

The European IP Bulletin

*The Intellectual Property,
Media & Technology Department*

Issue 24, July 2005

McDermott Will & Emery UK LLP
7 Bishopsgate
London
EC2N 3AR

Tel: +44 20 7577 6900
Fax: +44 20 7577 6950

www.mwe.com
www.mwe.com/london

SUMMARY OF CONTENTS		PAGE NO.
HOT TOPIC	1. P2P IN LIGHT OF THE SUPREME COURT DECISION IN GROKSTER	1
	<p>Last month, on the last day of the judicial term, the US Supreme Court issued its opinion in <i>Grokster v MGM</i>. The Supreme Court was asked to rule on the liability of peer-to-peer software providers for the infringements of those who use their networks. In doing so, the Court commented more generally on the scope of US secondary infringement of copyright works. This article discusses the <i>Grokster</i> decision and contrasts the decision with developments relating to file sharing in Europe.</p>	
	2. SOFTWARE PATENTS REMAIN AVAILABLE IN EUROPE	3
	<p>On 6 July 2005, European technology industries sighed with relief as the European Parliament voted, overwhelmingly, to reject the draft Directive on patent protection for computer-implemented inventions. Justin Hill, Director of Prosecution in our London Office, outlines what this means for patent prosecution in Europe.</p>	
COPYRIGHT	3. OLYMPIC STRUGGLE	6
	<p>The essence of the issue of appropriation of personality is simply, a person (X, here, Lord Coe) uses in a commercial context the name, voice or likeness of another person (Y, Bob Beamon) without his consent. To what extent does Y have a remedy to prevent such an unauthorised exploitation?</p>	
	4. AOL AND GOOGLE: SEARCH FOR VIDEO-ON-DEMAND	7
	<p>The provision of video-on-demand services has recently been integrated into the business portfolio of America Online, which comes shortly after the launch of Google Video. Both services enable internet users to search a comprehensive archive of televised content. These developments show that internet-based companies are continuing to assimilate most of the commercially valuable activities related to the entertainment industry.</p>	
PATENTS	5. PATENTS AND DESIGN RIGHTS IN ULTRAFRAME V EUROCELL	7
	<p>In <i>Ultraframe v Eurocell</i>, the English Court of Appeal provided guidance as to how one can undertake the contextual reading of a claim in a patent to determine a patentee's monopoly, as per the test laid down by Lord Hoffmann in <i>Kirin Amgen</i>. The judgment also discussed issues relating to licences of right for unregistered design rights arising from the application of s239 of the Copyright, Designs and Patents Act 1988.</p>	

6. GLASGOW UNIVERSITY IN LEGAL BATTLE OVER SPIN-OUT TECHNOLOGY PATENTS 8

The central issue in this matter is the ownership of the patents for a sleep monitor, aepEX, which was developed by one of the University of Glasgow's spin out companies. This company subsequently transferred the patents to a third party. The University contends that it is still the owner of the patents as its spin out company had only been granted a licence.

7. THE EUROPEAN COMMISSION FINES ASTRAZENECA €60 MILLION FOR MISUSING PATENT SYSTEM TO DELAY GENERIC DRUG COMPETITION 9

The European Commission fined AstraZeneca for misusing its dominant market position and delaying generic competition by misusing the patent system and procedures for marketing pharmaceuticals, a violation of Article 82 and EEA Article 54. This case is the first time that European competition law has been used to combat patent misuse.

TRADE MARKS 8. THE UK'S LOGO FOR THE EU PRESIDENCY UNDER ATTACK 10

The UK's logo for the presidency of the European Union is under attack from the Euroseptic Bruges Group, which is threatening legal action for copyright infringement to stop the logo being used.

9. DIRECTIVE 2005/29/EC: THE 'UNFAIR COMMERCIAL PRACTICES DIRECTIVE' 10

Directive 2005/29/EC on Unfair Commercial Practices was signed by the European Parliament and the Council on 11 May 2005. The Directive aims to clarify consumers' rights and harmonise rules on business-to-consumer commercial practices within the European Union ("EU") by defining and banning "sharp practices". Although the main objective of the Directive is consumer protection, it also aims to indirectly protect legitimate businesses from competitors who do not play by the rules. Some of the prohibited activities have implications for the protection of intellectual property, especially trade marks.

10. EUROCERMEX THREE-DIMENSIONAL TRADE MARK FINALLY DEFEATED BY THE ECJ 11

The European Court of Justice ("ECJ") announced on 30 June 2005 that it had dismissed the appeal of the Community trade mark applicant in *Eurocermex SA v OHIM*, whereby the ambitious effort seeking to register a bottle-shaped three-dimensional trade mark finally failed.

