

The European IP Bulletin

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Hot Topics

1. HUMAN EMBRYONIC STEM CELL RESEARCH AND THE EUROPEAN PATENT CONUNDRUM

The Minister for Science and Innovation, Lord Sainsbury, was quick to welcome the recent decision of the EU Competitiveness Council to allow European funding for human embryonic stem cell research. The UK has a strong scientific legacy to build upon in this controversial area, from the early discoveries made by Sir Martin Evans at the University of Cambridge in the 1980s to the creation of Dolly the Sheep by advanced cloning techniques at the Roslin Institute in Edinburgh in the 1990s. The Human Fertilisation and Embryology Act 1990 is one of the most favourable regulatory regimes in Europe for carrying out embryonic stem cell research. Substantial public funds have been invested by the UK government, for example in establishing the world's first stem cell bank, hosted by The National Institute for Biological Standards and Control (NIBSC) in Hertfordshire.

The main purpose of the intellectual property system is to reward investment in research and creative endeavour that leads to new products and technologies. In particular, strong monopoly rights are awarded by means of patents for new and useful inventions. The patent system is currently subject to some highly vocal criticism in the US, but in Europe the system is generally thought to be effective. However, from time to time, the patent system can struggle to cope with controversial new inventions, such as stem cell technology. This struggle is sometimes exacerbated by a long-standing requirement of European patent law to consider the ethical dimension of certain inventions, before a patent can be granted.

One of the most famous of these inventions is the Oncomouse. In 1984, a patent application was filed by the President and Fellows of Harvard College, claiming a method for producing transgenic non-human mammals with a predisposition to developing cancer. The inventors intended this method to be used to produce laboratory animals (such as mice) that could facilitate the study of serious diseases. The grant of the patent was opposed by a group of animal rights activists, amongst others. One of the grounds relied upon was that the invention was contrary to morality, because it would involve excessive animal suffering that was unethical. The European Patent Office eventually rejected this ground of opposition, deciding that the benefits of the invention outweighed the risk of suffering that would be caused.

In order to prevent the laws in the various EU Member States diverging on questions of whether and how biotechnological inventions (such as the Oncomouse) should be protected by means of patents, in 1998 the European Commission introduced the European Biotechnology Patent Directive. This contains a list of specific types of invention that are excluded from patentability on ethical grounds. The following are deemed unpatentable in the EU:

- processes for cloning human beings
- processes for modifying the germ line genetic identity of human beings
- uses of human embryos for industrial or commercial purposes
- processes for modifying the genetic identity of animals which are likely to cause them suffering without any substantial medical benefit to man or animal, and also animals resulting from such processes.

By 2003, research on human embryonic stem cells held out the promise of potential cures for Parkinson's disease, diabetes and heart failure. In recognition of the positive UK environment for stem cell research, the UK Patent Office issued

guidance notes on how it would treat UK patent applications for inventions involving human embryonic stem cells, within what the Office understood to be the ethical parameters set out in the Biotechnology Patent Directive. Specifically, the UK Patent Office said that it was prepared to grant patents for inventions involving a certain type of stem cell that did not have the potential to develop into a viable human embryo, namely human embryonic pluripotent stem cells.

Shortly afterwards, the European Patent Office issued its first decision on the patentability of human embryonic stem cell technology: the “Edinburgh Patent” decision. The Edinburgh patent did not claim a process involving the use of human embryos for industrial purposes, since that is forbidden by the Biotechnology Patent Directive. However, the technology described in the specification required the use of human embryos in the production of stem cells, i.e. the invention required human embryos to be destroyed before it could be worked.

The European Patent Office decided to take a wider interpretation of the exclusion in the Biotechnology Patent Directive than the UK Patent Office had done in its guidance notes. It reasoned that if the use of a human embryo was deemed ethically unacceptable, then any potentially inventive method or process that involved the prior destruction of a human embryo in order to obtain stem cells must also be ethically unacceptable. The European Patent Office did not consider it relevant that human embryonic stem cell research was permitted in certain EU countries, such as the UK. Thus, the patentee was only allowed claims to “non-human” stem cells.

