



# THE EUROPEAN IP BULLETIN

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### **1. EUROPEAN PARLIAMENT ADOPTS CONTROVERSIAL AMENDMENTS TO PROPOSED DIRECTIVE ON COMPUTER IMPLEMENTED INVENTIONS**

At the plenary session on 24 September 2003, the European Parliament adopted an amended text for the proposed Directive on Computer Implemented Inventions (“CII’s”). The amendments adopted at this, Parliament’s first reading, illustrate the extent to which the Open Source Community has succeeded in lobbying MEPs with a view to severely limiting the level of protection afforded to CII’s, including software inventions. At the same time, questions are raised over the effectiveness and appropriateness of patent protection in technological industries in general. The text adopted by Parliament has very considerable disparities with the text originally proposed by the Commission and reverses many amendments adopted by its own Standing Committee under the guidance of Labour MP Arlene McCarthy.

The Commission’s original proposal recognised the importance of patents in stimulating innovation in the European packaged software market (worth €39 billion in 1998). It went on to identify problems with the status quo, principally the ambiguity caused by the specific exclusion from patentability of computer programs and potential differences in case law, in particular between national courts of member states and the boards of appeal of the EPO. To avoid a negative impact on the functioning of the internal market, the proposed directive is intended to harmonise national laws in respect of CII’s and make the conditions for patentability more transparent.

Following the usual legislative procedure, the Commission’s original proposal was passed to both the Council of Ministers and the European Parliament. The Council of Ministers considered the proposal and reached a common position in November 2002. At the same time, the European Parliament had referred the Commission’s proposal to a Standing Committee, The Committee on Legal Affairs and the Internal Market (“JURI”). This committee of experts was and continues to be steered by Arlene McCarthy.

While a review of all significant amendments from Parliament’s first reading is outside the scope of this update, the amendments include amendments to Article 2(a) concerning the definition of a “computer-implemented invention” and Article 2(b) which now defines a fourth requirement for patentability in the form of a “technical contribution”. Technical contribution is defined in terms of “natural forces to control physical effects beyond the digital representation of information”. This language is much narrower than existing requirements for a technical contribution and is used throughout the text.

Two new subsections to Article 2, namely Article 2(ba) and (bb), further extend these definitions and additionally define “industry” within the meaning of European patent law to mean “the automated production of material goods”.

The new provisions also define “technical field” very narrowly and specifically rule out inventions involving the processing, handling and presentation of information from belonging to a technical field.

Interestingly, new Article 4(b) provides that solutions to technical problems will not be considered patentable inventions merely because they improve efficiency in the use of resources within a data processing system. This is among several amendments which seek to preclude patent protection for CIIs causing technical effects within computer apparatus.

Articles 5(1) and 5(1a) would constrain the claim format available for CIIs to a product (e.g. a programmed device) or a technical production process. Patent claims to a computer program, either on its own or on a carrier, are excluded explicitly.

Articles 5(1b) and 6(a) exclude the production handling, processing, distribution and publication of information, in whatever form, from infringement. Further, the use of a patented technique for a significant purpose, such as ensuring conversion of the conventions used in two different computer systems or networks so as to allow communication and exchange of data there between, is not considered to be patent infringement under the adopted text. This language is broad enough to undermine the value of patents outside software and computing fields.

Other amendments and new articles concern:

- (i) an obligation on the Commission to monitor the impact of patent protection on software innovation, particularly among small and medium sized enterprises.
- (ii) an obligation on patentees to include program listings and make them available without restrictive licensing terms.
- (iii) an obligation on the EPO to review its operating procedures in the public interest; and consideration of whether a grace period is useful in patent systems.

The latter two issues at least appears not to bear particular relevance to CIIs.

With the first reading now complete, the next stage in the legislative process is for the Council of Ministers to modify the proposal by adopting a common position. The European Parliament can then accept the draft directive or reject it with further amendments.

In the event of continued disagreement between the Parliament and the Council, the directive will be referred to a conciliation committee in an attempt to reach an agreement. If no agreement is reached in that process, the proposal is deemed not to have been adopted (i.e. it fails), and the law remains unchanged.

The situation now has many parallels with that following early drafts of the Biotech Directive, which also included unworkable texts. Some commentators have tried to rationalise the deliberately radical position

adopted by the Parliament as an intention to get all their bargaining chips on the table ahead of negotiations. Others have suggested Parliament's text is unworkable or inappropriate in so many respects it raises doubts over whether amendments can be made within the general principles adopted by the Parliament. Unless the proposal fails to be agreed or the Commission withdraws it as unworkable, there is a real possibility that aspects of this defective legislation will be adopted as part of a Directive. It is therefore important that sufficient education and debate ensues, among members' clients, relevant industry and professional institutions to ensure the ramifications for technological industries in general are fully appreciated.

## **2. EUROPEAN TRADE MARK PROTECTION AND UNFAIR COMPETITION –VIEWS FROM THE UK & ITALY**

The importance of the issue of prior rights in the European trade mark system is clear beyond doubt. Prior registered rights leave the commercial situation relatively clear for both businesses and their legal advisors. Rigorous trade mark searches (and market research or 'brand audits') are always advisable before investing in trade mark registrations and launches of newly named products or services. Earlier registered rights can constitute a block to trade mark registration or can lead to legal action based on Member States' unfair competition laws. Unused registered trade marks can, within the minimum use requirements (genuine use within 5 years of registration), can constitute "abandoned vessels in the shipping lanes of trade" blocking new traders who wish to register signs as trade marks.

With the important decision of Inter Lotto in the Court of Appeal, a different form of prior rights - unregistered rights - are seen also to be of vital concern to business. Such earlier rights, like passing off rights, are not visible "abandoned" vessels blocking the shipping lanes of trade. Quite the contrary, these are "submarine" submerged rights which can be a major hazard to the owner of the registered trade mark, or the applicant for such precisely because they are often "fully manned" and progress at speed, building up substantial goodwill and reputation while the registered mark remains unused. Such marks often do not show up on the legal "radar" without rigorous due diligence by the prospective trade mark applicant, and in the case of passing off lack of intention to infringe or honest coexistence of marks is not a defence.