Hot Topic

1. P2P IN LIGHT OF THE US SUPREME COURT DECISION IN GROKSTER

Peer-to-peer (P2P) networks are networks that allow computers within the network to communicate with each other without the use of a central server. The main advantages of such systems are speed and capacity. Each time a new user joins the network, the bandwidth of his computer can be utilised. Therefore, adding a new user increases the capacity of the network and avoids the risk of the network being slowed down by routing a new user through an already overloaded central server. These advantages of P2P networks make them ideal for sharing document, visual and audio files. Although they have legitimate uses, P2P networks have been used extensively in order to share music that has been downloaded in a way that infringes copyright.

Two examples of networks that have been used for the exchange of infringing music and film files are Grokster (operated by Grokster Ltd) and Morpheus (operated by StreamServe Networks Inc). These two networks became particularly successful after the owners of a previous P2P network, Napster, were found by the US Seventh Circuit Court of Appeals to have committed secondary copyright infringement by making software available that allowed individual users to exchange files that, in many cases, infringed copyright. Unlike Napster, Grokster and Morpheus did not utilise a central list containing all the files that were available for exchange on their networks.

In *Metro-Goldwyn-Mayer Studios Inc v Grokster* 545 US (2005), a group of copyright owners, consisting of film and music recording studios, songwriters and music publishers, brought an action in the United States for secondary copyright infringement against Grokster and StreamServe Networks Inc (“the Defendants”), claiming that distribution of Morpheus and Grokster software gave rise to liability. It was revealed during preparation for the trial that approximately 90% of the files that were exchanged over the networks had been generated through copyright infringement by the users. There was no doubt that the individual users had committed copyright infringements, but this did not automatically mean that the Defendants, who had made available the means to disseminate the infringing files, were also liable. Both sides moved for summary judgment and, unlike in the *Napster* case, the District Court and the Court of Appeals found that the Defendants were not liable. According to the Court of Appeals, a defendant must have knowledge of a direct infringement and have materially contributed to that infringement in order to be secondarily liable. The Defendants did not fit into that definition since their software had non-infringing uses and its decentralised structure meant that they did not know of any specific infringement. Also, they had not materially contributed since it was users who operated the software in order to exchange infringing files.

The Supreme Court agreed to hear the case, the question before it being whether the Court of Appeals had erred in absolving the Defendants from liability for the acts of the individual users of the network.

The Supreme Court answered this question in the affirmative. The US doctrine of secondary liability for copyright infringement has developed in the common law. In particular, in the *Sony v Universal Studios* case, the Supreme Court considered the liability of one who distributes goods which can be used to commit copyright infringement (in that case, video recorders). The Supreme Court had identified the “staple article of commerce” doctrine, which originated in patent law, as also applicable to copyright law. Under that doctrine, the distribution of a device that infringes a patent will not so infringe if the device is suitable for use in non-infringing

ways. Likewise, the distributor of a product that can be used to infringe copyright will not be found secondarily liable if the item is capable of substantial lawful uses. In both cases, the doctrine serves the interests of competition – it would be anticompetitive if the holder of an IP right were allowed to prevent the distribution of a product that was capable being used legally as well as to infringe his rights.

Much of the debate before the Supreme Court had focused on whether the 10% of *Grokster* and *Morpheus* files that were non-infringing constituted a sufficiently high percentage of use to qualify the two networks for protection under the “staple article of commerce” doctrine. Likewise, the Court of Appeals had read the *Sony* case as stating that, where an article is capable of substantial non-infringing uses, its producer can never be held liable for secondary copyright infringement. However, the court in *Sony* had not intended to displace other theories of secondary liability and it was under one of these other theories – the inducement rule - that the Defendants could potentially be held liable.

Under the inducement rule, a defendant who distributes a device and promotes its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the infringements of third parties whose infringements he induces. Two elements are important: (i) a defendant’s intention and (ii) the expression of that intention. It is not crucial to show that the message to infringe was sent out to the direct infringers, but such a message would be helpful.

In *Grokster*, there were three types of evidence of the Defendants’ unlawful purpose. First, each company aimed to satisfy a market of known infringers – former Napster users. Secondly, neither company attempted to develop tools to filter or diminish any infringing use of their software. Thirdly, the Defendants’ business plans and revenues depended on the sharing of the most frequently demanded works, which was shown to infringe various copyrights. Evidence of actual infringement was also needed, which was available in abundance. Thus, the Court of Appeals had erred in finding no infringement under the *Sony* doctrine and the case was remanded for further consideration by the lower court.

The Supreme Court’s decision preserves the safe-harbour granted to defendants who produce products that have both infringing and non-infringing uses. However, the scope of this protection from secondary liability remains unclear since the Court did not attempt to quantify what constitutes a “substantial” non-infringing use. It is clear that defendants who intend for their products to be used to infringe and who communicate this intention to their potential and actual customers will not be able to evade liability.