The Edinburgh Patent decision was followed in 2004 by the Examining Division of the European Patent Office, which rejected a patent application by the Wisconsin Alumni Research Foundation with claims that were directed to stem cell cultures. Again, the reason given was that the invention required the use of a human embryo as a starting material. This decision has been appealed and is now going forward on the question of the correct legal interpretation of the exclusion in the Biotechnology Patent Directive for “uses of human embryos for industrial or commercial purposes”. In the meantime, the UK Patent Office (which is bound by decisions of the UK court, not decisions of the European Patent Office) continues to operate a more generous policy towards the patenting of human embryonic stem cells.

Whilst any commercial reward from this technology is unlikely to come for many years, patent protection is likely to be critical in securing any such reward. It is perhaps ironic that whilst patents claiming human embryonic stem cells have been granted by the US Patent Office, President Bush has recently refused to sanction federal funds for stem cell research, whereas in Europe, EU research funding is now to be forthcoming but the patent situation remains inconsistent and unclear.

Duncan Curley and Andrew Sharples have written a longer article on this topic entitled “Ethical Questions To Ponder in the European Stem Cell Patent Debate”. It has just been published in *The Journal of BioLaw & Business*. Reprints are available from the authors on request (dcurley@europe.mwe.com or asharples@europe.mwe.com).

2. CREATIVE COMMONS LICENCE UPHELD BY DUTCH COURT

In *Curry v Audax*, Rechtbank Amsterdam, Docket No. 334492 / KG 06-176 SR, 3/9/06, the District Court of Amsterdam, judging in summary proceedings, handed down the first known court decision involving a Creative Commons licence.

The Dutch local media celebrity Adam Curry posted photos of his family on www.flickr.com under a Creative Commons Attribution-Noncommercial-Sharealike 2.0 licence, which allows material to be reproduced for non-commercial purposes as long as the source is made clear. The photos carried the notice 'This photo is public' and a reference to the appropriate Creative Commons licence.

The Dutch Weekly Weekend, a gossip magazine, published these photos in a story on Curry's children without seeking Curry's prior permission, although a notice indicating that the copyrights of these photos were owned by Adam Curry was included.

Curry sued Audax, the publisher of Weekend, for copyright and privacy infringement. As to the copyright claim, Audax argued that it was misled by the notice 'this photo is public', and that the link to the Creative Commons licence was not obvious. Thus, Weekend had assumed in good faith that no authorisation from Curry was needed. Moreover, Curry had not incurred any damages by the publication of the photos in Weekend, since the photos were freely available to the public.

The court rejected this defence, stating that Audax should have carried out due diligence before publishing the photos, held that the photos were subject to the licence and that Audax should have followed its conditions. The court stated: 'It may be expected from a professional party like Audax that it conducts a thorough and precise examination before publishing in Weekend photos originating from the Internet'.

The court ruled that Audax violated two sections of the Creative Commons licence: Section 4a, which includes the obligation to provide a copy of the Creative Commons licence when distributing or publicly displaying a work; and Section 4c, which prohibits use of the work in a manner that is primarily for commercial purposes.

The court also ruled that Weekend must not use Curry's pictures again or it would face fines of 1,000 euros for each photo used without permission.

The Dutch Court's decision is especially noteworthy because it shows that: (i) photographs placed on a public website under the Creative Commons licence, which offers more flexibility than traditional copyright licences, have not become part of the public domain in such a way that anybody may use, reproduce or publish these pictures in any way and for any reason or purpose; and (ii) it is the user's responsibility to pay close attention to applicable terms and conditions.

Copyright

3. NEW FRENCH COPYRIGHT LAW

On 30 June 2006, the French Assemblée Nationale voted in favour of the new copyright bill. The 'iTunes' law as it is popularly known is intended to compel Apple to make music purchased from its online store and the iPod music player

compatible with music and players sold by rival companies. Currently, anyone who purchases music from iTunes can only play the music on the iPod player which cannot play music purchased from other online stores. In this way, Apple has been able to maintain its position in determining the price of music sold through iTunes. The law now:

- requires companies like Apple to provide for interoperability of their technical devices
- establishes a regulatory authority to ensure that companies comply with requests from competitors to licence their exclusive formats.