The European trade mark system makes explicit for these potentially unseen hazards to the shipping lanes of commerce, due to explicit carve-outs for unfair competition law and passing off rights in the First Harmonising Directive, stating that registered trade mark rights do not effect parallel passing off and unfair competition rights. Radical reversals in the draft Directive and its final wording show that the Commission steered away from harmonising these rights.

The parallel co-existence of passing off laws and the registered trade mark system results in interesting legal questions when unregistered earlier rights and registered trade marks collide. Commercially speaking, the existence of such prior rights can give rights which can be used against owners of registered trade mark owners who think their non-use is safe, and can result in very large amounts of damages and injunctive

relief against the use of registered trade marks.

Denied permission to appeal by the Court of Appeal in the UK Camelot petitioned the House of Lords directly, who will decide on whether to grant an appeal soon.

On a European level, Inter Lotto raised two fundamental questions:

1. Is there a possibility that earlier rights can continue growing past the date in which the registered trade mark takes effect?;
2. Is there a possibility that simultaneous or even solely later use, after the registration takes effect (and prior to the expiry of the 5-years term to begin use the trade mark), can give rights under unfair competition/passing off, which may then be used against the owner of the registered trade mark when he comes to use the mark?

In England, the answer seems to be yes to both points, due to the parallel and separate nature of the tort of passing off and registered trade mark rights. As a result, due diligence for parallel rights is vital both at application stage and at the stage of first use of a registered trade mark. It is of interest to look how other Member States have implemented this parallelism within its jurisdiction.

In Italy the issue concerning the protection of trade marks falls within the ambit of the Royal Decree No. 929 of 21 June 1942, as amended (the “**Law**”) : the rights of the owner of a registered trade mark shall consist in the faculty to make exclusive use of the trade mark within the entire Italian territory, for 10 years from filing, indefinitely renewable. In particular, the owner shall have the right to prohibit third parties, who do not have the latter’s consent, from using a sign identical or similar to the trade mark for certain kind of goods and services.

As regards the protection of trade marks, under certain circumstances, a trade mark owner can rely not just on the Law but also on the protection provided by the Italian Unfair Competition Law. In this latter respect, it shall be noted that the factual requisites needed in order to enjoy the protection provided by the Unfair Competition Law are quite different from those provided by the Law.

In order to rely on the joint protection provided by both the Law and the Unfair Competition Law, it will be necessary to give grounds that the sign infringing the trade mark owner’s exclusive right, has been effectively used and that, as a result of such use, a risk of confusion relating to the business activity of the registration holder and the competitor arose for consumers.

According to the Law, any new sign which can be represented graphically, particularly words, including personal names, designs, letters, numerals, sounds, the shape of goods or of their packaging, colour combinations or tonalities, provided that they are capable of distinguishing the goods or services of one enterprise from those of other enterprises, may be registered as a trade mark.



In the light of the above, to register a trade mark, it must be different from all the others already existing for goods and services identical or similar to those for which said trade mark is intended to be used, a kind of novelty.

The Law clarifies that a sign shall not be new on the filing date of the relevant application, if it is identical or similar to a sign that is already known as a trade mark or sign distinguishing goods or services manufactured, marketed or rendered by others for identical or similar goods or services, and if the identity or similarity of the signs and the identity or similarity of the goods or services might create a risk of confusion for the public (including risk of association). Previous use of the sign does not destroy the novelty provided that such use does not impart notoriety or it imparts purely local notoriety. With regards to notoriety above the merely local, the test is whether, through distribution or marketing, it has become well known by consumers. Notoriety can survive periods of non-use if the consumers' knowledge is still intact.

Parallel co-existence between unregistered signs and registered trade marks is provided for in the Law: *“in the case of prior use by others of an unregistered mark that is not well known or is only known locally, such other people shall be entitled to continue to use the mark, and also to use it in advertising, within the same locality, notwithstanding the registration of the mark”*.

Moreover, the Italian Civil Code provides that *“who has previously used an unregistered trade mark, has the right to lawfully keep on using said sign, notwithstanding the registration obtain by others, within the limits of his previous use”*.

Only notorious prior use can kill the application to register the trade mark. In Italy it is possible that earlier rights can continue growing past the date in which the registered trade mark takes effect, but strictly related to the circumstance that the unregistered trade mark previously used was not well known or known only locally.

As regards the possibility that solely later use (after the registration takes effect) can give rights under unfair competition, which may be then used against the owner of the registered trade mark when he comes to use the mark, there is no case law on the issue, but there is argument to say that this would invalidate the 5 years' protection against non-use for registered trade marks and so should be resisted. Due to the lack of specific provisions thereof, the issue in question needs to be evaluated in the light of the general principles governing the Italian legal system. Pursuant to our domestic law, the existence of a national trade mark registration serves the need of public information towards all the subjects involved within the Italian market.

Therefore, any traders using an unregistered trade mark identical or similar to the one registered but not used by the relevant owner for the same goods or services, prior to the expiry of the 5 years term, may not rely on the validity of his use, nor using as a defence his lack of information regarding the former registration. The problem here is what



happens post-filing but pre-registration use of the same or similar mark by a parallel party in good faith, when the public can have no deemed knowledge of registration.

### **3. NEW EU COUNCIL REGULATION TO STRENGTHEN CUSTOM ACTION AGAINST COUNTERFEIT GOODS**

On 22 July 2003, the European Community adopted council regulation (EC) No [1383/2003](#) concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights. It replaces the existing regulation (3295/94/EC).

The new regulation, which will enter into force on 1 July 2004, was adopted only 6 months after presentation of the proposal to the Commission, in response to the massive escalation in the number of counterfeit and pirated articles at the EU's external frontiers. It sets out the conditions under which the customs authorities may intervene where goods are suspected of infringing intellectual property rights.

