supreme Court Justices, four concurred in the result but submitted a separate opinion expressing the view that business methods were never supposed to be patent-eligible subject matter. It is possible that a future case involving slightly different facts could present a better vehicle for these four Justices to persuade just one more of their colleagues to so rule.
“Isolated” DNA Is Not Patentable?

Ass’n for Molecular Pathology v USPTO, 702 F. Supp. 2d 181 (S.D.N.Y. 2010)

Although only a federal district court (i.e., trial court) decision, a New York judge’s ruling that “isolated” DNA is not patentable has stood the worldwide biotech industry’s hair on end. Unless reversed on appeal (the CAFC decision will likely be issued during 2011), tens of thousands of genetic engineering patents will be effectively invalidated, and the biotech industry destroyed.

Key point
• Stick with business as usual in the business of genetic engineering. After reading the title of this section, take a deep breath and relax. Despite this being potentially the most important patent case of the 21st century which, if affirmed, will wipe out the financial model of the genetic engineering industry, the likelihood of that happening is exceedingly low.

A Philosophical Challenge To Gene Patenting

Over the years since the USPTO started granting patents on genetically engineered materials and methods of producing and using them, individuals with largely philosophical objections (e.g., “life” cannot be patented, “nature” cannot be owned by private entities, etc.) have tried to challenge gene patenting on a variety of theories. Until early 2010, none had ever succeeded.

In this case, the plaintiffs managed to overcome significant obstacles to legal “standing,” with support from the American Civil Liberties Union and the Public Patent Foundation, and asked the federal district court to invalidate several “composition of matter” and method claims of gene patents owned and/or licensed by several universities, research institutions and companies. A few examples of the challenged patent claims are as follows:

1. An isolated DNA coding for a BRCA1 polypeptide, said polypeptide having the amino acid sequence set forth in SEQ ID NO:2. (U.S. Patent 5,747,282)
20. A method for screening potential cancer therapeutics which comprises: growing a transformed eukaryotic host cell containing an altered BRCA1 gene causing cancer in the presence of a compound suspected of being a cancer therapeutic, growing said transformed eukaryotic host cell in the absence of said compound, determining the rate of growth of said host cell in the presence of said compound and the rate of growth of said host cell in the absence of said compound and comparing the growth rate of said host cells, wherein a slower rate of growth of said host cell in the presence of said compound is indicative of a cancer therapeutic. (U.S. Patent 5,747,282).

2. A method for diagnosing a predisposition for breast cancer in a human subject which comprises comparing the germline sequence of the BRCA2 gene or the sequence of its mRNA in a tissue sample from said subject with the germline sequence of the wild-type BRCA2 gene or the sequence of its mRNA, wherein an alteration in the germline sequence of the BRCA2 gene or the sequence of its mRNA of the subject indicates a predisposition to said cancer. (U.S. Patent 6,033,857)

The trial court granted summary judgment of invalidity of the composition of matter claims, based on its interpretation of old case law that a “product of nature” is not patent-eligible subject matter. The method claims were found invalid under the CAFC’s “machine or transformation” test – a legal analysis that surely will not stand on appeal in the wake of the Supreme Court’s rejection of exclusive reliance on that test for patent eligibility.

**Substantive and Procedural Oddities**

Among the head-turning aspects of case, a few stand out. First, 89-year old U.S. District Judge Robert Sweet either ignored or failed to understand the factual differences between naturally occurring DNA and “isolated” DNA sequences – which do not occur in nature, are not products of nature, and can only be made by the application of great human ingenuity and skill. If those differences were, in fact, understood and ignored, then the Judge also ignored 30-year old, controlling U.S. Supreme Court precedent (in Diamond v. Chakrabarty) that the creation of a living organism, i.e., a bacterium, that is not found anywhere in nature, constitutes a patentable “composition of matter.”

In another head-scratching aspect of the case, the U.S. Department of Justice, ostensibly the legal representative of the USPTO, has sided with the plaintiffs in arguing that USPTO should not be issuing gene patents!

**Comment**

This case laid the groundwork for what may be the biggest U.S. IP news story of 2011, or of the decade or even millennium. Watch for further developments: anything but the CAFC’s outright reversal of the lower court’s decision has the potential to destroy much of the economic model for genetic engineering research.
How Difficult Should It Be To Invalidate A US Patent?

*i4i Ltd. P’ship v Microsoft Corp.*, 598 F.3d 831 (Fed. Cir.), cert. granted by *Microsoft Corp. v i4i Ltd. P’ship*, 2010 U.S. LEXIS 9311 (US, Nov. 29, 2010)

*Microsoft has convinced the U.S. Supreme Court to consider whether it should be relatively easier to invalidate U.S. patents in court when the prior art relied upon by the challenger was not considered in the first instance by the USPTO during prosecution of the original patent application. Should the Court agree with Microsoft’s argument, i.e., that it should be easier in that circumstance, U.S. patent law for the last nearly 30 years or more will be upended.*

**Key point**
- Be prepared, if the US Supreme Court accepts Microsoft’s argument, to quickly conduct prior art searches and then submit every conceivable prior art document to the US Patent & Trademark Office during prosecution of your patent applications.