There is a clause in the new law, however, which allows artists to object to their music being transferred into other formats. This allows Apple to circumvent the provision regarding licensing their exclusive formats by striking deals with various record companies and artists to ensure that their music sold on iTunes is not converted into other formats. Thus interoperability is still mandated but may not have to be enforced.

The bill may only come into force after the challenge brought by the Socialists and Greens has been exhausted. The new law pits copyright law against competition law as the technological measures adopted by Apple are viewed as an impediment to competition while Apple maintains a monopoly over iTunes and iPod. Apple have threatened to withdraw from the French market. The passing of the law could have a far reaching effect on other countries in Europe where Apple has a leading market share of online music downloads. Denmark, Sweden and Norway have already taken Apple to task over the non-operability of iTunes and the iPod.

4. COLLECTIVE MANAGEMENT OF CABLE RETRANSMISSION RIGHTS

In *Uradex SCRL v Union Professionnelle de la Radio et de la Télédistribution (RTD) and Société Intercommunale pour la Diffusion de la Télévision (Brutele)* Case C-169/05, the European Court of Justice (ECJ) interpreted the scope of the powers of a collecting society under Article 9(2) of the EC Directive on copyright and related rights with regard to cable retransmission (Council Directive 93/83/EEC).

Uradex, a Belgian collecting society, brought an action against two cable operator companies, RTD and BRUTELE, to restrain the cable operators from retransmitting by cable the performances of artists within its catalogue without their permission, in violation of Articles 51 and 53 of the Belgian Law. Uradex was unsuccessful in the Belgian lower and appellate courts, which held that although the collecting societies managing the related rights held the exclusive retransmission right, this was subject to the actual transfer of those retransmission rights to the societies. Thus, Article 53(2) of the Belgian Law, which transposes Article 9(2) of the EC Directive, does not allow a collecting society to exercise the rights of artists who have not mandated them to the collecting society. The Belgian lower courts further held that the term “manage” was limited to collection of remuneration on behalf of the artists only, and the management of retransmission rights on behalf of artists was beyond the power of collecting societies, even in the cases where artists had transferred their rights to these societies.

The Belgian Supreme Court referred the matter to the ECJ for a preliminary ruling on the scope of the powers of collecting society under Article 9(2) of the Directive particularly when the cable retransmission rights have not been transferred by the artist to the society.

The ECJ held that: (i) Article 9(1) had entrusted the collecting societies to grant or refuse the retransmission rights on behalf of the copyright owners/holders, and that collecting societies were 'to be deemed to be mandated to manage such rights'; (ii) the scope of management of the rights provided in Article 9(2) was not limited only to financial aspects but included all aspects of cable retransmission rights, as evident from the heading of Article 9: 'Exercise of the cable retransmission right'; and (iii) the Directive did not prevent the copyright owners from exercising their contractual rights as provided in this case under Article 36(1) of the Belgian law and they were thus free to sever all links with collecting societies following any assignment of their rights.

This decision is of substantial significance for two reasons in particular. First, it enables cable operators to understand the scope of their potential negotiating rights with the collecting societies while acquiring the cable retransmission rights. Second, it provides guidance on the attempts to harmonise the national laws relating to the collective management of copyright and related rights within the Community in the wake of technological changes affecting such rights and thus furthering the aim of fostering cultural creativity in the single market.

5. TV ADVERTS INFRINGE MORAL RIGHTS IN FILM

On 12 April 2006, a Swedish Court of Appeal held that a TV channel breached the moral rights of the directors and the scriptwriters of two films when the presentations of the films were interrupted in 2002 by commercial breaks without the authors' permission.

The Swedish television company, TV4, had broadcast two films by directors Vilgot Sjöman and Claes Eriksson which were interrupted with advertising breaks. The two movies in question were made before Swedish broadcasting laws allowed commercial stations to interrupt movies with advertisements. The directors, who had also written the screenplays in their respective films, sued TV4 for violating their moral rights. They claimed that the five minute long breaks were interruptions prejudicial to their reputation and individuality as authors. The TV company denied the claims and stated that the authors had waived their rights in this respect when granting the broadcasting rights to a commercial television channel.