Counterfeiting and piracy are a threat to innovation and creativity. They currently account for between 5% and 7% of international trade and damage to the Community is estimated at over 2 billion euros. This type of fraud no longer concerns only luxury goods and often constitutes a real danger to consumers when medicines and food products are involved. Action by customs had already led to significant results but Frits Bolkestein, the European Commissioner for customs, is determined to strengthen the member states' position against piracy and feels that the new regulation will be of considerable help.

The new regulation, introduces significant changes over the previous one. It's scope is extended to additional intellectual property rights including rights relating to geographical indications and designations of origin and plant variety rights. The new regulation also provides that applications for actions submitted to customs authorities will be free of charge and their form and the information required is standardised. The quality of the information provided to customs by rights holders will be improved and the destruction of counterfeit products will be speeded up and facilitated, especially where goods presenting a risk to the health and safety of consumers are concerned.

The new regulation should enable customs authorities to improve checks at external borders and protect consumers and the EU economic area more effectively. It is considered to give greater legal clarity, make the rules more accessible for right holders and be a powerful legal instrument to tackle counterfeiting and piracy more effectively.

### **4. PROCEDURAL AMENDMENTS FOR APPEALS IN THE UK PATENT OFFICE**

The UK Patent Office has amended procedures relating to appeals made to the Court from decisions of the Comptroller, by Revised Tribunal Practice Notice [TPN 1/2003](#) dated August 6, 2003. These changes are

applicable to courts in England and Wales only. Furthermore, they are not applicable to appeals made to the Appointed Person (Trade Marks) and to the Registered Designs Appeal Tribunal. At present, intellectual property proceedings in the courts are governed by the Civil Procedure (Amendment No 2) Rules 2002 (SI No 2002/3219), which provide a new Part 63 of the Civil Procedure Rules 1998, together with a supplementary Practice Direction.

The amendments are:

A) The period to file notice of appeal to the court: Practice Direction 52 Paragraph 17.3

The Notice considers appeals from the Comptroller to be statutory [Paragraph 17.1 of Practice Direction 52], thus requiring notice of appeal to be filed within 28 days after the date of decision of Comptroller. The Comptroller, here, would have no discretion to direct a different time limit.

Since Sec. 16.3 of Practice Direction 49E, which prescribed different periods for patent appeals [14 days for matters of procedure and 6 weeks for others] has been abolished, the Notice holds that it is no longer necessary in patent proceedings for the hearing officer to determine whether the decision relates to a matter of procedure.

Furthermore, the Notice states that in accordance with Rules 52.4(3) and 63.17(3) and paragraph 17.5 of Practice Direction 52, the appeal notice must be served on all the respondents and the Comptroller as soon as practicable and no later than 7 days after it is filed.

B) Extension of the appeal period: CPR rule 52.6

The Notice states that any application for extending the time limit for appeals must be made to the court. The parties cannot extend the period by agreement. Furthermore, it is no longer possible for the Comptroller to extend the period at the request of a party.

The appellant who applies for extension from the court must state reasons for the delay and the steps taken before the application being made. In addition, the respondent has a right to be heard on such application.

C) Nature of the appeal: CPR rule 52.11

The Notice holds that appeal will be limited to a review of the Comptroller's decision. Section 16.15 of Practice Direction 49E, which allowed a rehearing rather than a review, will no longer apply.

## **COPYRIGHT**

### **5. DEAL MEMOS: A BURNIN' ISSUE?**

*Confetti Records v Warner Music* [\[2003\] EWCH 1274 \(Ch\)](#)

The author of a garage music track 'Burnin' had assigned ownership of copyright to the music publisher Confetti Records. Warner Music

wished to produce a compilation garage album with further mixes of a number of tracks in a particular style. Warner approached Confetti and the evidence showed that a price was agreed and a deal memo was sent by Warner to Confetti.

A Deal Memo is a document typically used in the music industry to communicate between the parties planning to bring the licence into effect. These have little detail and at a later date long form licence agreements are usually entered into. Sometimes a licence is never recorded in one of these long form agreements. As was heard in court how the Deal Memo is drafted varies from case to case and company to company. In this case the document was headed 'Subject to Contract' and there was no indication in the drafting how the terms could become binding. For example evidence showed that other Deal Memos contained various wording indicating that the document would bind the parties in the event certain conditions were met such as the signature of both parties. The actual effect of these various wordings was not discussed.

Warner argued that the term Subject to Contract meant that a future contract was merely indicative as a desire to a manner of transacting rather than an agreement to agree and that the term had a special meaning in the music industry. The Court decided that the conventional meaning could not be displaced given well-established case law. Further since the meaning of the term was a matter of law evidence merely of use of the term within the music industry was insufficient to establish a different meaning in law.

However, Warner successfully argued on the facts that either a unilateral contract had been accepted before the offer was withdrawn by Confetti or that an estoppel arose from the grant of a gratuitous licence, as Confetti had later sent to Warner a 'cleared' copy of the track to be mixed and an invoice. The Court found that this on the one hand expunged the use of the term by necessary implication or on the other hand it was a representation that overcame the use of this term and represented to Warner the grant of a gratuitous licence by Confetti. Estoppel existed after Warner acted to its detriment *upon the sending of the track*. An attempt by Confetti to withdraw the offer or licence came after the contract accepted or estoppel was raised and was thus too late to prevent.

This case highlights the need for the music industry to adopt practices that create certainty for all the parties involved. Whilst music companies might like to be 'relaxed' or 'commercially minded' the result of failing to use proper documentation could be expensive. Deal Memos can be used still though proper wording dictating how and when a binding agreement would be achieved should be included. In further argument in this case the Court found that the limited information contained in this Deal Memo did provide sufficient certainty for a binding contract to come into existence. Thus the parties must be careful to identify terms that they see as crucial to the performance of the contract before an agreement is reached. The use of properly drafted Deal Memos should solve this problem.

## 6. INCIDENTAL INTENT?

*FA Premier League & Others v Panini UK Ltd* [2003] EWCA Civ 995 (Unreported)

This case provides trade mark owners with hope when they are unable to prove that an alleged infringer has used their mark in a trade mark sense.