No case in Europe has had as high a profile as the Supreme Court’s *Grokster* litigation. However, legal developments have been taking place with regard to European P2P networks. In Norway, the student who established the Napster.no website was found to have infringed copyright and was fined (reported in EIPB Issue [19](#)). Aside from this, the closest analogy in the case law is perhaps the German case *Hit Bit Software GmbH v AOL Bertelsmann Online GmbH & Co KG* [2001] E.C.D.R. 27. The owners of the copyright in a song were successful in showing that AOL, by hosting a forum on its website where users could upload and download MIDI files, had engaged in secondary infringement. The analogy is a strong one since, although the defendant did not host a P2P network, users both provided and downloaded the infringing material, as was the case in *Grokster*.

Actions against those who provide the means to infringe copyright are only part of the story. Action against individual downloaders remains a possibility, such as those undertaken by the British Phonographic Industry in the UK in October 2004

(reported in EIPB Issue [21](#)). This can prove difficult though, and sometimes has to be backed up by legal proceedings to force internet service providers to disclose details of their subscribers who have taken part in downloading (see, for example, the unsuccessful attempt to force disclosure in the German courts, reported in EIPB Issue [19](#)). Following *Grokster*, it may prove more cost-efficient for copyright owners in the US to pursue P2P network providers, rather than having to pursue thousands of individual downloaders.

Prevention is another possibility. The issue of illegal downloading will not arise if technological measures make it impossible for uploaders to “rip” works from CDs and DVDs. Such measures are being developed by Macrovision (reported in EIPB Issue [20](#)) and Sony (reported in EIPB Issue [23](#)).

Copyright owners are also looking for ways to recoup revenue lost by file sharing. In Germany, the VG Wort Collecting Society has obtained an order that Fujitsu Siemens must pay a levy for each new computer the company sells, since computers can be used to make copies of copyright works (reported in EIPB Issue [19](#)). In the Netherlands, a tax on MP3 players has been proposed (reported in EIPB Issue [22](#)).

One potential obstacle to successful action against P2P users is the number of quirks within the copyright legislation of the separate European nations. In Russia, a site offering MP3 files was found to be legal since Russian copyright law did not cover digital files (reported in EIPB Issue [21](#)). Likewise, Sweden has just removed a loophole in its law that made uploading illegal but did not censure downloading.

Finally, one of the most effective ways of preventing illegal downloading is to provide easy, affordable and legitimate online downloading services. To this end, the European Commission has produced a report on the way in which copyright for musical works is licensed for use on the internet and is considering the reform of the way in which the licensing agencies of the 25 Member States cooperate.

Grokster-style litigation remains a (largely untested) option for copyright holders in Europe. However, as explained above, copyright owners have taken a wide variety of other steps in order to realise and preserve the financial benefits that accrue to them through their intellectual property rights.

Hot Topic

2. SOFTWARE PATENTS REMAIN AVAILABLE IN EUROPE

On 6 July 2005, European technology industries sighed with relief as the European Parliament voted, overwhelmingly, to reject the draft Directive on patent protection for computer-implemented inventions.

This vote means that existing patent law and established software case law prevails in Europe. Importantly, the damaging changes to the law proposed in the later texts of the draft Directive no longer threaten to lower the level of patent protection available in Europe for software and computer-implemented inventions. Now, under the existing patent law, computer-implemented inventions, including software inventions, qualify for patent protection in Europe provided there is technical character, such as a technical effect which goes beyond the normal physical interaction between software and the computer on which it is executed. Such inventions also have to meet the usual criteria of novelty, inventive step and industrial applicability.

The European Parliament’s vote followed a vociferous debate in which anti-patent groups lobbied for drastic changes to the law, whereas the European Council,

supported by European technology interests, called for the Directive to do no more than clarify existing law so as to harmonise it throughout the European Union. Technology companies, large and small, had become very concerned about the legal uncertainty surrounding the level of protection proposed in the Parliament's version of the Directive. This came to a head on 21 June 2005 with the Parliament's own legal affairs committee electing not to support many of the amendments previously introduced by the Parliament. Prospects for the Directive deteriorated further when a number of the larger political groups agreed to withdraw support for the Directive, in any form, after a debate on 5 July. Finally, Parliament, presumably concerned about its ability to achieve the amendments it wanted, voted overwhelmingly to reject the Directive on the following day.

The European Commission, responsible for the original proposal on the Directive, initially indicated it would respect Parliament's wishes and therefore had no plans to submit fresh proposals in this area of law. However, it has since been reported that the Commission has offered to discuss options for a future proposal with Parliament's committees, if Parliament so desires. Therefore, a further proposal in this area at some time in the future cannot be completely ruled out.