The Swedish Court of Appeal upheld the earlier decision of the Stockholm District Court in favour of the claimants. The Court of Appeal explained that whilst the main rule in the Radio and Television Act, which is based on the EU Television Without Frontiers Directive (89/552/EEC), is that advertising breaks should be placed between programmes, since they may also in certain circumstances be placed during a film. However, this is only permitted in a way that does not harm the integrity and value of the programme, or the legal rights of the rights holder. More significant changes require the consent of the rights holder.

The Court held that the authors had not waived their moral rights by granting broadcasting rights to a commercial television channel. Although the authors were obliged to allow small changes to their works, in these cases the commercial breaks were significantly long. It was obvious that the breaks interrupted the continuity and dramaturgy of the films and, in addition, incorporated subject matter which was foreign to the film. In one particular instance the intended dramatic effect of the transition between two scenes was destroyed.

The Court made it clear that a blanket waiver of moral rights is not valid. The mere fact that broadcasting rights are granted to a commercial broadcasting company does not automatically over ride the moral rights of authors. As advertising is the main component part of the business of commercial television broadcasters this case may force some companies to review their standard licence agreements, if they haven't done so already, to include express consent from authors of programmes regarding advertising breaks.

Patents

6. UNDER HAND AND OVERHEAD? PATENT CO-OWNERSHIP EXPLAINED

The UK Court of Appeal recently ruled in the case of *Derek Hughes v Neil Paxman* [2006] EWCA Civ 818.

Section 36 of the Patents Act 1977 sets out the rights of patent co-owners, and in particular states that one co-owner may not licence without the other owner's permission. This judgment revolved around whether the Court would allow one co-owner to grant a licence even when the other co-owner refused (based on application section 37 of the Act).

In this case, the Court of Appeal confirmed that section 37 did give the Comptroller the power to allow co-owners to grant licences in deadlock situations. This was evident in Patents Acts pre-dating the 1977 Act, and before that, in the common law. In particular, the Court of Appeal considered that the 1949 Act contained a power of the Comptroller to overcome deadlock situations and this power existed also under the 1977 Act. It existed to provide a fair commercial solution that was not arbitrary and had to be considered rationally, fairly and proportionately and did not therefore conflict with the other co-owner's human rights (despite Hughes' argument that this would breach the human right to peaceful enjoyment of property).

Mr Justice Jacobs, giving the leading judgment felt that this decision had a sound basis on underlying principles, as patents introduce an overriding public interest in making the invention available to the benefit of the public. In any case, if the argument had been successful then the patent might be exposed to a compulsory licensing scheme through failure to exploit.

This judgment was merely a preliminary skirmish of a larger dispute relating to control of the patent. The parties had set up a company to exploit the patent but there is an ongoing dispute as to the terms attached to this. As with most of the recent flurry of disputes relating to the ownership of patents, the need to put in place clear and precise contractual provisions relating to the ownership and any subsequent patents, cannot be emphasised enough.

7. RANBAXY LOSES IN COURT OF APPEAL ON LIPITOR

Ranbaxy UK Ltd v Warner-Lambert [2006] EWCA Civ 876 concerned two patents owned by Warner-Lambert ('633 and '281) that were important to atorvastatin, a cholesterol synthesis inhibitor. This case was an appeal on behalf of Ranbaxy against a decision refusing a declaration of non-infringement for '633 and a cross appeal by Warner-Lambert against the finding that its '281 patent was invalid for lack of novelty and obviousness. The entire case of non-infringement rested on the interpretation of claim 1 of the '633, which had used two formulae (I) and (X) to represent the pharmaceutically active compound used in Lipitor. Mr Justice Pumfrey had to decide whether the claim covered the single enantiomer as

explained by the formula used in the claim, or whether it only covered the racemic mixture (i.e. the 50/50 mixture of the two enantiomers of a chiral molecule) of both enantiomers. Ranbaxy contended that the formula used in the claim referred only to the racemic atorvastatin when seen within the context of the specification. Therefore, a single enantiomer such as the one Ranbaxy intended to market, was outside the scope of the patent claims. Mr Justice Pumfrey rejected such a narrow claim construction holding that the claims of '633 embraced both the racemate and individual enantiomers. At the same time, he held the '281 patent invalid on the grounds of anticipation and obviousness in view of a prior co-pending application and a prior published international application respectively.