Collecting and swapping stickers depicting football players, particularly amongst school children, is big business. The market forces in the playground are such that unofficial suppliers are tempting litigation by distributing cards incorporating trade mark protected emblems or logos of premier league clubs. Topps Ltd under an exclusive license from the Premier League had the sole right to take one-off photographs of football players dressed in their respective club's kit and distribute resulting images world wide in the form of stickers or in an album.

The Premier League, with Topps Ltd and 16 premier league clubs brought an action at the High Court on 13 August 2002 against Panini UK Ltd for infringement of copyright subsisting in the logos and emblems on the player shirts, which had been captured in the Appellants stickers. The strategy to use copyright rather than trade mark law to seek an injunction against the Appellant's activities probably reflected the decision in *Trebor Bassett* case which held that cards bearing photographs of famous footballers reproduced the England three lion logo, a registered trade mark, did not constitute use of the mark in a trade mark sense.

At the High Court Panini relied on the defence of Section 31(1) of the Copyright, Designs and Patents Act 1988, which provides that copyright in a work, in this case the clubs logos, is not infringed by its incidental inclusion in an artistic work, the sticker. However, Smith, J. construed the meaning of incidental in the construction of the act according to its ordinary dictionary definition; concurring with McCombe QC in *IPC Magazines Ltd v MGN Ltd* (1998), as something of 'causal, secondary importance or merely background' to the work. He held that the inclusion of logos in the defendants stickers was not incidental; rather they were an integral feature of the sticker and without them the stickers would be of an inferior value to collector i.e. the discerning collector of stickers seeks exact provenance of the players in his present day kit provided by the sport strip and logo; in addition to the face of the football player.

Smith, J. finding that Panini had infringed the copyright in the premier league clubs' logos granted an injunction against Panini distributing stickers including premier league lion logo or the club badges.

At the Court of Appeal Chadwick, LJ held that a subjective test should be applied to determine whether reproducing a copyright work (Work A) in another artistic work (Work B) was incidental reasoning that Section 31(3) of the Act requires the courts to establish whether the reproduction of a work in another work, based on the factual circumstances of the case, had been deliberate. Furthermore, when distilling a test to adduce whether the inclusion of Work A in to another Work B he remarked that

it was not necessary to find a dichotomy between incidental and integral. Instead the courts had to determine the intent or objective of the alleged infringer and whether there were any commercial reasons for doing so. In effect the Court of Appeal proposed that 'Work A' could form an integral part of 'Work B'; e.g. providing the most aesthetically exact setting for a photograph, whilst still being incidental. Turning to the factual circumstances of the present case he suggested that the objective when creating the image of the player as they appeared on stickers was to produce an image that was of economic value to the collector. A collector seeks objects that are authentic and in the case of football stickers an image of players in an authentic strip that includes club logos and league emblems. The logos were also essential to the object of creating the sticker and could not be said to be incidental. As such, Chadwick, LJ, found that Panini had failed the test of incidentality and dismissed the appeal.

Mummery, LJ, when affirming Chadwick, LJ's decision reminded the court that Panini stickers were compilations (i.e. literary works and not artistic works as required by the defence of incidental inclusion) and had they satisfied the test they would be unable to enjoy the defence to infringement provided under Section 31(1) of the Act.

## **7. HIGH COURT OF JUSTICE DECISION IN X v NOWACKI**

*X v Nowacki and Another*, [2003] EWHC (CH) (Unreported)

On 1 August 2003, Mr Christopher Floyd QC issued a judgment on *X v Nowacki and Another*.

The Claimant was a wholesaler of high value ornate tableware sometimes with the end user's name and/or crest back-stamped on the underside of the china. The Defendants, Mr and Mrs Nowacki, ran a factory called the Lynton Porcelain Company, manufacturing elaborately decorated porcelain.

The Claimant and the Defendant entered into a series of formal trading agreements in 1987 and portrayed themselves to customers as a single entity.

Under the trading agreements, the Claimant retained exclusivity, copyright and unregistered design right in relation to the Defendant's china and porcelain tableware and the Defendant was restricted from using the designs except for the purpose of the agreement. In return for this exclusivity, the Claimant accepted a minimum purchase obligation of £200,000 in purchase order value.

The arguments arose regarding termination and the Claimant contended that: (i) although the exclusivity agreement had ended, the vesting of the copyright in their works had already taken effect, (ii) restrictions on the Defendant relating to the use of information had survived the termination of the agreement, (iii) letters sent to the Defendant after the termination had given rise to a contract, (iv) following the termination of the agreement the Claimant had continued to place orders with the Defendant on the same purchase terms, (v) the back-stamps were

original artistic works.

It was held that the issues of design right subsistence and legal ownership of copyright were to be decided at the main hearing if not admitted. Consequently, the hearing focused on the issue of duty of confidence.

It was held that the trading agreement had been terminated by consent and restrictions on the Defendant relating to the use of information had not survived the termination of the agreement. Although the letters had given rise to a general recognition of a duty of confidence in relation to certain matters, they had not given rise to a new contract

However, it was held that since the defendant had learned of the identity of the customers from the back-stamps and from purchase orders and other correspondence, the equitable duty of confidence did apply to customers' information back-stamped on the products and to characteristics of those customers since such information would be of value to a competitor.

## **8. REGISTRABILITY OF DESIGNS DICTATED BY THEIR TECHNICAL FUNCTION**

The UK Patent Office has, by Designs Practice Note [DPN 5/03](#) dated 18 August 2003, explained its interpretation of Section 1C of the Registered Designs Act 1949, as amended to implement Directive 98/71/EC on the legal protection of designs:

'Section 1C-(1): A right in a registered design shall not subsist in features of appearance of a product which are solely dictated by the product's technical function'.