In What Ways Does Europe Differ from the United States?

There is considerable overlap in the types of computer-implemented inventions the US Patent and Trademark Office (USPTO) and European Patent Office will allow, although the USPTO has more tolerance in less technical fields.

The last decade has seen the United States liberalise its patent granting practice such that inventions which have "a useful, concrete and tangible result" can qualify for protection by patents. While novelty and non-obviousness are required, the USPTO test for patentability does not require a technical contribution to the field in question. Thus, non-technical software and non-technical business methods qualify for protection in the US provided there is novelty and inventive step.

In contrast, Europe requires all inventions to have "technical character." The usual interaction between software and the hardware on which it runs is not sufficient. However, the hurdle has traditionally been low in that technical character has been recognised in many aspects. Technical character tends to be recognised, for example, where software concerns:

- control of industrial processes;
- processing of data representing physical entities (e.g. images);
- internal functioning of computer systems, interfaces or networks, for example:
 - improvements in efficiency, such as processing speed or data rate;
 - increased security or reliability; and
 - better management of resources, etc.

This list is obviously not exhaustive.

Accordingly, in Europe, the use of an algorithm is patentable where the algorithm is reduced to an application which confers technical character by means of some programmable apparatus or technical method. However, for methods in particular, specifying technical means for purely non-technical purposes or for processing non-technical information will not automatically confer technical character. It is therefore recommended that important cases are reviewed by a European patent attorney as early as possible to check that the requirements for technical character are met.

Assessment of Software Inventive Step in Europe

The recent practice in the European Patent Office has been to look for a technical contribution to the art in a non-excluded area. In general, whether or not software makes this technical contribution is determined as part of the assessment of inventive step. In their assessment of inventive step European examiners usually identify an objective technical problem which is solved by the invention. The solution to the problem is what constitutes the technical contribution to the art. For example, if the problem is to overcome speed limitations in a prior art computer processor, the solution (technical contribution) could lie in a novel and inventive mode of control of mathematical operators (hardware) in the processor's execution unit.

Again, patent prosecutors need to take care to ensure the specifications they are drafting provide adequate technical disclosure, in an appropriate form, of the components and methods which will later be used to demonstrate technical contribution. Not all specifications exported from the United States meet these requirements, although they may be perfectly acceptable under USPTO patent provisions.

Software Implementations of Business Methods

Particular expertise is required when the subject matter of a claim to a computer-implemented invention looks like a business method or something otherwise replaceable by a mental act. Inventions to playing games also fall into this category. Consistent with the above discussion, these types of computer-implemented inventions are allowable only where the required technical contribution can be demonstrated. The required technical contribution is often present in the computer systems and software for implementing business methods and the like, but it tends to be more difficult to demonstrate for inventions in these areas, particularly if the specifications are not drafted sensitively.

In fact, recent case law of the Boards of Appeal of the European Patent Office attempts to modify the problem and solution test for determining inventive step of such inventions. Many regard this modified test, which disregards aspects of the problem relating to business methods (or relevant excluded matter), to be somewhat artificial, and in certain respects also legally flawed. However, this is the direction the Boards of Appeal appear to be taking, for now at least, and it means getting patents to computer implemented business methods is becoming slightly more difficult where the computer implementation or software does not make the technical contribution.

Pure business methods, considered separately from the computer system which implements them, have never been allowable in Europe and will not be allowable in the future. The same applies to computer code *per se*, algorithms, mental acts and methods of playing games, when such subject matter is presented and claimed in abstract.

Claim Formats Acceptable in Europe

On the assumption an invention meets the requirements for patentability, it may be appropriate for it to be claimed by means of a number of different claim categories available for computer-implemented inventions and software in Europe. The most appropriate language for use before the European Patent Office is indicated in established case law but may be interpreted differently, or may be unallowable

altogether, in certain national offices or courts. For this reason specifications should aim to claim the invention by using an assortment of different claim formats, with the intention that at least some prevail in every jurisdiction. At the same time a commercial approach to claiming is essential, *i.e.* one should take into account what is offered or sold and how it is distributed, to ensure the monopoly is effective.

Pitfalls

If, as is sometimes the case, only human activities or mental acts are described in a patent specification, it is almost certain to be rejected in Europe. Likewise, describing and claiming only high level business processes is not recommended because there is nothing to fall back on when asked to demonstrate what the technical effect or contribution of the invention is.

Given that rejection of the Directive means the desired harmonisation was not achieved, one should bear in mind that the national courts and patent offices of individual European countries will continue to apply their own variations of the tests for patentability and validity and will still rely on national case law, perhaps in addition to case law from the Boards of Appeal of the European Patent Office, to interpret relevant statutes.