**A Routine Case Inexplicably Turns Extraordinary**
Patentee *i4i* sued Microsoft in 2007 for infringement of a patent covering the custom XML functionality of Microsoft Word. One of Microsoft’s defenses was that *i4i*’s patent was invalid as anticipated (under 35 USC § 102(b)) by an *i4i* product called *S4*, which Microsoft alleged had been publicly used or offered for sale by *i4i* more than one year before *i4i* filed its patent application. In addition, Microsoft alleged that *i4i*’s patent was unenforceable due to inequitable conduct, as a result of *i4i*’s failure to submit the S4 software as material prior art to the USPTO during prosecution of its patent application. The jury ruled in *i4i*’s favor on all grounds, and damages and an injunction were awarded. Nothing unusual, so far.

**If It Isn’t Broken, Don’t Fix It?**
Microsoft had one serious problem with its S4 defense – no copies of S4 existed by the time of the litigation. Thus, the jury had nothing to inspect or consider when deciding whether S4 should have been submitted by *i4i* to the USPTO, or whether S4 did, in fact, embody the patented invention and thus invalidate
i4i’s patent. While not all that unusual a circumstance, Microsoft argued that because the USPTO never considered the allegedly prior art S4 software during examination of i4i’s patent application, the standard of proof for invalidity should be lowered from the well-established “clear and convincing evidence” test to the more easily demonstrated “preponderance of the evidence” test.

Microsoft’s argument for a lower standard of proof when the specific prior art at issue was not considered by the USPTO has been raised and uniformly rejected for nearly thirty years, and arguably for long before the creation of the CAFC in 1982, as well. On appeal, the CAFC once again rejected Microsoft’s position, as it has done countless times before. However, despite previously rejecting an equally countless number of attempts to appeal the very same issue to the next appellate level, on November 29, 2010, the U.S. Supreme Court decided to accept Microsoft’s appeal.

The single, most important question raised by the Supreme Court’s acceptance of Microsoft’s appeal is: why? Do the Supreme Court Justices see something wrong with the U.S. patent system, or the way it has been working for 30 years or more? Is the current composition of the Court more hostile to patents than in the past? One thing is certain: the Supreme Court does not have a habit of accepting discretionary appeals to congratulate the CAFC for doing its job well, or properly.

Reading Tea Leaves and Tarot Cards

While the AMP v. USPTO case has the potential to destroy the value of all genetic engineering patents, this case has the potential to dramatically reduce the value of all U.S. patents (including Microsoft’s own patents, it should be noted) by making it generally easier to invalidate them through litigation. Perhaps Microsoft (and its amici curiae supporters) believes that their patents are stronger or better than the patents on which they are sued by others; perhaps they believe that because they have so many patents, they are statistically much better off than other patent owners. The strategic thinking behind Microsoft’s challenge is not absolutely clear.

The “clear and convincing evidence” test has been viewed as a consequence of the statutory presumption of validity contained in the Patent Act, 35 USC § 282. It applies regardless of the whether or not the particular prior art, or legal issue concerning patentability, was considered by the Patent Office. However, the patent law does not actually state what the standard of proof at trial should be when challenging patent validity; many years ago, there was room to argue that the presumption of validity was a procedural mechanism, placing the burden of proof on the challenger – but not stating what standard of proof had to be met. Is this yet another instance of the Supreme Court’s campaign to rein in the CAFC’s use of rules or tests that do not appear in the patent statutes themselves?

While it might make sense that less deference should be given when the issue or prior art was not considered in the first instance, a lower standard of proof would undermine and destroy the value of nearly every patent and patent portfolio, value that has been justifiably relied upon for decades in a wide variety of circumstances, from corporate purchase and sale transactions, to financing considerations, and the like.

Equally importantly, a Supreme Court ruling in Microsoft’s favor would immediately cripple the operations of the USPTO, for every patent applicant would be best served by submitting every bit of prior art, no matter how remotely relevant, for consideration by patent examiners in order to avoid application of a lower standard of proof later.

While the result of this case will not be known until 2011, the mere fact that the Supreme Court accepted the appeal at all is regarded as one of the blockbuster IP events in 2010, and has already sent shudders throughout the inventing community.
When Does the “Online Marketplace Operator” Become Responsible for Contributory Trademark Infringement?

