



## PATENTS

### Software Protection—Dynamic Links

In *Symbian Ltd v Comptroller General of Patents* [2008] EWCA Civ 1066, the English Court of Appeal has provided guidance on the test for determining whether a software program is patentable. Upholding the High Court's decision, the Court of Appeal found that the United Kingdom Intellectual Property Office (UK-IPO) was wrong to reject Symbian's patent application.

#### BACKGROUND

In July 2007, the Comptroller General of Patents refused Symbian's UK Patent Application (GB0325145.1) on the grounds that the invention was not patentable as it related to "a program for a computer...as such" within the meaning of Section 1(2)(c) of the Patents Act 1977. Symbian appealed the decision, and, in March 2008, the High Court overturned the Comptroller's decision. The Comptroller appealed and the matter came before the Court of Appeal in July 2008.

Symbian's patent application concerned the mapping of "dynamic link libraries" in computing devices. The Technical Board of Appeal of the European Patent Office (EPO) had previously considered whether this should be excluded from patentability as "a program for a computer...as such" in *Duns Licensing Associates* (T0154/04). In that case, the Board held that an invention is not an excluded type of computer program if it is "subject matter or activity having technical character", and could be patentable "even if it was related to the items listed in [Article 52(2)] since these items were only excluded "as such".

The Court of Appeal, however, stated that there is no clear rule available to determine whether or not a computer program is excluded from patentability under Section 1(2)(c) and each case must be determined by reference to its particular facts and features. The Court of Appeal found that the mere fact that what is claimed is a computer program is not determinative. The question of patentability has to be resolved by determining whether what is claimed "reveals a "technical" contribution to the state of the art".

The Court of Appeal followed the consistent guidance of both the Board and the English Court of Appeal. In particular, the

Court of Appeal identified five decisions as providing the most reliable and consistent guidance in this context, namely: *Vicom/Computer-related invention* T0208/84; *IBM Corp/Data processor network* [1988] T06/83; *IBM Corp/Computer-related invention* [1988] T115/85; *Merrill Lynch's Application* [1989] RPC 561 and *Gale's Application* [1991] RPC 305.

The Court of Appeal held that Symbian's application claimed a program that causes a computer to operate "better than a similar prior art computer". While the computer itself remains unchanged, as a matter of practical reality there is more than just a better program: there is a faster and more reliable computer. The fact that the improvement to the computing device may come from software rather than hardware does not make any difference. Therefore, the Court concluded that Symbian's application should not have been excluded from patentability.

### Cross-Undertaking of Compensation for an Interim Injunction

Les Laboratoires Servier (Servier) owned patent EP 1,296,947 relating to the "alpha form" of Perindopril, which is an Angiotensin-Converting Enzyme (ACE) inhibitor used in treating hypertension. Apotex launched a generic version of Perindopril in July 2006. Within a few days, Servier sued Apotex and successfully applied for an immediate interim injunction.

In July 2007, the late Mr Justice Pumfrey held the patent to be anticipated by an earlier Servier patent disclosing Perindopril, thus allowing Apotex to re-enter the market.

Pumfrey J gave Servier permission to appeal, but refused Servier's request for an extension of the injunction (as did the Court of Appeal). An appeal was heard in April 2008 and was dismissed.

#### LAW ON DAMAGES

The most recent issue in this saga was the enforcement of the cross undertaking in damages between the parties, which was given when the original injunction was issued.

