McDermott Will & Emery

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In *General Cigar Co Inc v Partagas y Cia SA* [2005] EWHC 1729 (Ch), Lawrence Collins J ruled on the scope of disclaimers of rights in non-distinctive elements of trade marks. In particular, he had to adjudicate on whether such disclaimers could only be taken into account in registrability cases or if they were also relevant in infringement cases. The court also considered the correct approach to be taken when the Trade Marks Registry subsequently alters its practice on what it considers distinctive once a mark has been registered subject to a disclaimer.

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HOT TOPIC

1. THE BEGINNING OF THE END FOR P2P TECHNOLOGY?

On 5 September 2005, the Australian Federal Court handed down its much anticipated decision in case of brought by Universal Music Australia Pty Ltd against Sharman Networks and its affiliates ([2005] FCA 1242), better known as the owners of Kazaa, the world renowned internet peer-to-peer ("P2P") file sharing system. This decision followed closely in the wake of the United States Supreme Court decision in *Metro-Goldwyn-Mayer Studios Inc v Grokster* (545 US (2005)), manufacturer and distributor of P2P software. Both courts adopted the view that operators of P2P networks may be found liable for infringement of copyright, by authorising the infringing acts of the users of the software in relation to copyright in sound recordings.

The question now on the minds of all UK copyright litigators is whether the English courts will follow suit. Despite the British Phonographic Industry's promise to clamp down on illegal file sharing, there has not yet been comparable litigation in this area in England. Therefore, the only English precedent on this question remains the old case of *CBS Songs Ltd v Amstrad Consumer Electronics plc* [1988] 2 All ER 484. This article examines the development of the law of copyright infringement by "authorisation" in England and abroad, and speculates upon the future course of the law in England.

Under the Copyright, Designs and Patents Act 1988, section 16(2), copyright in a work may be infringed by a person who without the licence of the copyright owner authorises another to do any of the acts restricted by the copyright. Therefore, although another person may be the direct infringer, the person found to have authorised copyright will be liable for a separate action of infringement from the act which itself is authorised.

In 1988, the question of liability for copyright infringement by authorisation was first addressed to the House of Lords, who had to determine the claim brought by CBS that Amstrad was authorising copyright infringement by virtue of their manufacture of twin-deck tape recording machines. It was CBS' contention that since people were able to make illegal copies of cassettes using Amstrad's newly developed tape recorder, Amstrad was authorising users to infringe copyright and was therefore liable for copyright infringement. CBS based their argument on s1(1) of the Copyright Act 1956 (the "1956 Act") whereby a copyright owner has the exclusive right to authorise copying. CBS submitted that since copies of copyright works could be made using Amstrad's recorder, Amstrad was infringing this exclusive right of the copyright owner.

In its decision, the House of Lords looked at the meaning of "authorise" for the purpose of the Act. It held that "to authorise means to grant or purport to grant to a third person the right to do the act complained of, whether the intention is that the grantee shall do the act on his own account, or only on account of the grantor…", and, in other words, to "sanction, approve, and countenance". The Court found that Amstrad had not sanctioned nor approved infringement. The Court distinguished between conferring the power to copy and granting the right to copy. Although Amstrad's advertisements promoted the advantages of the new recorder, of which one was the fact that records could be copied, there was also a clear warning that copying required permission which could not be granted by Amstrad. Furthermore, and importantly, it was possible to use the recorder to make lawful copies. Therefore, Amstrad had not purported to authorise or grant any right to copy to third parties purchasing the recorder.

The Court also distinguished the case of *Moorhouse v University of New South Wales* [1976] RPC 151 where the High Court of Australia took a more expansive view as to what was required to establish infringement by authorisation. UNSW was held to be liable for authorising infringement by virtue of the provision of a photocopying machine to students. In *Moorhouse*, although UNSW was not directly committing the infringement itself, because it retained control over the machine and could reasonable know or suspect that the machine would be used for infringement, it was liable for any such infringement. The situation was the reverse of *CBS Songs*, as Amstrad had no control over the use of their machines once they were sold.

Although *CBS Songs* was decided under the Copyright Act 1956, the same principles can be applied to the current Copyright, Designs and Patents Act 1988. Moreover, there has been no other change to the law in relation infringement of copyright by authorisation in England since this case. Therefore, at present, companies behind P2P software rely on the case to argue that they are not liable for copyright infringement as they not authorising infringement but rather are providing the software for lawful means.

However, the recent spate of overseas decisions against P2P providers has left their UK counterparts on decidedly shakier ground.