_Tiffany (NJ) Inc. v eBay Inc.,_ 600 F.3d 93 (2nd Cir.), cert. denied, 2010 U.S. LEXIS 9355 (U.S., Nov. 29, 2010)

“Online marketplace operators” like eBay become liable for contributory trademark infringement only when they continue to provide services to specific seller whom they know, or have reason to know, are selling counterfeit merchandise. General knowledge that the online service is being used for trademark infringement by some users is not enough. It is up to brand owners to continuously and vigilantly monitor goods sold through such online channels, and to make use of the “notice-and-take-down” procedures generally employed by the operators.

Key Point
- Online marketplace operators must establish and responsibly operate their own anti-counterfeiting measures, including effective and prompt notice-and-take-down procedures, in order to avoid being charged with knowledge of, and contributory liability for, specific trademark infringement activities by sellers using their online marketplace services.

Activities of Online Marketplace Operators Challenged

eBay is an Internet-based, online marketplace facilitating the sale and purchase of scores of millions of products of every kind and character. Among the listings on eBay’s website are many of the most popularly branded products, including listings for “Tiffany” jewelry. There is no dispute that some of the listed branded products are genuine, and that a “significant portion” are counterfeit. At trial in 2008, Tiffany alleged that eBay’s facilitating and advertising the sale of the counterfeit “Tiffany” goods constituted both direct and contributory trademark infringement, trademark dilution, and false advertising. The federal district court in New York ruled in favor of eBay on all of Tiffany’s claims.
“General Knowledge” Is Not Enough To Establish Contributory Infringement

Nearly thirty years ago, the U.S. Supreme Court stated (in its Inwood Labs v. Ives Labs decision) that if “a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.” No appellate court had ever before considered the application of this rule in the context of an online marketplace operator. There was no allegation in the case eBay’s intentional inducement of trademark infringement. Instead, the second part of the Inwood test – whether eBay continued to supply its services to sellers whom it knows or has reason to know are selling counterfeit Tiffany goods – was the key issue on appeal.

It was undisputed that whenever Tiffany alerted eBay to specific infringements, eBay acted promptly and removed the listings in accordance with its own anti-counterfeiting measures, including its notice-and-take-down procedure. Not satisfied, however, Tiffany argued that “eBay knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website,” and that eBay should be liable because, despite its knowledge of the widespread sale of counterfeit Tiffany merchandise on the eBay site, it continued to make its services available to infringing sellers.

The Second Circuit Court of Appeals affirmed the trial court’s decision that the sort of generalized knowledge of infringement alleged by Tiffany is not sufficient to support a finding contributory infringement, under the Supreme Court’s Inwood test. “For contributory infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” “[T]he particular phrasing that the [Supreme] Court used – that a defendant will be liable if it ‘continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement’ – supports the district court’s interpretation of Inwood, not Tiffany’s.” eBay’s satisfactory implementation and operation of its anti-counterfeiting measures, including its notice-and-take-down procedure, doomed Tiffany’s attempt to “demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.”

Policy Issues Not The Court’s Concern

Tiffany argued that that trademark/brand owners should not be forced to monitor eBay’s website “24 hours a day and 365 days a year.” The Court of Appeals deemed that argument to be better directed to Congress, the body responsible for allocating the burden of policing trademarks through legislation.

Comment

Eventual acceptance by the Supreme Court of Tiffany’s appeal (once the case has been completely resolved) is certainly a possibility. But for now and the foreseeable future, online marketplace operators who implement reasonable notice-and-take-down procedures are immune from contributory infringement liability under U.S. trademark law for infringement solely by reason of the fact of, and their general knowledge of, the sale of infringing products on via those sales channels.
Copyright Exhaustion or Copyright Infringement: Is Software Sold Or Licensed?

Vernor v Autodesk, Inc., 621 F.3d 1102 (9th Cir. 2010)

When consumers pay shops or online merchants for popular computer software programs, they rarely read “shrink wrap” or “click through” licenses. At least until recently, many such consumers believed that they owned the purchased computer software programs and were free to resell them. In many cases, such subsequent resales constitute copyright infringement, because the original transactions were not sales at all, but were instead merely licensing transactions (as spelled out in the “shrink wrap” or “click through” licenses.

Key Point
Software companies must make sure that documentation accompanying physical transfer of a copy of the software makes clear that the software user is a licensee, rather than an owner of a purchased copy, by (1) stating that the user is granted a license; (2) significantly restricting the user's ability to transfer the software; and (3) imposing notable use restrictions.

Background
Autodesk sold their flagship 2D and 3D computer-aided design product, AutoCAD, pursuant to the terms of a shrink wrap license that forbid resale of the software. AutoCAD was sold in sealed boxes for a fixed price with no-recurring fees or expirations for use. By including a license agreement with the copy of the software that purported to reserve to Autodesk ownership of, and title to, the copy, Autodesk argued that the copy was not owned by the purchaser.