Before considering the specific evidence in this case, Norris J set out the following principles of law for quantifying compensation:

- The cross-undertaking is to be enforced according to its terms. Servier was to comply with any order made by the Court “if the Court...finds [the interim injunction] has caused loss to the Defendants”. Therefore, the approach is compensatory and not punitive.
- The correct approach to assessment is set out *obiter* by Lord Diplock in *Hoffmann-La Roche v Secretary of State for Trade* [1975] AC 295 at 361E namely:

*“The assessment is made upon the same basis as that upon which damages for breach of contract would be assessed if the undertaking had been a contract between the Plaintiff and the Defendant that the Plaintiff would not prevent the Defendant from doing that which he was restrained from doing by the terms of the injunction: see Smith v Day (1882) 21 Ch D 421 per Brett LJ at p427.”*

- It is impossible to be precise in calculating Apotex’s loss, but a principled approach required Apotex first to establish on the balance of probabilities that the chance of making a profit was real and not fanciful. If that threshold is crossed then the second stage of the inquiry is to evaluate that substantial chance. The conventional method for calculating the award is to assess damages arising from a particular hypothesis and then make an adjustment by reference to the percentage chance of the hypothesis occurring.

#### AWARD

After considering numerous scenarios and computations, Norris J calculated that Apotex was entitled to receive £17.5 million in compensation for lost sales and profits (as compared to the figures of £400,000 presented by Servier and £27 million presented by Apotex).

#### COMMENT

This decision is a superb primer on how equitable compensation resulting from lost profits is assessed and calculated. It is also a good example of how costly it can be for a claimant in a patent action who, having given a cross undertaking from an interim injunction, ultimately loses the main action.

#### UK Manual of Patent Practice—Updated

The *UK Manual of Patent Practice* recites sections of the UK Patents Act 1977 and sections of the Copyright, Designs and Patents Act 1988 relating to patents. It also typically provides citations to important cases and commentary regarding sections in the Act as impacted by new case law (including European Patent decisions) and changes in legislation. It is an invaluable tool for anyone needing access to the nuts and bolts of patent procedure before the United Kingdom Intellectual Property Office (UK-IPO).

The latest edition was published on 1 October 2008. It provides useful insight into the way patent examiners will be

viewing certain types of patent claims, amendments and patent subject matters, following a number of developments in the law since the *Manual* was last revised in February 2008.

In particular, the *Manual* has been updated to include commentary and advice to patent examiners and patentees alike on cases such as *Eli Lilly & Co v Human Genome Sciences* [2008] EWHC 1903 (Pat) regarding what is “industrial applicability” and the important decision regarding inventive step by Lord Hoffman in *Conor Medsystems Inc v Angiotech Pharmaceutical*.

The *Manual* also provides new guidance on divisional applications, on the unintentional failure to pay renewal fees and the discretion of examiners to allow late responses by patentees. It also includes a section on Supplementary Protection Certificates for Medicinal Products and Plant Protection Products.

#### COMMENT

Whereas statements made in the *Patent Manual* are not in themselves citeable authority in any patent action by the UK-IPO and the *Manual* is not to be used as a set of legal requirements, it does shed light on the thought processes employed by examiners reviewing patent applications.

#### Patent Prosecution Super Highway

The “Patent Prosecution Highway” (PPH) trial scheme was launched on 29 September 2008 to promote cooperation between the European Patent Office (EPO) and the United States Patent and Trademark Office (USPTO). By permitting each Office to exploit the work previously done by the other, the PPH aims to fast-track patent examination procedure, potentially allowing patent applicants to obtain corresponding patents faster and more efficiently.

The PPH enables an applicant whose claims are determined to be allowable in the Office of First Filing (OFF) to have the corresponding application moved to the front of the examination queue in the Office of Second Filing (OSF), enabling the OSF to exploit the examination results of the OFF.

The rules of eligibility to use the PPH before the EPO include that:

- The European patent (EP) application is a Paris Convention application validly claiming priority of one or more applications filed with the USPTO.
- The USPTO application(s) has at least one claim deemed to be patentable by the USPTO. The applicant must submit a copy of the patentable claims from the USPTO application(s) to the EPO.
- The claims in each EP application must sufficiently correspond to the patentable claims in the USPTO

application(s). Essentially, the claims must be (or amended to be) of the same or similar scope. The applicant is required to submit a “claims correspondence table” indicating how the claims correspond.