In the US, prior to the Supreme Court's decision in Grokster, the leading authority was the *Sony Betamax* case (*Sony Corp. of America v Universal Studios, Inc.* 464 US 417 (1984)). This was a claim of secondary liability for copyright infringement against Sony based on its manufacture of video recorders (VCR). It was submitted that due to the fact that purchasers of the VCRs could record copyrighted television programmes, Sony was providing the means to infringe. Furthermore, it was argued that Sony had constructive knowledge that infringement would occur. However, the Supreme Court held that as there was no evidence that Sony was encouraging infringement, and the machines were capable of significant non-infringing uses, Sony was not liable for copyright infringement by virtue of their sale of VCRs.

With the advent of P2P technology and file sharing networks, the providers of this technology hid behind the *Sony Betamax* decision to avoid liability for copyright infringement. Indeed, when Grokster and Streamcast were sued by MGM and other copyright owners, initially the appeals court, following *Sony Betamax*, found that they were not liable for the infringements committed by the users of their software because there was evidence that the software had substantial non-infringing uses.

In *MGM v Grokster*, the facts were as follows: Grokster Limited and Streamcast Networks Inc, the two defendants, distributed free P2P file sharing software which enabled users to share music, film or other digital files. Most of these files were copyright protected works. Therefore, a group of copyright owners sued the defendants for secondary copyright infringement, alleging that that the defendants intentionally distributed the software to enable users to reproduce and distribute copyright works without the authorisation of the copyright owners.

As seen above, the appeals court found in favour of the defendants based on the *Sony Betamax* case. However, upon appeal to the Supreme Court, this decision was reversed and it was held that there will be an infringement of copyright law where a software developer or distributor provides individuals with the means to share copyrighted files without authorisation. The ruling, handed down on 27 July 2005, was based on the US rule against inducement. The Court said that where a person actively or knowingly aids another's direct infringement and takes active steps to encourage infringement, such as advertising infringing uses, that person may be liable for copyright infringement. In the case, neither of the defendants had attempted to prevent the use of their software to share copyright materials. Rather, both defendants advertised and promoted their software's potential for such purposes, and thus actively induced and encouraged copyright infringement. Further, in relation to the non-infringing uses principle from *Sony Betamax*, the Supreme Court said that it was not applicable in this case as the rule in *Sony Betamax* applied to products which were capable of substantial non-infringing uses, whereas the defendants' software had no other real function and was not intended for any other purpose, other than copyright infringement. Therefore, both Grokster and Streamcast were held liable for contributory copyright infringement.

This decision represented a major turning point for copyright owners. Although it was unsurprising that the Supreme Court was unwilling to let Grokster and Streamcast shelter behind the *Sony Betamax* doctrine when they had purposely manufactured a product capable of infringing uses and then promoted and encouraged users to infringe. Nevertheless, the copyright world was watching and waiting for further pronouncements. It did not have to wait long.

On 5 September 2005, the Australian Federal Court handed down its decision against the owners of Kazaa. There were 30 claimants in the case, comprising owners, licensees and distributors of sound recordings, claimed that the defendants were infringing copyright by authorising the copyright infringing conduct of users of the Kazaa P2P file sharing system.

The claimants submitted that the file-sharing actions of Kazaa users were done without the licence of the relevant applicant, that there was a common design between each of the Sharman companies and the Kazaa users, and that the acts of the Sharman companies were done without the licence of the relevant applicant.

By way of response, the defendants argued that although, by distributing the software, they conferred on users the ability to make available for download by other users any files in digital format, they did not authorise any infringing acts. Further, the software was capable of being used to communicate and/or download non-infringing material, and, once they had they have no control over the user's use of the distributed software. Finally, the defendants relied on the copyright warnings and end user licence agreements supplied to and entered into by users of the software.

The defendants arguments were to no avail. Justice Wilcox found that six of the ten defendants were liable for authorizing users of the Kazaa system to infringe copyright without the licence of the relevant claimant. Wilcox J followed the decision in *UNSW v Moorhouse*, and said the test for establishing whether a person had authorised the infringing act remained whether that person had *sanctioned, approved or countenanced* the infringement. In assessing liability for authorising infringement, Wilcox J said the relevant principles were:

- How much control the alleged authoriser had over the direct infringer, i.e. whether the alleged authoriser would have been able to prevent the infringement?
- Whether the alleged authoriser took any reasonable steps to prevent users from infringing copyright.
- Whether a reasonable person would conclude that the defendant sanctions, approves, or countenances the infringement.