The Notice states that the Act no longer precludes designs which lack aesthetic quality, but that does not mean that designs dictated solely by technical function may gain protection. Relying on Recital 14 of the Directive, the Notice holds that the intention of Section 1(C) (1) of the Act is to avoid hampering technological innovation. The Notice refers to Paragraph 34 of the opinion of Advocate General in *Philips Electronics NV v Remington Consumer Products Limited*, Case C-299/99, where it was stated that a functional design may be eligible for protection if it can be shown that the same technical function could be achieved by another different form.

The Notice, therefore advises that a design is registrable even if all its features are dictated by function. The test will be: whether or not the technical function dictates the appearance of the product to the extent that there is no (or negligible) design freedom. Where all the features of the design would appear to be dictated by function, examiners will raise an objection under S.1(C) (1) of the Act. However, the applicant may successfully overcome this objection if they demonstrate that there is sufficient design freedom, in that the product need not appear to the exact design as shown in the application.



‘Section 1C-(2): A right in a registered design shall not subsist in features of appearance of a product which must necessarily be reproduced in their exact form and dimensions so as to permit the product in which the design is incorporated or to which it is applied to be mechanically connected to, or placed in, around or against, another product so that either product may perform its function’.

The Notice holds that this section is similar to that of ‘must-fit’ features, bearing in mind that ‘must-fit’ parts of a complete product have a limited scope of design freedom by their very nature. Here, the Notice quotes the test as: is there any part of the design which is not required to be of the appearance it is, in order to enable it to fit the end product? If the answer is yes, then the design application should be allowed to proceed if it satisfies other requirements for registration, particularly individual character. If the answer is no, and the design would appear to have no practical scope for alteration and still fit the end product, then it must be regarded as a mere fitting, and objection to its registration would be warranted.

‘Section 1C-(3): Subsection (2) above does not prevent a right in a registered design subsisting in a design serving the purpose of allowing multiple assembly or connection of mutually interchangeable products within a modular system’.

The Notice states that this section provides protection to modular systems, which would normally be shape features, like concert seating, with its interlocking features provide for multiple assembly or dual purpose products. Relying on Recital 15 of the aforesaid Directive, the Notice holds that modular products should be distinguished from stand-alone products and granted design protection.

## PATENTS

### 9. COFLEXIP SA V STOLT OFFSHORE MS

*Coflexip SA v Stolt Offshore MS ltd & Ors* [\[2003\] EWHC 1892](#)

Stolt brought an action before the High Court of Justice, ChD Patents Court, in order to seek a stay of the enquiry as to damages. In 1996, Coflexip sued Stolt for infringement of its patent; Stolt was found guilty and damages were ordered. The judgment was appealed and upheld on 31 July 2000; moreover the petition for leave to appeal from the decision of the Court of Appeal was dismissed. Therefore, the order for damages was final and the enquiry was fixed for a hearing in April 2004. On the 15 April 2003, in a litigation based on the same patent, Rockwater succeed against Coflexip and the patent at stake was ordered to be revoked. This event was at the heart of Stolt submissions.

Considering the order for revocation, Stolt argued that it would be monstrous to have to pay such a sum, between £50 and £70 millions plus interest, for an infringement of a non-existing right. Coflexip pointed out that even if the revocation related back to the date of the grant, Stolt was still bound by the rule of cause of action estoppel; a rule that safeguards the finality in litigation. Citing an earlier judgment, *Poulton v Adjustable Cover & Boiler Block Co.* (1908) 25 RPC, it was argued that a defendant becomes estopped from denying the validity of the patent at the date of

infringement in respect of which the damages are ordered, notwithstanding the later revocation of the patent. Stolt opposed that the revocation was *in rem* and related back; therefore an estoppel was put before a cause of action estoppel. Meanwhile, the judgment made the matter of the infringement and the validity of the patent *res judicata*, creating then a perfect estoppel: the patent has to be treated as null and void for the very first as an order for revocation of a patent is conclusive *in rem*, but this does not affect the existence of prior estoppels from a prior decision *in personam* that the patent was valid and infringed. Stolt referred then to a US case, *Mendenhall v Barber-Green* 26 F 3d 1573, and argued that because the patent became invalid and therefore was determined to be invalid after full and fair litigation, the plaintiff became then collaterally estopped from recovering for infringement in that pending case. Mr J Jacob opposed that in that case, the decision as to validity was not regarded as final; whereas the decision of validity was final between Stolt and Coflexip. Also, an inquiry for damages is supposed to be instantaneous and to take place at the very moment when the judgment is pronounced.

Mr Justice Jacob held that the general law of cause of action estoppel should be kept, therefore declined to order a stay. Judgment held on the 31 of July 2003.

## **10. STORAGE COMPUTERS V HITACHI DATA SYSTEMS**

*Storage Computers Ltd v Hitachi Data Systems Ltd* [\[2003\] EWCA 1155 Civ](#)

The English Court of Appeal considered the standard of obviousness when publications are referred to in a patent specification and acknowledged to disclose the pre-characterising part of a claim.

It is common practice in drafting patents in Europe to divide a claim into two parts which respectively define the class of products or processes to which the invention applies and which is known (the pre-characterising part) and a second part which describes the invention that has been made (the characterising part). It is also common practice in the European Patent Office to acknowledge in the specification prior art documents identified during prosecution of the application.

Storage Computer brought proceedings against Hitachi Data Systems in the Patents Court for infringement of EP 0 294 287 and EP 0 539 494 involving data storage media. The Defendant counterclaimed for invalidity and revocation of both patents. Pumfrey J held at first instance that there was no infringement and that both patents were invalid. Storage Computer appealed the findings of obviousness and infringement of EP 0 294 287. Hitachi Data Systems played no part in the appeal arising from a settlement agreement between the parties.

The issues in the appeal centred on the finding of obviousness based on the acknowledgement in the patent that the pre-characterising part of Claim 1 was disclosed in a cited prior art document, Timsit. Storage Computer contended that Timsit was not an appropriate starting point for a finding of obviousness since the disclosure of Timsit could not be

equated with the pre-characterising part of Claim 1, particularly as the Defendant did not press the citation in cross-examination at trial. Secondly, they contended that the Judge's combination of Timsit with a second cited prior art document, IBM1, was an impermissible "mosaicing" of prior art documents.