- Examination of the EP application has not already begun at the EPO.
- The applicant must file a participation request form at the EPO.
- The applicant must submit a copy of all relevant Office actions from each of the USPTO application(s) containing the allowable claims that are the basis for the request.
- The applicant must submit copies of all the documents cited in the USPTO Office Action in one of the EPO official languages, except for European patents or published European patent applications.

If all the above criteria are not met, the applicant will be given one opportunity to correct the request, otherwise the applicant will be notified and examination will proceed as normal.

#### COMMENT

Most applicants will regard the PPH as a sensible move to speed up the prosecution process, and hence drive down costs. However, potential problems are sure to arise in certain subject matter areas, *e.g.*, business methods, computer-implemented inventions and biotechnology inventions, where there remain dissimilarities as to how the two Offices regard such technologies.

## TRADE MARKS

### Slogans—Distinctive Character

In *Imperial Chemical Industries (ICI) v OHIM*, the Court of First Instance (CFI) upheld the refusal by the Office for Harmonization in the Internal Market (OHIM) of ICI’s Community Trade Mark (CTM) application for LIGHT & SPACE in respect of paint and related products, on the basis that it is devoid of any distinctive character. The CFI considered that the public would perceive the mark to be an advertising slogan, drawing attention to the characteristics of ICI’s products, rather than as an indication of origin.

#### BACKGROUND

On appeal to the CFI, ICI raised five objections to the Board of Appeal’s refusal of the mark. The ICI said the Board of Appeal was wrong:

- To consider that the public would perceive the mark as a slogan. In order to operate as a slogan, additional words would be needed to suggest concepts such as “reflection” or “refraction” of light, “interior” space and “comfort”, ICI suggested that the Board of Appeal had considered the mark as “Space by Light” rather than “Space & Light”, which, it

argued, were unrelated words, lacking the grammar and syntax of a slogan;

- In failing to consider whether the mark could act as an indication of origin, regardless of its promotional meaning.
- In not giving due consideration to all of the elements of the mark, and although “Light” could be descriptive of paint, “Space” could not.
- In stating that a mark must be “unusual” or “out of the ordinary” in order to be deemed distinctive.
- In failing to assess whether the mark had distinctive character in respect of all of the goods for which the application was made, as paints, lacquers, varnishes, and preservatives have very different properties. Thus the mark might be distinctive for some, if not all of the goods in question.

#### DECISION

The CFI upheld the Board of Appeal’s decision that the mark has no distinctive character. It is sufficient that the semantic content of the word mark in question indicates to the consumer a characteristic of the goods or service which, whilst not specific, represents promotional or advertising information. The relevant public will perceive the mark first and foremost as such, rather than as an indication of the commercial origin of the goods or service.

Rejecting all five of ICI’s objections to the Board of Appeal’s decision, the CFI held that:

- The Board of Appeal had done no more than attempt to define the relationship between “light” and “space” in the minds of consumers. No additional words were needed in order for the public to understand this as a promotional message.
- The Board had considered the mark to convey specific information regarding the characteristics of the relevant goods. In the absence of distinctive elements, the Board of Appeal therefore considered the mark descriptive and lacking in distinctive character.
- Although the word “space” was not descriptive of the goods in question, when taken as a whole, the mark emphasised the relationship between “light” and “space” and would be perceived as a laudatory message.
- It was not the fact that there was nothing unusual or out of the ordinary about the mark which had led the Board of Appeal to conclude that it was devoid of distinctive character. It was the fact that the sign, by drawing attention to the characteristics of the goods to which it was applied, acted as an incitement to purchase.
- Although the range of relevant goods had different properties, they were all related to paints and all were capable of

containing colour and reflecting light. The CFI held that the Board of Appeal was not wrong to conclude that the public would perceive the mark as a promotional message and not an indication of origin in respect of all of the goods covered by the application.

#### COMMENT

The CFI noted that a slogan can only be registered if it can also be perceived as an indication of origin enabling consumers immediately to distinguish the goods or services under that mark from those of others.