Wilcox J found that:

- The defendants were widely aware of the copyright infringement in the digital files exchanged on the Kazaa network.
- They had the capacity and means to prevent or substantially curtail infringing acts.
- It was in their financial interests that there was infringing file-sharing because it mean more users and they made their money from advertising.
- The warnings against the sharing of copyrighted works, and the end user agreements were ineffective to prevent copyright infringement.
- Rather than attempting to prevent copyright infringement, the Kazaa system was promoted as a device with the object of its use being infringement of copyright.
- The Kazaa website contained exhortations to Kazaa users to increase file-sharing.

The record industry and entertainment companies greeted the decision with rapture and hailed it as a second groundbreaking step in the fight against P2P file-sharing systems following *Grokster*. Indeed, although there are distinctions between *Grokster* and *Kazaa* cases, due to the differences in the conduct of the systems' respective operators, and the fact that Australian statutory law has no counterpart in United States law, it is clear that the Courts have turned their focus from the characteristics of the product to the conduct and intentions of the maker or supplier. The result is that right of manufacturers or distributors of P2P software to presume that their products will be used in accordance with the law is now severely restricted. Arguably, the earlier cases of *CBS Songs* and *Sony Betamax*, in which although certain products were able to be used to infringe copyright, it was presumed that the manufacturer was not liable for authorising infringement if he had not purported to grant to anyone committing an infringement a licence or permission to infringe, can no longer protect file-sharing networks.

Therefore, in the wake of *Kazaa* and *Grokster*, whether a provider will be guilty of infringement by authorisation is now directly linked to the degree of control exercised by the provider over the primary infringer; whether it made any attempt to stem the infringement or in fact actively promoted its facilities or products as able to infringe copyright; the extent to which its commercial interests were linked to the primary infringer; and the actual or constructive knowledge it had, or should have had, that infringement of a protected work might take place.

Although the UK courts are not required and do not follow US or Australian precedents, it cannot be said that the ruling do not make a difference to software developers in the UK. Following the decisions in *Grokster* and *Kazaa*, it is anticipated that it will not be long until the UK courts are asked to reconsider claims for authorising copyright infringement and revisit the principals set out in *CBS Songs*.

P2P software developers worldwide have been put on notice that they can and will be held liable for authorising infringement. However, until the UK courts are provided the opportunity to give its opinion and guidance on the matter, no definitive advice can be given to P2P developers to enable them to protect themselves from liability for copyright infringement. Nevertheless, in this environment of legal uncertainty, P2P developers should be advised to tread carefully in the development and promotion of commercial file-sharing systems.

IP Rights

2. US REMOVES UKRAINE TRADE SANCTIONS IN RECOGNITION OF IMPROVEMENTS MADE TO PROTECT INTELLECTUAL PROPERTY RIGHTS

On August 31 2005, the US Trade Representative announced that the United States had lifted 100% tariff sanctions which since 2002 were imposed on US$75 million worth of exports from the Ukraine. This action was in response to the Ukraine's approval of a package of amendments to the Laser-Readable Disk Law in July 2005, which improved its licensing regime in order to prevent the manufacturing of pirate CDs and other optical media.

The approval by the Ukrainian Rada (Parliament) of the new Laser-Readable Disk Law, which went into force on 2 August 2005, demonstrates progress in the area of intellectual property rights protection. The new legislative framework brings about important innovations concerning both the criminal code and the Law of Ukraine "On Specifics of the State Regulation of the Activity of Subjects of Economic Activity Associated with the Production, Export and Import of Laser-Readable Discs".

In 2000, the United States indicated that it was deeply concerned with the production of pirated media, which had been taking place in the Ukraine and its export to Eastern, Central and Western Europe. In response, the United States attempted to stem the illegal production and trade of CDs and DVDs by signing a bilateral agreement with the Ukraine in June 2000. According to this agreement, Ukraine was responsible for setting up plant monitoring procedures to crack down on piracy and enacting a satisfactory optical disk law by November 2000.

The Ukraine failed to meet its bilateral obligations under the agreement and, in March 2001, it was designed as a Priority Foreign Country in the Special 301 process. In August 2001, the US Trade Representative took action by withdrawing benefits from the Ukraine under the Generalised System of Preference. Moreover, on 23 January 2002, the US imposed US$75 million worth of sanctions on Ukrainian export to the United States, which was the estimated amount of annual damages caused to US businesses due to the illegal trade of pirated optical media.

The recent approval of changes to the Ukrainian Laser-Readable Disk law and other WTO-related legislation, and the lifting of sanctions should lead to the progressive reestablishment of normal trade relations between the US and the Ukraine. The USTR has also announced that it is conducting a Special 301 Out-of-Cycle-Review, and depending on Ukraine's IPRs enforcement, the US may reconsider its Priority Foreign Country status and General System of Preferences benefits eligibility.