Vernor, an eBay "PowerSeller," offered used copies of AutoCAD on eBay, which repeatedly removed Vernor's auction in response to Autodesk's DMCA take-down notice in which Autodesk asserted copyright in the works being auctioned by Vernor. Vernor eventually filed a declaratory judgment action with the assistance of a public advocacy organization.
The federal district court ruled for Vernor, finding controlling case law on the issue precedent to be irreconcilably inconsistent and, thus, relying on the earliest directly applicable appellate court decision over later ones.

**Vernor Is A Licensee, Not An Owner**
The 9th Circuit Court of Appeals held that Vernor’s resale of authentic, used Autodesk AutoCAD CDs constitutes copyright infringement because he is a licensee, and not a purchaser, of the copyrighted software programs. Because the CDs had never been “sold,” Autodesk’s rights were not exhausted by the Copyright Act’s “first sale doctrine” (17 U.S.C. § 109(a)).

The Court of Appeals looked to the circumstances surrounding the transfer of the software, and held that a software user is a licensee, rather than an owner of a purchased copy, when the copyright owner: (1) specifies that the user is granted a license; (2) significantly restricts the user’s ability to transfer the software; and (3) imposes notable use restrictions.

**Comment**
The decision is significant because most software packages include end user license agreements (“EULAs”), many of which would likely satisfy the 9th Circuit's "license" test. The case is a major victory for the software industry and for other industries (such as music and film) where the content protected by copyright can be licensed separately from the physical medium in which it is transferred to users. As a result, software publishers are now able to use copyright law to restrict the resale of “used” copies of their software products in stores and online venues such as eBay or Craigslist.
List of Top US IP Cases in 2010

Patent Cases

- **i4i Ltd. P’ship v Microsoft Corp.**, 598 F.3d 831 (Fed. Cir.), cert. granted by Microsoft Corp. v. i4i Ltd. P’ship, 2010 U.S. LEXIS 9311 (U.S., Nov. 29, 2010)
- **Ass’n for Molecular Pathology v USPTO**, 702 F. Supp. 2d 181 (S.D.N.Y. 2010)

The U.S. Supreme Court will decide whether actual knowledge of a patent is a prerequisite for a finding of “specific intent” needed to support liability for inducement of infringement of that patent. The CAFC appeared to so rule in an en banc decision in 2006, but in this case equated “deliberate disregard” for the likely existence of a patent with actual knowledge.


The CAFC reined in speculative damages awards for patent infringement by announcing stricter standards for determining what types of evidence may be relied upon by damages experts in determining a “reasonable royalty.”


On remand from the Supreme Court following that Court’s Bilski decision, the CAFC again found patent claims including the steps of (1) administering a drug to a subject; (2) determining metabolite levels; and (3) warning that an adjustment in dosage may be required, to recite patentable subject matter, and not merely natural phenomena.

- **Ariad Pharms, Inc. v Eli Lilly & Co.**, 598 F.3d 1336 (Fed. Cir. 2010) (en banc)

The CAFC ruled that Section 112, first paragraph, of the U.S. Patent Act (Title 35, U.S.C.), does indeed include a separate “written description” requirement in addition to the “enablement” requirement of the statute – as has been generally understood since at least 1952.

- **Wyeth v Kappos**, 591 F.3d 1364 (Fed. Cir. 2010)

The USPTO’s method of calculating Patent Term Adjustment (PTA) under 35 U.S.C. § 154(b) was ruled incorrect, resulting in extremely valuable “extended PTA” for many important pharmaceutical patents.


In another case curtailing excessive patent infringement damages awards, the CAFC rejected any use of the “25% rule of thumb” as a “fundamentally flawed tool for determining a baseline royalty rate” in the analysis of a reasonable royalty, and reiterated the limited circumstances in which the “entire market value” rule is correctly applicable.
The CAFC continued its pattern of granting mandamus petitions seeking orders directing transfer of patent infringement cases truly having little or no real connection to the plaintiff’s chosen litigation forum out of the U.S. District Court for the Eastern District of Texas.

**Hyatt v Kappos**, 625 F.3d 1320 (Fed. Cir. 2010) (en banc)

In a rebuff to the USPTO’s desire to limit a patent applicant’s rights when challenging its refusal to grant a patent, the CAFC held that the U.S. District Court for the D.C. Circuit is not restricted to deferential review of the USPTO’s decision under the Administrative Procedure Act, where the applicant offers new facts in evidence in a 35 USC § 145 civil action against the USPTO.

**Trademark Cases**

- **Tiffany (NJ) Inc. v eBay Inc.**, 600 F.3d 93 (2nd Cir.), cert. denied, 2010 U.S. LEXIS 9355 (U.S., Nov. 29, 2010)

- **Nightingale Home Healthcare, Inc. v Anodyne Therapy, LLC**, 626 F.3d 958 (7th Cir. 2010)

  Influentially regarded Circuit Judge Richard Posner announced a new test for use in federal courts of the Seventh Judicial Circuit (covering the states of Illinois (including Chicago), Indiana, and Wisconsin) for determining whether a Lanham Act case is “exceptional” under so as to warrant an award of attorneys’ fees to the prevailing party.