## PARALLEL IMPORTS

### “Unwellcome” News for Drugs Companies

Following a reference from the Supreme Court of Austria to the European Court of Justice (ECJ), the Advocate General, in *The Wellcome Foundation Ltd v Paranova Pharmazeutica Handels GmbH* [2008] C-276/05, has addressed the question of the repackaging and parallel importation of pharmaceuticals. Advocate General Sharpston has concluded that the lawfulness of the new packaging in which drugs are marketed in another European Economic Area (EEA) State by a parallel importer is to be measured solely against whether it is capable of damaging the reputation of the trade mark and its proprietor. The Advocate General also attempts to shed further light on the extent of notification required to be given to trade mark owners by generic pharmaceutical companies in order for drugs to be legitimately repackaged and sold in this way.

#### BACKGROUND

Paranova had purchased branded Zovirax products sold by Wellcome in Greece, which were originally packaged in lots of 70 tablets. Since Austria requires that they be sold in packs of 60 tablets, Paranova repackaged the products in packs of 60 x 400 mg tablets. The new packaging differed from that of the original product in that: “Repackaged and imported by Paranova” was in bold type and block capitals across the front of the packaging; the manufacturer was referred to on the sides and on the back in normal type; and there was a blue band around the edges, which Paranova regularly uses for all of its pharmaceutical products.

Paranova duly informed Wellcome (which held the trade mark for Zovirax in Austria) of its intention to market Zovirax in Austria and enclosed colour prints of the outer packaging, of the blister packs and of the instructions for use. Wellcome requested that, in respect of future modifications, Paranova should, first, add a complete sample of every type of packaging and, second, disclose the state of export and the exact reasons for the repackaging. Paranova disclosed the reasons for the repackaging (different size of packaging), but not the state of export; it also refused to provide a sample unless Wellcome paid. Paranova was again asked to communicate the state of export and the precise reasons for the repackaging. Wellcome

also objected to the aspects of the new packaging referred to above.

#### THE REFERENCE

Wellcome sought an injunction preventing Paranova from marketing Zovirax in packaging with those features and without having informed it of the State of export and the precise reasons for the repackaging. The dispute reached the Oberster Gerichtshof (Supreme Court) in Austria, which in turn sought further guidance from the ECJ.

In its first question, the Austrian Court asked whether Article 7 of the Trade Marks Directive (89/104/EEC) and the relevant ECJ case law required the parallel importer to prove that there would be artificial partitioning of the market by the trade mark owner seeking to enforce its trade mark rights. This was not only in relation to the repackaging in itself, but also as regards the presentation of the new packaging.

If the answer to this question was in the negative, the Austrian Court wanted to know whether the presentation of the new packaging should be measured against the principle of minimum intervention or (only) against whether it might damage the reputation of the trade mark and its proprietor.

On the basis that the first question was answered in the negative by the ECJ in *Boehringer Ingelheim KG v Swingward Ltd*, the Advocate General was concerned only with the questions relating to “minimum intervention” and extent of notification.

#### THE QUESTIONS ANSWERED

In light of *Boehringer* and the ECJ’s decision in *Bristol Myers-Squibb* [1996] ECR I3457, the Advocate General concluded that the questions referred should be answered as follows:

*“Where a parallel importer of pharmaceutical products repackages the products in new packaging on the ground that repackaging is necessary in order to market the product in the Member State of importation, the lawfulness of the new packaging is to be measured solely against whether it is such as to damage the reputation of the trade mark and its proprietor.*

*In such circumstances, the parallel importer, in order to fulfil his duty of notification... must give the proprietor of the trade mark information which objectively demonstrates that the repackaging was necessary. Such information may, but need not necessarily, include identification of the Member State of export.”*

#### COMMENT

This case should bring some clarity to what is in fact adequate disclosure or notification under Article 7 of the Trade Marks Directive. The prospect of the ECJ adopting the Advocate General’s answers will not, however, be welcomed by major drugs companies. Paranova was adamant that if it had been



required to disclose every nuance of its repackaging regimen to Wellcome, there was a real possibility that the Austrian market would have been split. In addition, if a parallel importer were required to notify the trade mark owner of the State of export, the trade mark owner would be able to impose quotas on the supply of its pharmaceutical products to that State. This would then impede competition in direct contravention of European open market principles.