With regard to the Ukraine's imminent accession to the WTO, President Victor Yuschenko's willingness to pass a set of IP-related regulations, developed by the United States, in cooperation with industry officials and the Ukraine Government, demonstrates that compliance with bilateral WTO accession agreements is a priority, as much as compliance with the standards of TRIPs.

3. GHOST OF ROVER HAUNTED BY INTELLECTUAL PROPERTY DISPUTES

Chinese firm Shanghai Automotive Industry Corporation (SAIC), one of the losing rivals in the tussle to buy MG Rover, is not backing down quietly. In addition to its complaints regarding the "discriminatory and unfair" bidding process, SAIC has threatened the successful bidder, Nanjing Automotive, with a long court battle over intellectual property rights (IPR).

During its previous attempts to take over the Rover car maker, SAIC spent £67million buying the IPRs in relation to the Rover 25 and Rover 75 car models, along with IPRs relating to a series of engines that power all the new Rovers and MGs.

The key issue is that most of the cars produced under the MG mark in recent years are apparently Rover models with different branding and modified specifications. Therefore, while Nanjing's deal with PricewaterhouseCoopers (PWC) (the administrators to MG Rover) has seen it take control of MG car production, SAIC continues to own the rights to two of the three equivalent Rover models.

SAIC argues that Nanjing cannot produce any cars without its permission because it has already acquired the IPRs from Rover. However, PWC and Nanjing believe that SAIC holds little significant IPR. Nanjing say that they have the rights to produce the MG variants of Rover’s saloons, while PWC believe that SAIC’s threat is a ploy to frighten off buyers so that it can buy equipment at knockdown prices.

Copyright

4. GOOGLE’S ONLINE BOOKS PROJECT UNDER ATTACK

Despite the announcement from search giant Google that it was slowing down on its plans to scan the texts of millions of books and then place them online, the Authors Guild of America has launched a class action suit, along with several individual authors and editors, in the US Federal Court alleging copyright infringement by Google.

In its most recent scheme, termed Google Print, Google was planning to digitise the books from several major university libraries, making millions of volumes of literature and research material accessible online. It was investing $200m (£110m) into creating a digital archive of books from top US libraries Stanford, Michigan, Harvard and the New York public library, as well as digitising out-of-copyright books from the UK’s Oxford University. When Google Print was to be up and running it would direct potential buyers to publisher websites and provide reports about user interest in specific books. The scheme has, however, come under fire from several groups who object to what they say are violations of copyright.

Google acknowledged the fact that not all publishers and authors agree with the idea of Google Print but said it would continue with the project in the belief that most will choose to participate in the programme in order to introduce their work to countless readers around the world. Nevertheless, in response to the concerns of publishers and authors, Google announced that it would halt scanning of the copyrighted texts until November and asked publishers to “opt-out” of the scheme over the next three months.

This scheme did not satisfy publishers who objected to Google offering an opt-out, rather than an opt-in scheme. They claimed that the responsibility for preventing copyright infringement was now shifted to the copyright owner rather than the user.

Thus, in late September 2005, the Authors Guild, the United States’ largest and oldest society of published authors, and several individual authors filed their action against Google asserting that the scanning and digitising of books is a “massive” infringement of copyright. The Authors Guild is seeking damages and an injunction against Google. If granted such an injunction could potentially spell the premature end of Google Print.

It will be interesting to see how the US Courts tackle the issue. Although, in theory, the concept of Google Print has great potential, it is clear that in practice one cannot ignore the implications of the copyright laws, in place to prevent unauthorised use of copyrighted material.

5. A HECTIC TIME FOR DEVELOPM ENTS IN COPYRIGHT COLLECTIVE MANAGEMENT

The European Commission's devotion to problems of collective rights management has been demonstrated through the elaboration of new business models for online exploitation, and the surveillance of collective licensing bodies from an antitrust perspective. Agreements made by collecting societies to find licence repertoires beyond national borders have attracted much attention.

The Santiago Agreement, notified to the commission in April 2001 by the music rights collecting societies in the UK (PRS), France (SACEM), Germany (GEMA) and the Netherlands (BUMA), is currently being considered by the Commission. Most European national societies have joined up to the Agreement. The purpose of this initiative is to transform collecting societies into one-stop-shops able to provide cross-border licences to commercial users and willing to offer music via downloading or streaming services. Users are thus able to purchase licences, valid throughout Europe and possibly worldwide, through a single transaction with a given national collecting society. Until this proposed Agreement, users had to address a separate request to each national collecting body in order to use the material within a specific territory. This antiquated procedure was found to be contrary to the borderless nature of the Internet.