- **Freecycle Sunnyvale v Freecycle Network**, 626 F.3d 509 (9th Cir. 2010)

  While courts in other federal judicial circuits require a showing of “naked licensing” plus proof that a mark has lost its trademark significance in order to find abandonment, the Ninth Circuit Court of Appeals affirmed a trial court’s finding of abandonment based on the showing of naked licensing alone, without proof of loss of trademark significance. (It should be noted, however, that the trademark owner failed to raise the issue at the trial court, which may explain this decision and signal that that its significance may be limited, rather than representing an easing of the test for abandonment.)

**Copyright Cases**

- **Vernor v Autodesk, Inc.**, 621 F.3d 1102 (9th Cir. 2010)


  The Copyright Act’s “first sale doctrine” (17 U.S.C. § 109(a)) does not apply to goods manufactured abroad and then imported into the United States without the copyright holder’s authorization.


  Viacom’s copyright infringement claims (seeking more than $1 billion) against YouTube were dismissed by the federal district court in New York. YouTube’s compliance with “safe harbor” provisions for internet content hosts, namely, its compliance with the “notice-and-take-down” scheme of the Digital Millennium Copyright Act provides YouTube with complete immunity for any infringing conduct by its users. The decision is currently being appealed by Viacom to the 2nd Circuit Court of Appeals.
Fine upheld for abuse of patent system and procedures for marketing pharmaceutical products

AstraZeneca v Commission, Judgment of the General Court of the European Union (EU), Case T-321/05, 1 July 2010

The General Court has largely upheld the 2005 decision of the European Commission (EC) finding that AstraZeneca had infringed Article 102 TFEU by abusing its dominant position on the market for ‘proton pump inhibitors’. However, the General Court reduced the fine from €60 million to €52.5 million.

Key Points

Competition law can be used as the basis for a successful ‘Euro defence’ against trade mark infringement proceedings, even where the infringement case appears to be clear cut.

- Although such a defence may introduce sufficient uncertainty to defeat an application for summary judgment, it is far from clear that it would ultimately be successful at trial.

Facts

On 15 June 2005, the EC adopted a decision finding that AstraZeneca has infringed Article 102 TFEU by engaging in two abusive practices in relation to its best-selling drug, Losec:

1. AstraZeneca misrepresented to national patent offices the date of the first marketing authorisation for Losec. This had the effect of enabling AstraZeneca to obtain an additional period of protection from generics competition in Belgium, Denmark, Germany, the Netherlands, Norway and the UK, by means of supplementary protection certificates (SPCs); and

2. AstraZeneca switched from selling Losec in capsule form to tablets, whilst simultaneously asking national medicines agencies to withdraw the market authorisations for Losec capsules. This meant that generic manufacturers wanting to manufacture and supply a generic similar to Losec, as well as parallel
traders, could not use the simplified marketing authorisation for the capsule form, because there would no longer be a current reference authorisation on file with the agencies.

On appeal, the General Court found that AstraZeneca had made ‘deliberately misleading representations’ to the patent offices of several EU Member States in order to obtain extended patent protection for Losec. The General Court found that this sufficed to constitute an abuse and that there was no need for the Commission to demonstrate AstraZeneca’s bad faith or any positively fraudulent intent on its part. It was held to be sufficient that the conduct of AstraZeneca was characterized by a “lack of transparency” or absence of “proactive disclosure” and was thereby contrary to the “special responsibility” of an undertaking in a dominant position “not to impair by its conduct genuine undistorted competition in the market”.

On the second abuse, the General Court found that AstraZeneca’s deregistration of its Losec capsule marketing authorizations in several EU countries at the same time as introducing Losec tablets did not constitute “competition on the merits” and, as such, amounted to an unlawful abuse.

The General Court annulled the Commission’s finding of an infringement on the deregistrations of the Losec capsule marketing authorisations in Denmark and Norway, on the ground that it was not proved that those actions were capable of restricting parallel imports and, on that basis alone, reduced the fine by €7.5m.

AstraZeneca has appealed this judgment to the Court of Justice of the EU.

**Comment**

This is the first time that the EC has found that creative use of the patent system and the procedures for marketing pharmaceutical products to prevent or delay the market entry of competing generic medicinal products can constitute the unlawful abuse of a dominant market position. This should be of particular concern for holders of highly successful pharmaceutical patents, given the narrow market definitions (based on specific clinical application) that are typically adopted by the competition authorities in such cases.