Copyright

3. OLYMPIC STRUGGLE

Bob Beamon, US long jump Olympic gold medallist of 1968, protested against the use of his image in the London 2012 brochure by Lord Coe, stating it implied his support for London's bid. A London 2012 spokesperson said: "The use of the photograph was in no way meant to imply support for the London bid but rather to celebrate great Olympic moments which are recognised across the globe". This raises interesting potential problems of appropriation of personal image. For example, did Lord Coe use in a commercial context the name, voice or likeness of Bob Beamon without his consent? If so, to what extent does Mr Beamon have a remedy to prevent such an unauthorised exploitation?

The central problem lays in reconciling economic and privacy/dignity aspects of personality "rights" within a cause of action. Mr Beamon's accusations seem to cover both interests. "This is not just a discourtesy but a fundamental breach of an Olympian's right to determine how his or her name and image is used for promotional purposes", he said, noting that the IOC prohibits bids from including the images of IOC members from countries other than in their own bid promotion.

British courts have always been sceptical about creating monopoly rights in nebulous concepts such as names, likenesses or personal images. There is no right to publicity, *per se*. However, in order to maximise potential income, a personality needs to be able to control how his/her image is used. This is an important consideration for the personality and contractual partners where an endorsement contract for a particular product is already in existence. Unauthorised exploitation of that personality by third parties may jeopardise another contractual obligation of the personality. Unfortunately, the personality seeking to protect and exploit such rights must work within the constraints of existing intellectual property law, most commonly in an action for passing off. The perceived wisdom is that unless the claimant and defendant are in the same field of trade there is unlikely to be no confusion - and therefore a passing off case will fail. This view, however, does not always reflect the commercial realities of merchandising.

4. AOL AND GOOGLE: SEARCH FOR VIDEO-ON-DEMAND

AOL has recently released a provisional version of its Video Hub, which will operate as a central point for searching for video content. The Video Hub is based on “Singing Fish” technology. New searching techniques will offer the possibility to direct the research not only by title or general video topic, but also from details contained within the body of the video itself. Video-on-demand services complete the range of AOL’s business portfolio which is necessary to make it a proper portal, with a uniform interface for the acquisition of the videos and music.

The current version of the Video Hub is only compatible with Microsoft software, which some deem to be a limitation of the product. However, many videos are already available for playback, such as the entire Live 8 event. In addition, AOL provides a direct link to the Time Warner repertoire, accessible thanks to a subsidiary relationship. The growth in video-on-demand services is likely to require corresponding changes in the field of advertising formats and rate structures as well as the development of further specific price strategies relating to the strategies provided.

Google has already set up its beta version search engine, Google Video, which also includes a viewer browser designed for playback. More than 20 TV stations have been made available on the Web, using Google Video. Although it is functional, the beta service is limited in scope and does not yet offer the full range of options.

The launch of these video-on-demand search engines and players is the result of the increasing investment being made in order to improve the availability of legal multimedia contents on the internet. From a commercial perspective, content providers who until now have seen revenue streams eroded by piracy, are seeking to provide consumers with a faster experience in the hope of converting this to a bookable sales. Unlike television broadcasting, the ability to provide content on demand by the result of a specific and detailed search is of great appeal to content providers.

The popularity of video-on-demand being made available on the internet is likely to cause a problem for the collection societies that currently oversee the collection and payment of copyright and video royalties. It will be interesting to see what the societies propose as the system for revenue collection.

If video-on-demand over the internet does become a killer application, further consolidation of content providers, technology operators and revenue collectors is likely.

Patents

5. PATENTS AND DESIGN RIGHTS IN ULTRAFRAME V EUROCELL

Ultraframe v Eurocell [2005] EWCA (Civ) 761 was an appeal from the judgment of Mr Justice Lewison, (a summary of which appeared in EIPB Issue [15](#)). Both Ultraframe and Eurocell manufactured and sold kits of parts for making low pitch conservatories lean to roof assemblies. Those assemblies were made from long and hollow UPVC panels joined and reinforced together. Ultraframe contended that Eurocell’s “Pinnacle 500” infringes its own patent for “Ultralite 500” and its unregistered design right in the complete assembly of the panels and in some components for their product. Eurocell counterclaimed for revocation of the patent and denied any infringement of the design rights.

Mr Justice Lewison held that though the patent was valid, it was not infringed. He further held that there was no infringement of design rights in the components but there was an infringement by “Pinnacle 500” of the assembly as a whole. He also held that it was possible for the Defendant to give an undertaking under s.239 of Copyright Designs and Patents Act 1988 to take a licence under s. 237, even though at the time of the undertaking, the rights in the designs have expired. Being aggrieved, both the parties appealed his decision.