Despite the innovative character of the new licences allowing for a better exploitation of content via the internet, the Commission has signalled its intention to reject the Agreement. This is because the current version contains an economic residency clause, limiting users to purchasing licences from the society established in their own country of residence (IP/04/586). This would contradict the goal of establishing a Common Market, and could turn out to be highly anti-competitive.

Given the Commission's preliminary position, the Belgian and the Dutch collecting societies (BUMA and SABAM) have rejected the economic residency clause of the Santiago Agreement, avowing not to be part of any agreement that contains such a restriction. The Commission welcomed their initiative and, on the 17 August 2005, announced the opening of a public consultation addressed to interested third parties. Now that BUMA and SABAM have rejected the original Agreement, more desertions are likely to follow.

The Commission has further proposed a one-stop-shop collecting societies to enhance competition. According to the proposal contained in the Study on Community Initiative on the Cross-Border Collective Management of Copyright (7 July 2005), right holders could assign their rights directly to a society of their choice. Collecting societies would work as agencies covering only a part of the music repertoire, but would have the right to license it for the entire EEA and possibly worldwide. Competition among societies would be maintained by the need to ensure a high quality and convenient service is provided both to right holders and to users.

The innovative character of such a proposal suggests that the European collecting societies' procedure will soon change. However, at the moment the proposal does not include a feasibility plan or a costs and benefits analysis for each category of stakeholder. It remains to be seen whether the net advantage of lower transaction costs for right holders will offset the increase in bargaining costs for the users, who would be obliged to purchase different licenses for a number of fragmented repertoires.

6. MORAL RIGHTS FOR PERFORMERS IN THE UK

The UK Patent Office recently issued guidance on the moral rights of performers. This precedes the Statutory Instrument that will introduce the rights into the Copyright, Designs and Patents Act 1988 (CDPA). The CDPA currently only provides for the moral rights of authors. As the Statutory Instrument will be presented in Parliament, the guidance is subject to change as and when required if changes are made by Parliament. The document contains guidelines on the provisions contained in the draft Regulations such as how the rights are to be granted, what rights are granted, to whom the rights are granted, the duration and transfer of the rights, and the exceptions.

In 2000, the European Commission approved the WIPO Performances and Phonograms Treaty (WPPT). Article 5 of the Treaty requires member states to provide for the protection of the moral rights of performers. The UK Patent Office subsequently held consultations with the industry representatives. There were responses to the consultation on the draft regulations implementing the performers' moral rights. The guidance was a result of these consultations. The moral rights to be granted are the right of the performer to be identified as the performer and the right to object to any distortion, mutilation or other modification of a performance that may be prejudicial to the performer's reputation. The rights provided for under the regulations are similar to the moral rights granted to the authors under the CDPA 1988. The rights are to be granted to the performers for their live performances, performances that have been broadcast, and performances of which sound recordings have been made and subsequently communicated or issued to the public. Although the rights are granted to the performer, the performer has to assert his identity. The regulations grant the rights for a term of fifty years.

The Regulations are limited in scope to the WPPT obligations and exceptions. However, there are several provisions that resulted in strong responses from the industry. First is the requirement that the right to be asserted must be identified in an instrument in writing, signed on, or on behalf of, the performer. This applies to the whole or any significant part of the performance. This goes beyond the provisions of WPPT. Second, the moral rights will not extend to performers in audio-visual performances. Third, the regulations, once in force, will only cover the performances done after the enforcement date.

Once in place the Regulations will no doubt have an impact on the performers as well as users of the performances. The performers will have a legal right to take action against third parties that infringe their moral rights. They will have the same level of protection as the authors in terms of their moral rights. Directors, producers of sound recordings and broadcasting organisations will be required to recognise these rights.

Patents

7. EURO NOTES IN THE MIDST OF PATENT INFRINGEMENT

Document Security Systems Inc. (DSSI) is the owner of a European Patent which covers a method of incorporating an anti-counterfeiting feature into bank notes or similar security documents to protect against forgeries by digital scanning and copying devices. The technology creates an interference pattern that produces distortions on a copied bill, hence making it easier to distinguish counterfeits.

DSSI acquired the patent in question in 2004 and now seeks to enforce its rights against the European Central Bank (ECB). This suit was announced as the first in the series of potential litigations the company has planned against other banks and corporations who in its opinion are using its patented technologies without valid licences.

In the claim before the Court of First Instance (CFI), DSSI has asked for “reasonable sum of royalty”. This amount is potentially a very significant figure considering that 30 billion euro notes have been printed and are or will be in circulation, allegedly in violation of the company’s patent. Any sum of royalty will be calculated on the basis of the cost of printing and what royalty rates are normal in the industry.