## DATABASES

### **SUI GENERIS RIGHT—CONCEPT OF EXTRACTION**

Following a reference from the German courts, the European Court of Justice (ECJ) has, in *Directmedia Publishing GmbH v Albert-Ludwigs-Universität Freiburg*, provided guidance on, and given a broad scope to, the concept of extraction in the context of infringement of the database right.

The owner of a database right has the exclusive right to prevent the extraction of the whole or of a substantial part of that database. In this ruling, the ECJ has held that this includes the unauthorised transfer of data from a protected database, even where there has been no technical process of copying. Even a manual recopying of the contents of such a database to another medium corresponds to the concept of extraction in the same way as downloading or photocopying. Moreover, it is immaterial that the data transferred is re-arranged and supplemented by further data.

### **BACKGROUND**

The reference was made in proceedings between Directmedia Publishing and the Albert-Ludwigs-Universität Freiburg following the marketing by Directmedia of a collection of verse.

A professor at the University, Herr Knoop, had drawn up a list of verse titles that was published on the internet under the heading *The 1,100 most important poems in German literature between 1730 and 1900*. Directmedia sought to compile a collection of verse and had used Herr Knoop's list of German verse titles as a guide. Directmedia then marketed their collection as a CD-ROM entitled *1000 poems everyone should have*. Directmedia omitted certain poems that appeared on Herr Knoop's list, added others and, in respect of each poem, critically examined the selection made by Herr Knoop. Directmedia took the actual texts of each poem from its own digital resources. Of the poems on Directmedia's CD-ROM, 856 featured in Herr Knoop's list.

The dispute between the parties was appealed to the Bundesgerichtshof, which decided to refer to the ECJ the question of whether using the contents of a database in such circumstances constituted an "extraction" within the meaning of Article 7(2)(a) of the Directive.

### **THE DECISION**

The ECJ held that such use, *i.e.*, "transfer of material from a protected database to another database following an on-screen consultation of the first database and an individual assessment of the material contained in that first database" could constitute an extraction, provided that it "amounts to a transfer of a substantial part, evaluated quantitatively or qualitatively, of the contents of the protected database, or to transfers of insubstantial parts which, by their repeated or systematic nature, would have resulted in the reconstruction of a substantial part of those contents" and that this would be for national courts to decide in each case. The ECJ was nonetheless at pains to point out that the *sui generis* right concerned only acts of extraction and/or re-utilisation within the meaning of Article 7(2), it did not cover the simple consultation of a database.

### **COMMENT**

The Database Directive has suffered bad press, particularly since the ECJ decision in *British Horseracing Board* [2004] ECR I-10415 from which it became clear that the *sui generis* right did not extend as far as the legislature intended. Database makers will nonetheless value this latest decision and the broad interpretation of one of the infringing acts under the Directive. It is immaterial that the extracted data is laid out differently; it is not necessary that each act of transfer concerns a substantial part of the protected database; the fact that the material has been re-appraised is not determinative; and, ultimately, whether or not it's for use in another database is irrelevant.

## COMMERCIAL

### **The Importance of Registering Transactions Relating to Intellectual Property in Europe**

In many European countries, a failure to register an assignment or exclusive licence of a registered trade mark or patent can lead to penalties for the rights-holder. In the United Kingdom this includes not being able to recover damages and/or costs when enforcing these rights. The English Court of Appeal in a recent ruling has given a broader interpretation of the sorts of transfers that must be registered in order to avoid these detriments, which now includes at least some transfers by operation of law. This decision highlights the importance of ensuring the attorneys responsible for a company's intellectual property portfolio are fully informed about the nature of any transaction relating to that portfolio, in order to ensure that relevant transactions are registered in relation to each applicable intellectual property right.