The Court of Appeal had to construe the meaning of the last words of Claim-1 of the patent. Ultraframe contended that the objective of the patent was to provide an improved building structure. In the prior art, the panels are linked together before the stiffening member was held. The claimed invention offered dual advantage over these earlier assemblies: it holds the parts together and provided rigidity. Therefore, the word “interengage” as used in the claim should have a broader meaning that the whole structure is “held together” by the stiffening member. Eurocell on the other hand contended that the claim was much narrower: usage of the term “interengage” required more than that the two panels abutted each other. Therefore, it must mean that there has to be some sort of interlocking or partial restraint of movement between the panels.

Jacob and Mummery LJJ (Neuberger LJ dissenting) agreed with Ultraframe on the issue of infringement of the patent. The key principle in determining the extent of patent monopoly was simply one of the construction of the claim read in the context of the description and the drawings, as clarified by the House of Lords in *Kirin Amgen v Hoechst Marion Rousel*. The key question was: what would a person skilled in the art have understood the patentee using the language of the claim to mean? In this case, the skilled man would view the panels as described as actually being used. Once viewed from this perspective, the skilled man would read the word “interengage” within the context of the technical teaching of the patent as to mean some sort of linking only – a linking less than a proper “interconnection”. A narrower construction would only amount to a pointless limitation on the patentee’s claim.

On the question of infringement of the unregistered design rights in the panels and the assembly, the Court unanimously agreed with Lewison J that there was an infringement. Accordingly, Eurocell’s appeal was dismissed, while that of Ultraframe was allowed. On the issue of interpretation of s239, they concurred with Lewison J that once Eurocell was found to have infringed the unregistered design rights of Ultraframe, he was entitled to accept the undertaking offered by Eurocell. It was immaterial whether the unregistered design rights were not subsisting in favour of Ultraframe at the time when the undertaking was offered.

6. GLASGOW UNIVERSITY IN LEGAL BATTLE OVER SPIN-OUT TECHNOLOGY PATENTS

Glasgow University is currently engaged in a three way legal battle over the ownership of the intellectual property rights of aepEX, a sleep-monitoring device.

The Department of Research and Enterprise at the University set up a company called Audiomedix to develop aepEX, a device used to monitor sleep in patients under anaesthesia. The company went into liquidation. Prior to that, one of the non-executive directors, John White acquired the patents through another company, Medical Device Management (MDM), of which he was a commercial director. MDM had previously signed a contract with Audiomedix to manufacture and market aepEX. The petition for Audiomedix to be placed under liquidation was filed by Mr. White after the rights had been passed to MDM.

The Glasgow University claims that it still owns the rights to aepEX as they only licensed certain rights to Audiomedix. Under that licence neither Audiomedix nor the liquidator were permitted to assign or sell the rights, as they were still the property of the University. MDM bought the rights from Audiomedix prior to its collapse. The question to be answered now is who owns what rights to aepEX.

Audiomedix was a spin off company of the Glasgow University set up to develop the sleep monitor to be used in hospital theatres. Under s 30 of the Patents Act 1977, patents, like any other form of movable property, can be licensed or assigned to third parties. In this case, the ownership of the patents is in dispute because it is not clear whether Audiomedix retained title when it transferred those rights to MDM.

The above dispute may well be resolved amicably. However, if not, it will doubtless remind us all about the tech transfer issues arising when a University creates a company to develop its patented products. Licensing agreements and other legal contracts are important in defining precisely how and what rights are transferred, not to mention what events can terminate such arrangements.

7. THE EUROPEAN COMMISSION FINES ASTRAZENECA €60 MILLION FOR MISUSING PATENT SYSTEM TO DELAY GENERIC DRUG COMPETITION

On 15 June 2005, in the first antitrust case of its kind, the European Commission found the drug company AstraZeneca guilty of abusing patent protection granted to its bestselling drug Losec after a six-year investigation.

Losec is an anti-ulcer drug for AstraZeneca. Toward the end of 1990s, Losec became the world's best-selling prescription drug for the treatment of stomach ulcers and other acid-related diseases. The case arose in 1999 from two generic drug companies, which claimed that AstraZeneca was misusing patent and other regulatory rules to extend the protection for Losec.

The European Commission found that AstraZeneca infringed EC Article 82, EEA Article 54 and the competition rules of misusing dominate market positions by blocking or delaying market access for generic versions of Losec and preventing parallel imports of Losec to keep the drug price artificially high between 1993 and 2000. AstraZeneca did this by:

- Giving the wrong date of when the drug was first approved (the extension is calculated from the date that the drug is cleared for sale instead of the date of the original patent) for market authorisation to several patent authorities in the EEA to gain longer protection from generic competition through a Supplementary Protection Certificate (SPC). AstraZeneca's misleading conduct amounted to abuse in Belgium, Denmark, Germany, the Netherlands, Norway and the United Kingdom.
- Withdrawing a capsule version of Losec from Denmark, Norway and Sweden to stop generic companies from copying it and thereby delaying the entry of generic firms and parallel traders, since generic drugs are only approved if the original version is still on the market.