The EC specifically noted that the level of the fine in this case took into account the fact that some features of the abuses were novel. It is therefore likely to impose even higher fines in similar cases in future.
Court of Appeal refuses to dismiss possibility of competition defence to trade mark infringement action


Lord Hoffmann’s reasoning in Biogen Inc v Medeva Plc (1997) RPC 1 was an exception that was applied to what was a unique case and was not a general rule applicable to any product claim. A patent with a claim that related to a product and not a method was not susceptible to revocation on grounds of insufficiency under the Patents Act 1977 s.72(1)(c) and this remained to be the case where the only inventive step was contained within the method by which the product was made available and also where the description and specification disclosed the inventive method only.

Key Points

• Competition law can be used as the basis for a successful ‘Euro defence’ against trade mark infringement proceedings, even where the infringement case appears to be clear cut.

• Although such a defence may introduce sufficient uncertainty to defeat an application for summary judgment, it is far from clear that it would ultimately be successful at trial.

Facts

Sun Microsystems (subsequently acquired by Oracle) brought trade mark infringement proceedings against M-Tech (an independent distributor of computer hardware) for selling disk drives that it had acquired from a US hardware broker, and which bore the Sun trade mark, to a UK based customer without Sun’s consent. Sun was able to prove from its internal records that it had first placed the disk drives in question on the market in China, Chile and the US. Sun was granted summary judgment against M-Tech by the High Court in November 2009 ([2009] EWHC 2992 (Pat), Kitchen, J.), with the judge noting that it was an “inevitable conclusion that M-Tech has no defence to the claim”.

Competition Case Summaries:
Not put off by this, M-Tech appealed this judgment to the Court of Appeal. As before the High Court, its defence was based on the following arguments:

- Sun's policy of not providing access to its product database, which would enable independent traders to distinguish products that had been placed on the market in the EEA with Sun's consent (and therefore could be legitimately resold) from others, and of vigorously enforcing its IP rights against those traders, had the effect of effectively shutting down the secondary market in such products within the EEA. Such a policy restricted cross-border sales in the EU in a manner that was contrary to Article 34 TFEU (formerly Article 28 EC Treaty) (which prohibits governments imposing quantitative restrictions on imports and measures having equivalent effect) and was an abuse of Sun's rights. As a result, Sun was not entitled to enforce its trade mark rights against M-Tech, notwithstanding the express wording of Articles 5 and 7 of the Trade Mark Directive (2008/95/EC).

- Provisions in Sun's agreements with its authorised distributors prohibited them from purchasing Sun hardware from independent distributors, unless it was unavailable from other sources. On the assumption that such restrictions were contrary to Article 101(1) TFEU (formerly Article 81(1) EC Treaty) (which was so assumed for these purposes), Sun's enforcement of its trade mark rights against independent distributors such as M-Tech would reinforce those anticompetitive agreements and should therefore not be permitted, on the basis that the exercise of IP rights is subject to competition law (relying on Sportswear Spa v. Stonestyle Ltd [2007] FSR 2).

Rather surprisingly, the Court of Appeal found that both of these defences were properly arguable. On the first, it rules that the principles of Article 34 TFEU arguably superseded the express provisions of the Trade Mark Directive. (Some indication of the court's attitude, which arguably contributed to this finding, is given by its observation that “the practices alleged arguably have more to do with restricting imports with the object of preventing price competition within the EEA and thereby protecting Oracle's profit margins than with the proper exercise of the right to control the first marketing of Oracle equipment within the EEA”.) On the second defence, the court found that Oracle's argument that there was a 'complete disconnect' between the agreements and its enforcement of its trade mark rights did not take into account the allegation that both formed part of “an overall scheme for excluding secondary traders from the market”.

The Court of Appeal therefore allowed the appeal and ordered that the case be remitted to the High Court, with an indication that there was a strong case for a reference by the trial judge to the Court of Justice of the EU, under Article 267 TFEU (formerly Article 234 EC Treaty). Oracle has sought leave to appeal the Court of Appeal's judgment to the Supreme Court.

Comment
This case shows that, in the absence of established authority, a well-argued defence based on European law reasoning may introduce sufficient uncertainty over the legal position to defeat an application for summary judgment, even where the issue of infringement appears to be clear cut. What is particularly surprising about this case is that the trade mark owner was seeking to enforce its rights to prevent sales of products into the EU that had quite clearly never been placed on the market within the EU. As such, the approach diverges from the usual one of focusing on restrictions on cross-border trade between EU Member States and could be viewed as a reintroduction of the concept of international exhaustion of rights. It will be interesting to see how the Supreme Court responds, if leave to appeal is granted.

*Rambus Inc*, European Commission commitments decision under Article 9 Regulation 1/2003, dated 9 December 2009, Case COMP/38.636

On 9 December 2009, the European Commission (EC) announced that it had accepted binding commitments from technology licensing company, Rambus, concerning the royalty rates for licences of its patents relating to standards applicable to Dynamic Random Access Memory (DRAM) chips. In return for the commitments, the EC has closed its investigation into whether the royalties demanded by the company from companies manufacturing standard-compliant DRAM chips constituted an abuse of a dominant position, in circumstances where its patents were relevant for the standard only because Rambus had not complied with the standard setting body’s rules to disclose all relevant patents and patent applications at the time that the standard was being set.