A recent Court of Appeal case, *Thorn Security Ltd (Thorn) v Siemens Schweiz AG (Siemens)* saw Siemens bring patent infringement proceedings against Thorn. At first instance, Siemens succeeded in proving patent infringement and successfully defended a challenge from Thorn that they could

not recover damages due to not registering an assignment of the patent. Thorn appealed on both counts.

Under English law, if an assignment or exclusive licence for a patent is not registered within six months of that transaction, then the proprietor of the patent can be prevented from recovering damages or the costs of infringement proceedings for any infringement occurring between the date of the transaction and its subsequent registration. Whether the penalty relates to costs or damages depends on the time(s) the infringement occurs. In 2006, English law was amended to prevent costs being recovered as opposed to damages. In this case, there had been a transfer of the patent under Swiss law. However, the transfer did not occur via means that would be conventional in the United Kingdom. Instead there were a series of mergers under the Swiss Code of Obligations Governing Corporations. This led to all of the assets and liabilities of one party passing to the other, followed by the dissolution of the first company and a change in the status of the second company. The transfer of assets is therefore not achieved by means of an assignment *per se*, but by operation of the doctrine of universal succession under Swiss law.

Because of the nature of this transaction, the judge in the first instance held that this was not an assignment for the purposes of the UK Patents Act 1977 (the Act) and decided therefore that the Swiss transaction was not one that needed to be registered in order to prevent recovery of damages. The judge recognised that this was an anomalous conclusion given that the purpose of this law is to ensure that the parties who actually own the patent and trade mark monopolies are the ones recorded on the register. However, based on the wording of the Act, the judge felt he had no choice but to reach this decision.

The Court of Appeal has now overturned the decision. In doing so, they have taken a more purposive interpretation of the law, having examined the reasoning behind this provision. They thus concluded that the intention behind the law must be maintained and that certain assignments by operation of law should be subject to registration. The Court of Appeal was at pains to point out that not all transfers of a patent or trade mark by operation of law will need to be registered, although no clear ruling was made on when this would not be required. Nevertheless, in this case, the mergers were transactions that should have led to a registration of the transfer of the patent in the UK Patent Register. Consequently, Siemens would have been prevented from obtaining damages for patent infringement, although this was ultimately moot as the Court of Appeal also overruled the first instance finding on infringement.

This case highlights the importance of ensuring any transaction that involves the transfer or exclusive licensing of patents and trademarks is brought to the attention of patent and trade mark attorneys in a timely manner, in order to ensure the registration

of all relevant transactions. As seen in this case, a failure to do so could potentially lead to a loss of millions of dollars in damages or costs.

## EU Consumer Rights Online—Overhaul and Upgrade

The European Commission has proposed a single framework Directive drawing together rules on unfair contract terms, distance selling, doorstep selling, and sales and guarantees (press release IP/08/1474). The catalyst for change has been the lack of development of cross-border trade, particularly online.

### KEY FEATURES OF THE DIRECTIVE

#### ■ Pre-contractual information

The draft Directive obliges the trader to provide the consumer with a clear set of information requirements so that he or she can make an informed choice. These requirements include the main characteristics of the product, geographical address and identity of the trader, the price (including taxes) and all additional freight, delivery or postal charges. There are additional information requirements for distance and off-premises contracts.

#### ■ Cooling off periods

For distance sales including internet sales, mobile phone, catalogue and pressure sales, there will be an EU-wide cooling off period of 14 days, during which the consumer can withdraw from the contract without giving any reason. The Directive also introduces the concept of a standard withdrawal form that can be submitted electronically.