AstraZeneca defended itself by arguing that it had acted in good faith, that the fine ignored the substantial evidence provided that Losec is just one of the treatments available for stomach acid disorders and that the decision was factually and legally flawed.

The European healthcare system relies on cheap generic drugs to keep the prices low for the benefit of public health and the patent system is indispensable for competitive European R&D pharmaceutical industries. However by preventing

generic competition, AstraZeneca was able to keep Losec prices artificially high. Moreover, legitimate competition from generic products encourages innovation in pharmaceuticals.

The Commission emphasised that this case does not concern the alleged misuse of intellectual property rights, but the alleged misuse of governmental procedures. As can be seen from this case, the patent system is designed to reward innovative drug companies as an incentive to recover R&D expenses and to reap the rewards associated with such innovations, but not as a system to be used for anti-competitive purposes or to stifle the development of future innovations.

Trade Marks

8. THE UK'S LOGO FOR THE EU PRESIDENCY UNDER ATTACK

The UK's logo for the presidency to the European Union is under attack from the Euro-sceptic Bruges Group, which is threatening legal action for copyright infringement to stop the logo being used, unless the Foreign Office can explain the similarity between the two logos.

In a letter to Jack Straw, dated 1 July 2005, Lord Lamont, the co-chair of the Bruges Group, wrote: "I am writing to draw your attention to the curious fact that the logo that has been chosen to represent the British Presidency of the European Union is strikingly similar to a Bruges Group logo [...] no doubt you are aware that breach of copyright is a serious matter [...] if you cannot adequately explain those similarities then we may seek an injunction to stop the government using it and demand compensation".

Both logos show swans flying in a "V" formation. However, while the Bruges Group logo depicts 15 purple swans with the name of the organisation overlaid on the "V" formation, the UK presidency logo shows 12 blue swans next to golden lettering.

The design concept of the EU logo, which involves 12 swans in flight, 12 being the number of stars on the EU flag, is a metaphor for the EU since swans fly in formation using a system of leadership and co-operation to fly more efficiently. The design, created by graphic designer Michael Johnson, was selected following a competitive tender. It will be the main visual image for the British Presidency. Johnson, who is considering suing the Bruges Group for defamation, said he had never seen the logo of the Bruges Group before.

The Foreign Office said that the design, which has been registered as a trade mark, was original and that any suggestion of plagiarism was "fanciful". While there are similarity between the two logos, it may be hard for the Bruges Group to prove copyright infringement since the logo is based on a natural occurrence as it represents what birds do when they fly.

9. DIRECTIVE 2005/29/EC: THE 'UNFAIR COMMERCIAL PRACTICES DIRECTIVE'

Directive 2005/29/EC on Unfair Commercial Practices was signed by the European Parliament and the Council on 11 May 2005. The Directive aims to clarify consumers' rights and harmonise rules on business-to-consumer commercial practices within EU by defining and banning "sharp practices". Although the main objective of the Directive is consumer protection, it also aims to protect indirectly legitimate businesses from their competitors who do not play by the rules. Some of the prohibited activities have implications for the protection of intellectual property, especially trade marks. The Directive does not cover unfair commercial practices

which harm only competitors' economic interests or which relate to transactions between traders.

Amendments are also made to Council Directive 84/450/EEC concerning misleading and comparative advertising. The new Directive does not, however, affect advertising that misleads business, but which is not misleading for consumers. Further, accepted advertising and marketing practices, such as legitimate product placement or brand differentiation, are not affected. These conducts may legitimately affect consumers' perceptions of products and influence their behaviour without impairing the consumer's ability to make an informed decision.

The Directive is structured so that it first includes a general prohibition of unfair commercial practices, following which misleading commercial practices and aggressive commercial practices are defined and prohibited. Further, a list ("black list") of commercial practices that shall be regarded as unfair in all circumstances is annexed. Regarding trade marks, the Directive provides that a commercial practice shall be regarded as misleading if it causes or is likely to cause the average consumer to take a transactional decision that he would not have taken otherwise, and that practice involves any marketing of a product which creates confusion with any products, trade marks, trade names or other distinguishing marks of a competitor. The "black list" also prohibits promotion of a product in a way that the consumer is deliberately misled in respect of the manufacturer of a particular product.