Key points

- Ownership of a patent may confer dominance if that patent is subsequently relevant to a standard and thereby gives the owner control over a market.

- Even though the competition authorities will be reluctant to second guess the appropriate level of royalties for a patent licence, royalties that are demanded by the patent owner once a standard is adopted may be viewed as abusive, by reference to the factual circumstances in which the standard was set.

- Evidence of deceptive conduct and/or failure to comply with the rules of a standard setting organisation may be a relevant factor in proving abuse of dominance, even if the undertaking concerned was not dominant at the time of that conduct.
Facts
Rambus was a member of standard setting body, JEDEC, which is responsible for setting the standard for DRAM chips. This standard includes the manner in which DRAM chips interface with other computer hardware. As a member of JEDEC from 1991 to 1996, Rambus was involved in the setting of the original DRAM standard. Contrary to the rules of the organisation, however, it did not disclose that it held issued and pending patents relating to that standard. Once the standard was adopted, Rambus demanded royalties from all manufacturers of JEDEC-compliant DRAMs.

Following complaints from chip manufacturers, on 30 July 2007 the EC formally accused Rambus of abusing a dominant position, contrary to Article 102 of the Treaty on the Functioning of the European Union (TFEU), by claiming unreasonable royalties for the use of its patents, in circumstances where it was able to demand such high royalties only because of ‘intentional deceptive conduct’ and failure to comply with the rules of the JEDEC standard setting process. Even though Rambus had not been dominant on the market for DRAM interface technologies at the time that it engaged in this conduct, it subsequently became dominant on that market as a result of the relationship between its patents and the JEDEC standard.

Under the commitments accepted by the EC, Rambus has agreed to charge no royalties for use of those patents relating to standards that were set at the time when it was engaged in the allegedly intentionally deceptive conduct. In addition, Rambus committed to royalty caps for later generations of DRAM standards, which were not directly affected by such conduct, to reflect the fact that the industry is now locked in to the JEDEC DRAM standards on an ongoing basis and hence the effects of the original abuse are still being felt by licensees.

The commitments are valid for five years. Although the EC is prevented from reopening its investigation while the commitments are in force, it can take enforcement action against Rambus for failure to implement them.

Comment
This case clearly demonstrates the scope for attacking ‘patent ambushes’ as an abuse of dominance under Article 102 TFEU. It is consistent with the EC’s wider policy on standard setting, which emphasises that the process should take place in a non-discriminatory, open and transparent way. Further details of the EC’s attitude to standard setting are provided in its new Horizontal Agreement Guidelines, which were adopted on 14 December 2010. These include the statement that, to comply with Article 101(1) TFEU, a standard setting body should require good faith disclosure of potentially relevant IP rights and a commitment by all participants to license those rights on fair, reasonable and non-discriminatory terms.

Other 2010 competition cases/investigations which might interest you:
- FAPL and Others v. QC Leisure/Murphy v. MPS, C 403/08 and C-429/08, Court of Justice of the EU.
- Reckitt Benckiser/Gaviscon, see press release of the UK Office of Fair Trading 106/10 of 15 October 2010.
- European Commission report on the pharmaceuticals sector inquiry (see Press Release IP/09/1098 of 8 July 2009) and follow-up (including ongoing investigations into Lundbeck and Servier).
Enlarged Board of Appeal of the European Patent Office decides on the patentability of surgical methods

Decision G1/07 of the Enlarged Board of Appeal at the European Patent Office

The Enlarged Board decided on the patentability of surgical methods, particularly those forming part of diagnostic methods. Under the EPC, methods for the treatment of the human or animal body by surgery are excluded from patent protection. The decision provides guidance on the scope of this exclusion and how the patentability of surgical methods should be determined in Europe.

Key Practical Consequences

• The Enlarged Board ruled that a claimed imaging method that includes an invasive step involving a substantial physical intervention on the human body is excluded from patentability as an excluded method of treatment by surgery.

• However, the Board also ruled that embodiments with a step of this kind may be disclaimed in order to avoid this exclusion.

• By this decision, the Board overruled an earlier decision in which it was decided that a method that involves a non-insignificant intentional physical intervention, but that is clearly not potentially suitable for maintaining or restoring the health of a person, was not excluded from patentability.

• According to the Enlarged Board, it is the nature and not the purpose of the method that should be assessed in determining whether or not this exclusion is relevant.