The Court of Appeal dismissed those arguments since it was clear from the specification that the pre-characterising part of the claim was acknowledged to be old and disclosed in Timsit. The Judge had also made a finding that the principles underlying the second prior art document were part of the common general knowledge of the skilled person. On that basis, the judge was entitled to make a finding of obviousness based on the pre-characterising part of the claim when considered with common general knowledge as exemplified in the second piece of prior art. The Court of Appeal added a cautionary note that where the application of a legal standard such as obviousness is a matter of degree, an appellate court should be very cautious in differing from the judge's evaluation.

Attorneys in the London and Washington DC offices of McDermott, Will & Emery represented Hitachi Data Systems.

## **11. PROGRESS OF UK PATENT AMENDMENT BILL**

In November 2002, the UK Patent Office and the Department of Trade & Industry jointly launched a consultation on proposed changes to UK patent legislation. The primary impetus for this was to prepare for ratification of revisions to the European Patent Convention (EPC) agreed in November 2000. The opportunity was taken to consult on a number of other possible changes, including provisions relating to compensation for employee inventors, co-ownership of patents, enforcement and office practice. The consultation closed on 21 February 2003. On 27 August 2003 the Patent Office gave notice of progress. The Patent Office note the large number and high quality of responses received to their consultation document. While continuing to analyse these with a view to publishing a summary in the autumn, they are using the information to help decide which of the optional proposals should be taken forward and are starting to prepare for the drafting of a Bill.

## **TRADE MARKS**

### **12. TRUE. THE CFI AGREES WITH ANHEUSER-BUSCH OVER 'BUDMEN' MARK**

The Board of Appeal agreed with the Opposition Division's decision on the grounds that there was a likelihood of confusion in the mind of the public owing to the fact that the goods designated by the mark claimed and the earlier marks registered in Denmark, Ireland and the United Kingdom were identical and the fact that the conflicting signs BUD and BUDMEN were visually, phonetically and conceptually similar.

The applicant then brought an action against the decision of the First Board of Appeal on 11 June 2001. Though the applicant conceded that the goods were identical to comparable goods registered by Anheuser-Busch's in class 25, it argued that there was no likelihood of confusion under Article 8(1)(b) of Community Regulation No 40/94 because the

signs were dissimilar. The CFI rejected this argument finding that:

1) The word 'BUD' was the dominant element of the two marks and the only difference was the word 'MEN'. This meant that there was aural, visual and conceptual similarity between the two marks, the conceptual similarity arising from the fact that the word 'MEN' didn't add anything to the mark. It would be understood merely as denoting that the products were aimed at male customers.

2) Co-existence of the two marks on the Spanish register was irrelevant, as the opposition had been based on registrations in the UK, Ireland and Denmark and these were the relevant territories for determining if the marks were similar.

3) The existence of Community, international and national trade marks containing the sign 'BUD' was irrelevant when examining the likelihood of confusion between the conflicting marks. The applicant had argued that the existence of such marks showed that Anheuser-Busch had no monopoly or exclusive right over the sign 'BUD'; suffice it to observe that those marks were in no way related to the present case, as OHIM had pointed out.

4) The ability for Anheuser-Busch to oppose the registration of a Community mark on the basis of its earlier mark so as to prevent a likelihood of confusion on the part of the public which is likely to impair the guarantee of origin is within the meaning of Article 8(1)(b) of Regulation No 40/94. The applicant had argued that Anheuser-Busch had improperly opposed its application because the principle function of the 'BUD' mark had not been compromised.

### **13. GREY DAY FOR STIHL AS CTM APPEAL REJECTED**

*Stihl v OHMI* CFI [T-234/01](#)

On 9 July 1996, Stihl applied for a Community trade mark that was a combination of two colours per se, an orange (Pantone 164c) rectangle above a grey (Pantone 428u) rectangle. The application was sought for goods in Class 7 (mechanical apparatus such as motor saws, mechanical cutting-off machines...). It was refused on 7 April 2000 based on an absolute ground of refusal under art 7(1)(b) of Regulation No 40/94; 'trade marks which are devoid of any distinctive character'. This was appealed and then rejected by the First Board of Appeal on 24 July 2001. Stihl contended the decision and brought an action before the European Court of First Instance in order to annul it.

Stihl argued that colours could be registered under a Community trade mark, that it could attract the public's attention from distance towards the undertaking's range of products, and especially that a colour being able of taking different shapes, a protection under graphical representation would then be insufficient. According to the type of product of the claimant, the distribution of the colours varies. But it was argued that a homogeneous visual impression was maintained therefore enabling the identification of the product. Moreover, it was contended to require that combinations should be of unusual character; precisely was

argued that a combination acquiring distinctiveness from use is not anymore unusual. Furthermore, this test should not also determine the distinctive character as the use of neighbouring chromatic ranges was not precluded by the protection of a characterised colour.

OHIM opposed that, in order to avoid an absolute ground for refusal, the distinctive character of a given sign must exist prior to any use of the mark. Also, the recognition of a mark is based on the imperfect picture that is kept in mind. To that extent, the perception will recognise only a limited type of colours as a brand, therefore undermining the argument that the eyes can perceive various types of colours. Finally, the colouring in grey is usual for plastic and metal tool, and orange is commonly used to draw attention against danger.

Combinations of colours *per se* are capable of constituting a Community trade mark. But the perception of the public is not necessarily the same according to the type of sign. While the public is used to perceive word or figurative marks as identifying the commercial origin of the goods, it is not necessarily true when the sign form part of the appearance of the product. The use of grey or orange was held to be common in this field; also the chromatic specification did not present a perceptible difference. Moreover, the fact that the sign consisted of a combination of shades of orange and grey made it abstract as a whole; the overall impression being simply a colouring of items. Finally, the variation of shapes limited the systematization of the coloured distribution scheme. It would have been impossible for the public to find on the goods a permanent sign that would associate the colours in a homogeneous and predetermined manner.