According to the EU Commission press release in relation to the Directive, the only real losers from this Directive will be rogue traders and rip-off merchants who exploit the gaps and differences between national laws to cheat consumers. The aim is to decrease the cost to business of exercising internal market freedoms and increase consumer confidence in the internal (cross border) market.

10. EUROCERMEX THREE-DIMENSIONAL TRADE MARK FINALLY DEFEATED BY THE ECJ

On 30 June 2005, Eurocermex, European licensee of the beer brand Corona, received a final rejection of its trade mark application from the European Court of Justice (ECJ) in Eurocermex SA v OHIM, case C-286/04P. The application included a transparent bottle filled with a yellow liquid having a long neck in which a slice of lemon with a green skin is plugged. This application was previously rejected by an OHIM examiner, the First Board of Appeal of OHIM and the Court of First Instance (CFI).

The appellant had based its appeal to the ECJ on two grounds:

- It was incorrect for the CFI to rule that the application was devoid of distinctive character under Article 7(1)(b) of the Community Trade Mark Regulation 40/94, based on three reasons: (a) it did not consider the mark as a whole; (b) the mark was capable of having distinctive character; and (c) that OHIM did not properly substantiate its reasons for rejecting the mark.
- The CFI was wrong to say that the mark had not become distinctive through use under Article 7(3).

The ECJ stated that although the average consumer normally perceives a mark as a whole, this does not mean that the competent authority may not first examine each of the individual features of the get-up of that mark in turn. The ECJ concluded that the approach taken by the CFI was correct, in that it concluded that the individual features lacked distinctive character separately, and that this made it

unlikely that the combination would therefore be distinctive, but the CFI nevertheless considered the overall impression created by the mark as a whole, conveyed by the shape, and the arrangement of the colours of the mark applied for.

The second and third limbs of the appellant's first ground of appeal were declared to be inadmissible because the appellant merely asserted the arguments previously made to the CFI without specifying what error of law the CFI made in interpreting and applying Article 7(1)(b). The ECJ stated that this amounted to no more than a request for re-examination of the application submitted to the CFI, and a request for the ECJ to substitute its own appraisal of the facts for that of the CFI, both of which fell outside the jurisdiction of the ECJ. For the same reason, the second ground of appeal was dismissed, as it amounted to a request for the ECJ to reappraise the facts.

The Eurocermex case reflects the continuous reluctance of courts to permit the registration of three-dimensional marks. In particular, it highlights that a combination of non-distinctive elements is unlikely to result in a registered trade mark.

Acknowledgements



McDermott Contact Details

McDermott Will & Emery would like to acknowledge the invaluable contribution to the Bulletin made by Professor Michael Blakeney, Angel Adrian, Maria Mercedes Frabboni, Jerry Hsiao, Afe Komolafe, Malcolm Langley, James Mitchiner, Marisella Ouma, Rajesh Sagar, Ken Shao, Ilanah Simon, Pekka Valo and Daphne Zografos from the Queen Mary Intellectual Property Research Institute, University of London.

LONDON

Larry Cohen

Partner

Direct Line: +44 20 7577 6909

Email: lcohen@europe.mwe.com

Duncan Curley

Partner

Direct Line: +44 20 7575 0316

Email: dcurley@europe.mwe.com

Fred Pearson

Head of IP Procurement Europe

Direct Line: +44 20 7577 3468

Email: fpearson@europe.mwe.com

Justin Hill

Director of IP Prosecution

Direct Line: +44 20 7577 6943

Email: juhill@europe.mwe.com

MUNICH

Boris Uphoff

Partner

Direct Line: +49 89 12712 170

Email: buphoff@europe.mwe.com

DÜSSELDORF

Thomas Hauss

Partner

Direct Line: +49 211 3003 210

Email: thauss@europe.mwe.com

ITALY

Margherita Barié

Attorney

Direct line: +39 02 65585 605

Email: mbarie@europe.mwe.com

The material in this publication may be reproduced, in whole or in part, with acknowledgement of its source and copyright. "The European IP Bulletin" is intended to provide information of general interest in a summary manner and should not be construed as individual legal advice. Readers should consult with their McDermott Will & Emery lawyer or other professional counsel before acting on the information contained in this publication. "The European IP Bulletin" may be considered advertising under the rules regulating the legal profession.

© 2005 McDermott Will & Emery. The following legal entities are collectively referred to as "McDermott Will & Emery," "McDermott" or "the Firm": McDermott Will & Emery LLP; McDermott Will & Emery/Carnelutti Studio Legale Associato; McDermott Will & Emery Rechtsanwälte LLP; MWE Steuerberatungsgesellschaft mbH; McDermott Will & Emery UK LLP and McDermott Will & Emery/Stambrook LLP. These entities coordinate their activities through service agreements.