Discussion

This Decision was in response to a refusal of a patent application relating to a magnetic resonance imaging method involving a step of “administering” an imaging agent. One method of administration disclosed in the application was by injection into the heart. The Enlarged Board decided that
a surgical step carried out in a diagnostic method is still a surgical step and should be judged under the surgical exclusion. The Enlarged Board then went on to consider the meaning of the term “method of treatment by surgery”. It was acknowledged that it was not possible to provide an exact definition of this exemption in the Decision. However, the guidance that was provided included that the surgical method should be excluded if it: includes an invasive step; it includes a substantial physical intervention; it requires professional medical expertise; and it entails a substantial health risk. The Enlarged Board explained that it may be possible to exclude a surgical step from a claim in order to work around this exclusion. Thus, for example, the use of a specific disclaimer could be considered or the surgical step could be excluded from the claims.

Comment
This decision clarifies the exclusion of surgical methods from patentability in Europe. The existing practice of drafting claims in Europe to exclude a surgical step appears to remain valid practice in Europe. Due consideration should be given to the fact that surgical methods are not excluded from patentability in other countries - such as the United States.
Enlarged Board of Appeal of the European Patent Office decides that dosage regimes are patentable

Decision G2/08 of the Enlarged Board of Appeal at the European Patent Office

The Enlarged Board decided that medical use claims directed to new and inventive dosage regimes are patentable. At the same time, the Enlarged Board ruled that the Swiss-type medical use claims are not allowable under EPC 2000.

Key Practical Consequences

- Claims to a substance for use in a new and inventive medical use are allowable.
- The medical use does not necessarily need to be a new disease, but could be a new and inventive dosage regime.
- It will now not be possible to pursue Swiss-type claims in European patent applications.
- Instead, the following format of claim for a new medical use of a known substance should be used: “Compound X for use in the treatment of disease Y”.

Discussion

The case at issue concerned a Swiss-type claim where the only distinguishing feature over the prior art was a specific dosage regime for a drug already known to treat a disease (hyperlipidaemia). There had been conflicting decisions from the European Patent Office as to whether a dosage regime could be considered a new medical use capable of imparting novelty on a medical use claim, or whether it would simply be considered a method of medical treatment. The following questions were referred to the Enlarged Board and answered as follows:

1. Where it is already known to use a particular medicament to treat a particular illness, can this known medicament be patented under the provisions of Articles 53(c) and
54(5) EPC 2000 for use in a different, new and inventive treatment by therapy of the same illness? Yes - Where it is already known to use a medicament to treat an illness, the medicament can still be patented for use in a different treatment by therapy of the same illness.

2. If the answer to question 1 is yes, is such patenting also possible where the only novel feature of the treatment is a new and inventive dosage regime? The answer to this question was also yes.

3. Are any special considerations applicable when interpreting and applying Articles 53(c) and 54(5) EPC 2000? Yes – the claim may no longer have the format of a so-called Swiss-type claim.

Comment
This is an important decision from the Enlarged Board since it confirms that when it is already known to use a medicament to treat an illness, this medicament can still be patented for use in a different treatment by therapy of the same illness. Moreover, the decision confirms that novel and inventive dosage regimes are patentable subject matter.
This publication is for general guidance only and is not intended to be a substitute for specific legal advice. If you would like any further information please contact:

John Olsen  
tel: +44 (0) 207 556 4350  
J Olsen@eapdlaw.com

The Intellectual Property Case Law book is published by Edwards Angell Palmer & Dodge for the benefit of clients, friends and fellow professionals on matters of interest. The information contained herein is not to be construed as legal advice or opinion. We provide such advice or opinion only after being engaged to do so with respect to particular facts and circumstances. The firm is not authorized under the UK Financial Services and Markets Act 2000 to offer UK investment services to clients. In certain circumstances, as members of the Law Society of England and Wales, we are able to provide these investment services if they are an incidental part of the professional services we have been engaged to provide.

Please note that your contact details, which may have been used to provide this bulletin to you, will be used for communications with you only. If you would prefer to discontinue receiving information from the firm, or wish that we not contact you for any purpose other than to receive future issues of this bulletin, please email ‘ContactUs@eapdlaw.com’.

© 2011 Edwards Angell Palmer & Dodge LLP a Delaware limited liability partnership including professional corporations and Edwards Angell Palmer & Dodge UK LLP a limited liability partnership registered in England (registered number OC333092) and regulated by the Solicitors Regulation Authority.

Disclosure required under US Circular 230: Edwards Angell Palmer & Dodge LLP informs you that any tax advice contained in this communication, including any attachments, was not intended or written to be used, and cannot be used, for the purpose of avoiding federal tax related penalties, or promoting, marketing or recommending to another party any transaction or matter addressed herein.

ATTORNEY ADVERTISING: This publication may be considered “advertising material” under the rules of professional conduct governing attorneys in some states. The hiring of an attorney is an important decision that should not be based solely on advertisements. Prior results do not guarantee similar outcomes.