#### ■ Delivery, passing of risk and conformity

The Directive stipulates 30 days from signing the contract for the trader to deliver the goods. The trader bears the risk of deterioration and loss of the goods until the consumer receives them. For late or non-delivery, the consumer will have a right to a refund no later than seven days from the date of delivery. The trader will be liable to the consumer for lack of conformity that exists at the time the risk passes and becomes apparent within two years.

#### ■ Unfair contract terms

The Directive introduces a blacklist of unfair contract terms prohibited in all cases, alongside a grey list of contract terms deemed to be unfair if the trader does not prove to the contrary.

### COMMENT

The Commission has suggested that it is not yet possible to present a clear timetable for the entry into force of the new Directive, which must now gain the approval of the European Parliament and national governments via the European

Council. Nonetheless, its commitment to change is clear and so far there has been nothing to suggest that businesses are overly concerned by the proposals, which in many respects reflect current practice, particularly in the UK. There has been some criticism; however, overall, the outlook for this latest consumer protection “safety net” seems positive.

### **New Company Names Tribunal—Opportunistic Registrations**

Brand owners can now apply to the new UK Company Names Tribunal to prevent registrations of company names similar to their company or business name by opportunists seeking to take advantage of goodwill in that name or make a fast buck by selling it to the brand owner. With effect as of 1 October 2008, the Company Names Adjudicator Rules 2008/1738 laid down the rules for proceedings before the Company Names Adjudicator to consider an objection to a registered name because it is either the same as one in which the applicant has goodwill or is so similar that it is likely to mislead by suggesting a connection between the company and the applicant.

#### **OPPORTUNISTIC REGISTRATIONS**

An example of an opportunistic company name registration is when someone registers one or more variations of the name of a well-known company in order to get the latter to buy the registration. Another example is when someone knows that a merger is about to take place between two companies and registers one or more variations of the name that the newly formed commercial entity is likely to require, with a view to selling it to that entity to cash in on its fame. Similarly, a registration will be considered opportunistic where it is made in the belief that a well-known overseas company is about to set up in the United Kingdom.

The Rules set out how an application should be made and provide, *inter alia*, for the service of documents and the form of evidence to be given, as well as security for and the awarding of costs. Once accepted, an application form will be sent to the holder of the company registration. If that holder does not defend its registration within the time allowed, the Adjudicator will order it to change its registration to something that does not offend. If the registration holder does defend its registration, the Tribunal will set timescales for each side to file evidence. If the registration holder fails to change the name by the date specified, the Adjudicator can determine a new name for the company and order that change to be made without the holder’s consent.

#### **DEFENCES**

The Tribunal will only deal with “opportunistic” company name registrations. Adjudicators cannot deal with cases where someone feels that another company name registration is too similar to their own company name, but where there is no suspected opportunism behind the registration. An application

to the Tribunal would therefore fail if the registration holder shows that it registered the name with another purpose in mind. In this respect, the Companies Act 2006 lists the following acceptable defences:

- a) The name was registered before the start of the activities on which the applicant relies to show it has goodwill/reputation.
- b) The company is operating under the name or is planning to do so and has incurred substantial start-up costs, or was operating under the name but is now dormant.
- c) The name was registered in the ordinary course of a company formation business and the company name is available for sale to the applicant on the standard terms of that business (an “off the shelf company”).
- d) The name was adopted in good faith.
- e) The interests of the applicant are not adversely affected to any significant extent.

Thus an application to the Tribunal will succeed if the registration holder cannot show any of the above. Or, even if the registration holder can show that it satisfies (a), (b) and/or (c), the applicant can prove that the registration holder’s main purpose in registering the company name was to obtain money (or some other consideration) from the applicant or to prevent the applicant from registering the name.

#### **COMMENT**

The new Rules are not designed to deal with mere clashes of company name. That is a matter for Companies House. Nonetheless, the new Rules are not restricted to protecting registered company names, but extend to any name in which an applicant can demonstrate goodwill at the time it was adopted by the registration holder as a company name.