The trade mark was held devoid of any distinctive character. The action was dismissed and the applicant was ordered to pay the costs.

#### **14. CAN SURFERS BECOME ELEGANT?**

*H Young (Operations) Ltd v Medici Ltd* [\[2003\] EWHC 1589 \(Ch\)](#)

H Young (Operations) Ltd, the owner of the ANIMAL trade mark [No. 2054886] for clothing and apparel bearing a surfing connection (Class 9, 14, 16, 18, 20 & 25), sued Medici Ltd for use of the mark ANIMALE on clothing for the more mature lady claiming that use of the ANIMALE mark infringed their mark. Medici Ltd issued a counterclaim for partial revocation of the registered trade mark on the grounds of non-use under s46.1.b of Trade Marks Act 1994 (equivalent to Art. 10.1 of Council Directive 89/104/EEC) and s10.2 (equivalent to Art. 5.1.b of Directive 89/104). The breadth of the ANIMAL trade mark specification had to be determined in the first instance in order to adduce any claims of infringement put forward by H Young (Operations) Ltd.

Partial revocation of a registered trade mark under s10.2 of the Act must, Jacob, J. held that, be judged according to a fair description that would be used by the average consumer for the products in which the mark has been used by the proprietor. He further set out the profile of the average consumers attracted to the goods of each parties at para 7, saying Medici's "... garments are simultaneously elegant and casual, the sort of

thing that might be worn at a wedding, a casual dinner party of the middle class, perhaps particularly in summer or on the promenade in Nice or Torquay [!!!]” and H Young’s business was” ...focused on customers interested in surfing [or] wanting...some sort of surfing connection”. He then promulgated on the antecedents of a brand of casual wear in the clothing industry remarking that they are often derived from specialized clothing for athletes, such as tennis garments produced by Fred Perry.

The principles of partial revocation under s 10.2 of the Act were established in *West (t/a Eastenders) v Fuller Smith & Turner Plc* [2003] EWCA Civ 48) and *Thompson Holidays Ltd v Norwegian Cruise Line Ltd* [2003] RPC 32: (at para 20)”... the average consumer is told that the mark will get absolute protection (“the umbra”) for use of the identical mark for any goods coming within his description and protection depending on confusability for a similar mark or the same mark on similar goods (“the penumbra”). A lot depends on the nature of the goods – are they specialist or of a more general, everyday nature? Has there been use for just one specific item or for a range of goods? Are the goods on the High Street? And so on. The whole exercise consists in the end of forming a value judgment as to the appropriate specification having regard to the use which has been made.”

Defence counsel, relying on the aforesaid principles, attempted to persuade the court that the specification of the ANIMAL trade mark, particularly in respect of Class 25 goods (clothing), should be limited to “Surf-type” goods since it does not support a fair description of casual clothing in a generic sense attractive to old, young, elegant or non-sporty consumers. Jacob, J. was not convinced by this argument and considered that consumers do not make a distinction between types of every day clothing suggesting that (at para 23) “...the same woman ...[or man]... is likely to own jeans, trousers, T-shirts or dresses, both formal and informal. Both parties’ goods’ could easily end up in the same wardrobe...” and declared (at para 21)” [that]...trade marks do not normally vanish at the time of purchase...[and are] constant reminders of the maker. He completed his reasoning using a salient caveat “...today’s girl surfer is tomorrow’s wearer of elegant ANIMALE [clothing]”. Indeed, Jacob, J. found that H Young Ltd could prove the attributes of their trade mark across the spectrum of class 25 goods and dismissed Medici Ltd counterclaim. Although he narrowed the specifications of the other classes under the ANIMAL trade mark. The court is now turning to the issue of infringement of the ANIMAL trade mark by Medici Ltd.

## **15. EXCLUSIVE RIGHTS IN TRADE MARKS: HOT PICKS**

*Inter Lotto v Camelot Group Plc* [\[2003\] EWHC 1256 \(Ch\)](#) and *Inter Lotto (UK) Ltd v Camelot Group Plc* [\[2003\] EWCA Civ 1132](#)

In a case between two lottery companies concerning the use of the mark HOT PICKS, the Court of Appeal has dismissed an appeal against the decision of Laddie J at first instance it agreed that where earlier unregistered rights are built up whilst infringing a trade mark registration



under the Trade Marks Act 1994, this will not defeat a claim to protect that goodwill under the law of passing off. The decision did not wholly agree with Laddie J's assessment of Camelot's case, however.

This was a preliminary issue between the parties on a defence raised by Camelot against a claim of passing off brought by Inter Lotto. Camelot argued that Inter Lotto was not entitled to rely on its goodwill developed during a period after Camelot's licensor had filed for a trade mark registration of the mark in question but before Camelot had commenced use of the mark. Inter Lotto had commenced its use only a short time prior to the filing for trade mark registration by Camelot, thus the claim for passing off was unlikely to succeed in the event Inter Lotto was unable to rely upon the later acquired goodwill.

Laddie J considered that Camelot's was because either Inter Lotto's use of the mark after the filing was unlawful and therefore could not be relied upon to found the case on passing off (based on the principle of *ex turpi causa non oritur actio* - no right of action arises from a shameful cause) or that the trade mark registration gave Camelot some overriding entitlement or shield with which to defend the passing off claim.

On the first point Laddie J identified the principle of *ex turpi causa non oritur actio* to apply only where the conduct was so bad as to give the court reason not to provide protection. Here there was no issue of flagrancy or dishonesty and Inter Lotto had in any case commenced use before filing and a year before Camelot's use of the HOT PICKS mark. On the second point he contrasted the exclusive negative nature of an intellectual property right from the right of an owner to use that property. Thus it was entirely possible that such use could be prevented by the owner of a competing right such as passing off. In comparing these rights Laddie J noted that passing off didn't prevent use of a mark, just use of a mark that might cause a deception on the public.