The Court of Appeal dismissed both the appeal and cross-appeal upholding that:

- from the reading of the prior art and the patent, the skilled reader would know that it is the particular form of enantiomer, the one which is the centre of dispute between the parties, that will have all or most of the pharmaceutical activity. He would also expect the patentee to know this fact. Since the purpose of the claim is to demarcate the invention, there is simply no rational basis for supposing that the patentee would want to exclude the enantiomer which actually is the essence of the invention
- the actual drawing representing formula (I) cannot be taken to mean a racemate even when viewed in the context of the patent. This is because there is no rational reason or convention illustrating that the figure could mean only the racemate in the context of the patent; or that the figure showing a particular enantiomer could not mean both the racemate and/or either enantiomer
- on the question of lack of novelty of the '281 patent, the prior publication clearly discloses one of the ways in which one can make the single enantiomer of the acid, and it is the same acid that can be used to make the calcium salt. Since, the only way of carrying out the teaching of the earlier patent would necessarily infringe the later claim of the '281 patent, it is invalid for lack of novelty.

8. PATENT INJUNCTIONS IN THE US AND UK

In 2001, MercExchange sued eBay in the US District Court for the Eastern District of Virginia for patent infringement. In May 2003, a jury found eBay guilty of infringement on all but one of the patents in suit and ordered it to pay MercExchange \$29.5 million. The Court, however did not issue an injunction. On appeal, the Federal Circuit overturned the decision to refuse an injunction, applying a "general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances". This issue that came before the Supreme Court, who gave their opinion on the matter on 15 May 2006.

In a unanimous decision, the Supreme Court did not decide whether or not MercExchange should be granted an injunction, but instead issued guidance on the matter and referred the decision back to the District Court.

The Supreme Court explained that an injunction should not automatically be granted, the decision to grant such an injunction instead being an act of equitable discretion by the Court. In exercising this discretion, the Court must follow the well established principles of equity, thereby requiring the party seeking a permanent injunction to satisfy a four factor test. The plaintiff must therefore demonstrate:

1. that it has suffered an irreparable injury
2. that remedies available at law, such as monetary damages, are inadequate to compensate for that injury

3. that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted
4. that the public interest would not be disserved by a permanent injunction.

The Supreme Court confirmed that these general principles applied equally to patent disputes, noting that the US Patent Act stated that injunctions “may” be granted “in accordance with the principles of equity”. The Court went on to comment that although a patent grants a right to exclude others from the invention, the creation of a right is distinct from the provision of remedies for violations of that right.

On the face of it, the Supreme Court decision may seem to mirror the legal position of the UK with regard to the grant of injunctions. As with the US, in the UK a successful claimant for patent infringement does not have a right to a final injunction, and will instead be granted an injunction only at the equitable discretion of the Court, taking into account all of the usual principles of equity under UK law. However, there are two important differences under UK law which distinguish it from the guidance given by the Supreme Court in this case.

In both the UK and the US, a final injunction will only be granted where damages are not adequate relief. However, unlike the UK, the US generally permits the award of punitive damages, such that damages might more often be deemed as being an adequate remedy.

More importantly, however, is the manner in which the public interest is taken into account when deciding upon the grant of an injunction. Whilst the Supreme Court has emphasised the importance of this aspect in US law, this is of lesser importance under UK law in instances of patent infringement. Although public interest is a factor (*Chiron v Organon Teknika* [1992] FSR 512), the Patents Act 1977, as amended, includes provisions for the compulsory licensing of patents in instances where the non-use of the patented invention would harm the public interest. In contrast, there is no equivalent provision under US law. The possibility for compulsory licensing in the UK thereby provides a separate mechanism for taking the public interest into consideration, such that this is of a lesser importance when deciding whether to grant a final injunction against an infringer (*Biogen v Medeva* [1993] RPC 475). As a result, it is generally unlikely that a final injunction will be refused for patent infringement in the UK.