The suit was filed with the CFI because under Article 235 of the Treaty, only the CFI has the jurisdiction to hear matters between the European institutions, such as the ECB and the parties. The case is listed as T-195/05, *Document Security Systems Inc. v European Central Bank*.

This case presents an example of smaller firms getting bullish in seeking to enforce their patent rights against bigger well known organisations. It will also be a test case for CFI, which is traditionally more accustomed to hear disputes of the nature of judicial review and to acting as an appellate jurisdiction in trade mark matters for OHIM under the Community Trade Mark Regime, rather than patent enforcements and infringement.

8. OSDL ANNOUNCES PATENT COMMONS PROJECT

The Open Source Development Labs (OSDL), a global consortium dedicated to accelerating the adoption of Linux, announced on 9 August 2005 at LinuxWorld that it would be creating a patent commons project designed to provide a central location where software patents and patent pledges will be housed for the benefit of the open source development community and industry. The aim is to increase the utility and value of the growing number of patent pledges and promises to provide a central repository where intellectual property can be held for the benefit of everyone. Vendors such as IBM, Nokia, Novell, Red Hat and Sun Microsystems have become known to pledge their intellectual property to the benefit of open source community.

Linus Torvalds, the creator of Linux, who now works for OSDL, believes that software patents are a potential threat to the ability of people to work together on open source. OSDL is planning to use this patent commons project to fight that threat by initially providing:

- a database and library for patent pledges made by companies and for other legal solutions, such as indemnification programmes offered by vendors of open source software
- a collection of software patent licenses and software patents held for the benefit of the open source community

Although the OSDL patent commons project looks to be very encouraging for the open source community, not all supporters of open source are happy. There has been criticism of the project and arguments that inventors, who want their inventions to be used freely by everyone, should publish them and thereby allow them to pass into public domain. It is also proposed that patent attorneys help open source by contributing more by organising and searching prior existing art data bases to invalidate other companies' patents rather than filing more patent applications and then giving them away for free.

It remains to be seen how the OSDL patent commons project develops. Ideally, it will create a one-stop aggregation point for developers to navigate and understand what patent and indemnification resources are available. Some have voiced their pessimism towards the idea of software vendors to hand over their pledged patents to OSDL. On the other hand, other remain optimistic that the OSDL patent commons project will be embraced as a "protective haven where developers can innovate without fear".

9. ONE MORE AVENUE FOR REDUCED DISCLOSURE CLOSED

On 21 July 2005, the High Court handed down its decision in *Halliburton Energy Services v Smith International (North Sea)* [2005] EWHC 1623 (Pat). The case concerned a claim for infringement of two European patents (UK) covering methods of designing drill bits. The drills bits are used in the vertical drilling of oil and gas wells adapted for different types of rock and other substrates. One patent concerned identifying the orientation of different parts of the drill bits ("Orientation patent") and the other related to the constraints on drill bit design placed on it by reason of the forces imposed during drilling ("Force patent").

In the words of the judge the disclosure of the Force patent was "remarkable for the small amount of information it gives on how actually to perform the [invention]". It failed to provide information on how various calculations were to be performed but rather referred to the disclosure of the Orientation patent and another document said to be part of the existing technology ("the Ma document"). Halliburton argued that the information did not need to be set out in the Force patent since it could be found in the other documents.

The judge said that neither of these other documents could be part of the disclosure of the Force patent. The judge's primary reason for this was that neither reference gave any specific direction about what information would be found in the documents. In fact, the Ma document was only referred to as part of the background technology and was used to show why the Force patent was superior to existing technology.

The cross-reference to the Orientation patent was also held to be inadequate as the Orientation patent was not available to the pubic on the date the patent was filed.

The result was that the Force patent was invalid for insufficient disclosure. The judge noted that lessons could be learnt from this by the drafters of patent applications. The judge commented generally on the practice of cross-references and endorsed the European Patent Office's approach. The EPO does no allow cross-referencing at all, and instead insists that if the information is essential, it should be in the text of the patent itself, and if inessential, that the cross-reference be removed. Although due to the ordinary principles of document construction, the judge did not feel he could exclude the possibility of cross-referencing, he nevertheless said that the EPO approach was "sound". As such, this case might be seen as the latest in a number of recent patent cases in which the English judiciary are looking towards EPO practices.