On appeal, counsel for Camelot argued that Laddie J had not appreciated their argument. In the Court of Appeal the argument put forward was not that goodwill developed after the date of filing would be unlawful in the sense of *ex turpi causa non oritur actio*, where even third parties could benefit from the lack of protection of the goodwill, or that a trade mark registration could override earlier acquired rights by being in some way superior to unregistered rights. In contrast Camelot argued that the Act created a situation as between these two parties due to the filing being made prior to the goodwill in question being developed.

Camelot's argument can be summarised as follows: (1) under the Act the filing date has a retrospective effect as the date of registration once the application has been accepted and implemented (s.9(3) - an effect not reflected in the Community Trade Mark system); (2) as a result the existence of "earlier rights" (including passing off) that may defeat the validity of an application or existing registration falls to be judged as at this filing date; (3) with respect to such a claim the Act provides for a derogation of a claim based on "earlier rights" (including passing off) where the complainant has acquiesced (s.48) whilst later rights acquired between application and registration have no such recognition in the scheme of the Act; (4) the Act appears therefore to provide a scheme

that should not allow the exclusive rights of registration to be defeated by subsequently acquired rights; (5) thus the filing date (the retrospective date of registration) is the relevant date at which to consider the respective rights of such parties and the rights of third parties remain irrelevant.

The Court of Appeal concluded that for the purposes of the question before them, the Act does not provide a scheme that was meant to reconcile the two systems at registered trade marks and passing-off, especially given that s.2(2) provides expressly that the Act does not affect the law of passing off. It appears that whilst s.48 does provide for explicit derogation from the passing off action, this is a specific and express provision and cannot itself change the law of passing off any further. Thus the relevant date for deciding the case on passing off before the court would be dictated by the law of passing off. In this case, it was the date of Camelot bringing its lottery to the market in late April 2002 at the earliest. Inter Lotto's lottery was up and running by then.

At first glance it can appear frustrating that the Court of Appeal has been cautious in refusing to consider the wider question of the extent to which the Act may or may not attempt to reconcile the law of registered trade marks with that of passing off. The decision does support an interpretation that s.2(2) clearly separates the application of the law of passing off from that of registered trade marks (except where there is derogation from this principle, rather than having an active effect of defining a comprehensive relationship between the two subjects. This preserves robustness in the law of passing off and its development in the common law, further definition of the relationship between the two actions will be needed on a case by case basis.

As the Court noted, whilst the Act introduced a Community-led trade mark registration system, the origins of the Act are a hybrid of the revision of old English law and the addition of new Community law, which expressly preserves the unfair competition and passing off laws of Member States.

## **16. TIMETABLE FOR TRADE MARK REFUSALS TIGHTENED**

To speed up refusals to register trade marks which are non-distinctive or deceptive and to reduce the uncertainties caused by such applications, the UK Trade Marks Registry has announced that applicants will be given only 3 months to respond to most official objections. This reduction, from the former period of 6 months, takes effect from 1 September 2003 and was announced on 11 August 2003 by way of [Practice Amendment Notice 2/03](#). Prior consultation with the Registration Practice Working Group had revealed that practitioners need more than 3 months to deal with official objections on relative grounds (conflict with a prior right), especially as this often involves obtaining a letter of consent from the proprietor of an earlier mark. For these objections a response period of 6 months has been retained. The Notice makes clear that applications for extensions of time will continue to be considered on their merits. It points out that the Office for Harmonisation in the Internal Market allows only 2 months to respond to

objections on absolute grounds (there is no ex officio examination of Community trade mark applications on relative grounds). In announcing the change, the Notice refers expressly to the public interest.

## **17. EU PUSHING FOR TOUGHER RULES TO PROTECT GEOGRAPHICAL INDICATIONS**

In the framework of the Doha Round, WTO Members are carrying out negotiations on the establishment of a multilateral register for geographical indications (GIs) of wines and spirits and also the broadening of the scope of special protection given for wine and spirits to other products.

When concluding the TRIPs Agreement it was agreed that negotiations shall be undertaken concerning the establishment of a multilateral system of notification and registration of GIs for wines and spirits eligible for protection of those Members participating in the system.

However, the proposals that were submitted by the two most influential WTO Members (the US and the European Communities (EC)) were so divergent that two camps were formed around the proposal by the EC, and the counter-proposal by the US, Canada, Chile and Japan.

Under the [EC proposal](#), the multilateral registration is envisaged as a three-step process. First, WTO Members would notify GIs that identify goods that originate in their territory. Relevant national legislation, administrative and judicial decisions, as well as bilateral, regional and multilateral agreements would also be notified together with the national provisions implementing the multilateral register. In the second phase WTO Members would have 18 months to examine the notifications. All Members would have the right to challenge the registration of a notified GI. In the third phase the notified GIs would be entered on the multilateral register and any challenge would be referred to in it. The registration would also have legal effects. In the national processes, the fact that a GI appears on the multilateral register would be decisive evidence that it fits the definition, does not constitute a false homonymous indication and has not become generic. Moreover, registration would shift the burden of proof from the owner of the GI to the party that allegedly misuses it regarding eligibility for protection under Articles 22 and 23 of the TRIPs Agreement.

The counter-proposal of the United States, which is less ambitious focuses on the notification element. Under this system, Members would submit a list of domestic GIs eligible for protection under their national legislation, indicating as well other multilateral agreements under which the notified indications are protected. The WTO Secretariat would compile a database of the notified GIs, circulate it to Members and make it accessible on the WTO website. There would be no possibility to challenge a notified GI and the register would have no genuine legal effects.

Major disagreements could also be noted between the two main camps regarding the broadening of the scope of special protection given for

wine and spirits to other products.

In June 2002, the EC and a large number of its supporters introduced a submission proposing that the special protection afforded to wines and spirits should be extended to GIs of all products and that the multilateral register should be open to GIs for all products.

Opponents did not agree and the Membership of the WTO remains utterly divided over this issue. While European WTO Members and many developing countries, including all the less developed countries, support the cause, the United States, Canada, Australia, New Zealand and some, mostly Latin American developing countries, still fiercely oppose it.

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