This piece is an abridged form of an article which appeared in e-commerce Law Reports, volume 6, issue 2, written by Andrew Sharples, a European Patent Attorney at McDermott Will & Emery UK LLP.

Trade marks

9. LOUIS VUITTON DEFEATS GOOGLE IN FRANCE

Louis Vuitton Malletier is the owner of two French trademarks, “Louis Vuitton” and “LV” and of one community trademark, “Vuitton”, all used to commercialise, substantially, leather products.

Google Inc. used to provide its customers with two advertising services, one called Premium Sponsorship Advertising and the other called ADWORDS. The first system allowed customers to buy some keywords which, if contained in a search carried out with Google’s search engine, would make some ads appear on top of Google search results. ADWORDS is a similar system based on cost-per-click (CPC) pricing, with dynamic placement at the side of Google search results. The

customer can set a maximum CPC and only pay when a customer clicks on his advertisement.

Louis Vuitton, in 2003, found out that “Google.com” and “Google.fr” search engines made adverts for the unofficial websites of merchants selling counterfeit Vuitton goods appear, as Google suggested the trademarks in question as keywords for third parties’ ads. Louis Vuitton, therefore, decided to sue Google and its French subsidiary for alleged trademark counterfeiting, unfair competition and misleading advertising.

Google claimed that its advertising system was completely automatic and therefore the choices made by the customers were unknown and that in the search results there was no mention as to any possible linkage among the websites of third parties selling counterfeit goods and the one legitimately owned by Louis Vuitton.

On 4 February 2005 the Paris District Court found that:

- Google used to help its customers find the most suitable keywords for their adverts through a keywords generator and if the word Vuitton was inserted in the system suggested keywords such as “Louis Vuitton replicas” or “Imitations Louis Vuitton” appeared
- Google, through its advertising systems and selling the contested keywords to its customers, facilitated the promotion of counterfeit Vuitton products
- Google offered advertising services which, for the aforementioned reasons, could be deemed as misleading advertising since the services were offered upon consideration.

In light of the above findings, the Paris District Court ruled against Google and its French subsidiary, restraining them from suggesting through their advertising systems the contested trademarks as keywords and charged them for trademark counterfeiting, unfair competition and misleading advertising. Google was also ordered to pay damages for € 200,000.

Google appealed the decision of the District Court and on 28 June 2006 the Paris Court of Appeals, in *SARL Google, Sté Google Inc c/ SA Louis Vuitton Malletier*, upheld the lower court decision, raising the amount due by Google to € 300,000 plus € 60,000 for legal expenses and ordered Google to publish at its own expense details of the judgement in four news magazines.

Subsequently, Google stated that the decision has little relevance to its advertising policy. Since 2003 Google has barred internet advertisers from buying search listings under registered trademarks held by others and banned the advertising of counterfeit products.

10. EASYNET GROUP PLC V EASYGROUP IP LICENSING LTD

In a recent decision (17 July 2006 UKCA), the respondent company applied to register *easy.com* as a trade mark for a wide range of goods and services. The Trade Marks Registry had allowed the application despite opposition to the application by the appellants, Easynet Group, under the provisions of the Trade Marks Act 1994 s.3(1)(b) and s.3(1)(c). Opposition was based on the mark being devoid of any distinctive character and of consisting exclusively of signs or indications that might serve to designate the kind, quality, intended purpose, value or other characteristics of the goods and services.

The hearing officer dismissed both grounds of opposition and held that the mark was neither descriptive or non-distinctive. On appeal, the High Court held that:

- it was assumed that the two elements of the mark (easy and .com) would, on their own, be treated as descriptive and would fall foul of s.3(1)(c)
- the hearing officer had not erred, as authorities indicated that a broader approach should be taken, which involved looking at the mark as a whole to see if it was descriptive within s.3(1)(c) and whether the mark as a whole added something more than its parts (See SAT.1 SatellitenFernsehen GmbH v OHIM (C-329/02), and Biold AD v OHIM (C-37/03))
- the test was one of overall impression and was not qualified by concepts such as unusualness or out-of-the-ordinary, which in any event would be difficult to measure
- the references to unusualness in the authorities were attempts to show how a combined expression might become more than the sum of its parts.

Thus, the registration was allowed to stand.

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