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Trade Marks

10. KABUSHIKI KAISHA SONY COMPUTER ENTERTAINMENT V NUPLAYER

On 14 July 2005, the Chancery Division of the High Court delivered its judgement in the case of *Sony Computer Entertainment v Nuplayer Ltd*. This case concerned the question whether a trade mark owner can prevent internet sales in the United Kingdom of parallel imports from outside the European Economic Area ("EEA").

The Claimant, Sony Computer Entertainment ("Sony") developed the "PlayStation Portable" hand-held console ("the PSP console"), a personal multimedia entertainment system which was launched in Japan on 12 December 2004. In January 2005, prior to 1 September 2005, Sony's planned launch date of the consoles in Europe, the Defendant company, Nuplayer, started importing PSP consoles from Japan into the United Kingdom and selling them via its website without the consent of Sony.

On 15 June 2005, Sony issued proceedings against Nuplayer for trade mark infringement of a number of its European and UK trade marks, respectively, the stylised "PS" logo, the PlayStation controller button symbols and the word mark "PlayStation", and sought summary judgement. It argued that Nuplayer was infringing its mark under section 10(4)(b) and (c) of the Trade Marks Act 1994 by (i) offering or exposing goods for sale, putting them on the market or stocking them for those purposes under the sign, or offering or supplying services under the sign and (ii) importing or exporting goods under the sign.

Nuplayer argued that the Claimant's marks had been removed from its website so that they could not be seen before the product was delivered and that the PlayStation controller button symbols would be covered with ink and the console supplied with a "skin". In addition, it argued that for infringement to arise there had to be infringing "use" of the mark. It argued that as it sells on the Internet, does not display the products for inspection and describes the products merely as "PSP consoles", there is no trade mark registration which is thereby offended.

Mr Justice Lawrence Collins stated that the proprietor of a trade mark has exclusive rights in the trade mark, which are infringed by the use in the United Kingdom without his consent, that the trade mark is also infringed where goods are imported from outside the EEA without the consent of the proprietor.

He held that the fact that Nuplayer was selling imported PSP consoles via the Internet did not mean that it was not using the marks since Section 10(4)(b) specifically included "stocking" products under the sign as an infringing act. Also, he held that "use" was to be given a wide interpretation and included matters arising after the sale. In addition, Nuplayer's offer to obliterate the trade marks from the PSP consoles would not make any difference. Indeed, even though Section 15(1) of the Act provides that where infringement has taken place the court may order the infringer to cause the offending sign to be "erased, removed or obliterated" from any infringing goods, this is merely one of the possible remedies, and cannot possibly found an argument that products which would otherwise be infringing cease to be so when the marks are erased or obliterated. Mr Justice Collins considered that the Defendant had no arguable defence and he allowed the application for summary judgement.

11. LABORATORIES GOEMAR V LA MER TECHNOLOGY

On 29 July 2005, the Court of Appeal (Civil Division) delivered its judgment in *Laboratoires Goëmar SA v La Mer Technology Inc.* [2005] EWCA Civ. 978. The Court of Appeal allowed the trade mark owner's appeal against a ruling of the Chancery Division that it had not made "genuine use" of its trade mark.

The appellant, Goëmar, a French company specialising in seaweed products, owned the UK registered trade mark LABORATOIRE DE LA MER for "perfumes and cosmetics containing marine products". Limited sales of the relevant products bearing the mark were made by Goëmar pursuant to several orders placed by Health Scope Direct Ltd a small enterprise Goëmar had appointed as its agent in the UK. However, there was no evidence of any sales of the goods to members of the public as consumers or end-users. La Mer Technology Inc. (a US company which is part of the Estee Lauder Cosmetics Group) sought to revoke Goëmar's mark on the ground of non-use for a period of five years. The Registrar dismissed La Mer's application. The appeal judge (Jacob J.) stayed the appeal and referred the case to the European Court of Justice for a preliminary ruling on the factors (including, amount and types of use) which should be taken into account when deciding whether a mark has been put into "genuine use" in a member state within the Trade Marks Directive EEC/89/104.

On January 2004, the Court of Justice (Third Chamber) gave its decision. The rulings were included in a reasoned order rather than in a judgment, as the Court of Justice thought that the answers to the questions could be deduced from its judgment in *Ansul BV v Ajax Brandbeveiliging BV* ECJ Case 40/01 (11 March 2003).

The hearing of the appeal from the Registrar was resumed after the reasoned order of the Court of Justice. It took place before Blackburne J. who concluded that there had been no "genuine use" of the mark in the UK, having found that genuine use of the mark required that it come to the attention of the end-users and consumers during the relevant period. He ruled that the acts of importation during the relevant period by an independent importer into the UK of goods bearing the mark did not by themselves amount to genuine use of the mark; and that the proven use by the registered proprietor was not sufficient to create a market share for the goods protected by the mark.

Goëmar appealed against Blackburne J's judgment. The Court of Appeal, allowing the appeal and setting aside the order for the revocation ruled on the following:

- Token use: Token use of a mark does not count as "genuine use". Nevertheless, it would be illogical to assert that every case of non-token use qualifies as genuine use.
- Internal use: Internal use by the registered proprietor does not count as "genuine use". Although the quantities involved were modest and although there was no evidence of sales by the importer to consumers and end-users, this did not mean that the use of the mark in the UK was internal or akin to internal use by Goëmar.
- Use by single importer: Provided the use was neither token nor internal, imports by a single importer could suffice for determining whether there was "genuine use" of the mark on the market.

- Market use: The modest amount of quantities involved and the more restricted nature of the import market did not prevent the use of the mark on the goods from being "genuine use" on the market.

This decision confirms the guidance given previously by the ECJ in relation to allegations of non-use in that the extent of use is not conclusive to determine whether it is indeed "genuine". It emphasises the need for good evidence as to the circumstances as there are no clear guidelines based simply on the volume of sales or the identity of the purchasers.

12. ENGLISH HIGH COURT CONFIRMS THE SCOPE OF TRADE MARK DISCLAIMERS

On 29 July 2005 Lawrence Collins J delivered his judgment in *General Cigar Co Inc v Partagas y Cia SA* [2005] EWHC 1729 (Ch).

General Cigars was the proprietor of the CIFUENTES WINKS trade mark, which it applied for in 1991 under the Trade Marks Act 1938. General Cigars had to disclaim the CIFUENTES element of the mark since the Registry's practice at the time was not to grant trade marks in respect of foreign surnames in the absence of proof of acquired distinctiveness (CIFUENTES appeared in a number of instances in the Madrid telephone directory).

Partagas applied to register CIFUENTES as a trade mark for the same goods in 1995. General Cigars opposed Partagas' application, to which Partagas responded that General Cigar's opposition had to be rejected because the only element that the two marks had in common, the term CIFUENTES, had been disclaimed by General Cigars. Under the transitional provisions concerning the introduction of the Trade Marks Act 1994, pre-1994 disclaimers had to be treated as if they had been entered on the Register under the 1994 regime.

Under the 1938 Act, an *infringement* action could not succeed where the only similarity between the two marks was based on the disclaimed element of the earlier mark. However, oppositions to registration were treated differently and in actions before the Registry, disclaimed elements could not be ignored. Thus, the question to be answered in this case was whether the same approach applied under the 1994 Act. A further complication arose from the fact that the Registry had altered its policy on foreign surnames, abandoning the rule that such names were automatically to be considered lacking in inherent distinctiveness, and so it was possible that the disclaimer concerning the CIFUENTES element was liable to being removed.

Lawrence Collins J found that the 1938 Act approach did not apply under the 1994 Act, and instead disclaimed elements were to be disregarded in both opposition proceedings and infringement actions. One reason for this is that a disclaimer operates to affect the scope of protection by influencing the analysis of the likelihood of confusion in both infringement proceedings and opposition proceedings, and it thus stands to reason that disclaimers should have the same effect in both situations. The Courts decision confirmed the case law and practice of the Trade Mark Registry with regard to disclaimers under the 1994 Act.

The outcome of this would be that General Cigar's opposition would fail. There was an element of unfairness in this result because the Registrar had altered his practice with regard to the registration of surnames, and so there was the possibility that the disclaimer of CIFUENTES had only been necessary under an outdated approach to the registration of surnames. The Court therefore felt that the correct approach in this instance was to stay the case in order to enable General Cigar to apply to have the disclaimer removed under s.64(5) of 1938 Act, which provides that the Registrar may remove from the register matter that appears to him to have ceased to have effect. This was a matter for further argument if General Cigar wanted to make such an application.

This case upholds an approach that focuses on the state of the Register over an alternative approach that contends that it is in the interests of consumers that disclaimed elements should be considered in infringement actions because consumers have no way of knowing of the existence of such disclaimers and will be confused by conflicting signs, whether or not disclaimers are in place. Whilst this may seem artificial, the reason this latter approach was dismissed was because the disclaimed elements have been disclaimed because they have been regarded as incapable of being distinctive, such that their use should not be capable of causing confusion in any even. However, as the use of a mark can lead to acquired distinctiveness in originally non-distinctive, and possible disclaimed elements, it is therefore important for trade mark owners to periodically review the disclaimed elements of their marks and consider whether such marks should be refilled without the disclaimers.

McDermott Will & Emery

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