There is a good chance that the new Rules will provide a swift and effective means of dealing with abusive company name registrations. With a right of appeal to the High Court, however, there is always a chance that any dispute could become protracted.

## **ADVERTISING AND MARKETING**

### **Guidance on Gambling Advertisements**

The Committee of Advertising Practice and the Broadcast Committee of Advertising Practice (CAP and BCAP respectively) have published guidance on certain rules regulating various aspects of gambling advertisements. Since February 2008, the Advertising Standards Authority (ASA) has investigated six gambling advertisements and upheld complaints against three. CAP and BCAP therefore decided that some rules, especially those drawing a fine line between acceptable promotion of gambling as a leisure activity and unacceptable depicting, condoning or encouraging of irresponsible gambling behaviour, warranted clarification.

Regarding each Clause of the CAP Code discussed below, the BCAP and BCAP Radio rules are very similar.

#### ESCAPE FROM PROBLEMS

Clause 57.4(c) of the CAP Code states “Marketing communications should not suggest that gambling can provide an escape from personal, professional or educational problems such as loneliness or depression.”

The guidance suggests that:

*“Advertisements should not suggest that gambling can alleviate mental distress and should avoid portraying extreme contrasts in emotion before and after gambling. Advertisements may, however, feature someone in a state of excitement after a win or disappointed after a loss and may suggest that, enjoyed responsibly as a leisure activity, gambling can help relieve boredom.”*

#### SOLITARY GAMBLING

Clause 57.4(k) of the CAP Code states “Marketing communications should not suggest that solitary gambling is preferable to social gambling.”

The guidance provides that:

*“These rules are not intended to prevent the depiction of solitary gambling online: they address concerns about people gambling alone. An advertisement that contrasts solitary gambling favourably with social gambling is likely to fall foul of this rule. A gambling advertisement that features an adult losing track of time, shunning the company of others, retreating into private fantasy or engaging in secretive gambling is likely to breach the general principle of the Codes that advertisements should not portray, condone or encourage gambling behaviour that is socially irresponsible or could lead to financial, social or emotional harm.”*

#### CULTURAL BELIEFS OR TRADITIONS ABOUT GAMBLING OR LUCK

Clause 57.4(q) of the CAP Code states “Marketing communications should not exploit cultural beliefs or traditions about gambling or luck.”

The guidance suggests:

*“Advertisements should avoid the use of cultural symbols and systems such as horoscopes if those symbols relate to an existing, strongly and communally held belief. These rules are not intended to prevent references to symbols or obsolete superstitions that are unlikely to be taken seriously, such as a clover leaf.”*

#### COMMENT

CAP and BCAP doubtless hope the new guidance will benefit advertisers, agencies and media owners alike. The guidelines seek to further protect the vulnerable by clarifying less obvious issues surrounding the promotion of gambling. However, both CAP and BCAP stress that the guidance “neither constitutes

new rules nor binds the ASA Councils in the event of a complaint about an advertisement that follows it”.

## SPORT

#### Conditional Access and Sports Rights—Good and Bad News

There is good news and there is bad news for sports events rights holders and their licensees in the European Commission’s second report on the implementation of the Conditional Access Directive 98/84/EC, published on 6 October 2008. The bad news is that, according to the Commission, the sanctions under the Directive do not apply to the use of lawful conditional access devices like smart cards and decoders that fly in the face of territorial restrictions, an issue that is at the heart of the references to the European Court of Justice (ECJ) in *FAPL v QC Leisure* and, more recently, *Murphy v Media Protection Services*. In other words, the Commission applies a narrow definition to “illicit devices” such that Mrs Murphy, and, on that reading, also the Defendants in the FAPL case, do not appear to be in possession of, or trading in, unlawful conditional access devices.

The good news, on the other hand, is that the Commission recognises that rights holders “seem perfectly entitled to demand better protection” and in this respect proposes to initiate work to assess the need for additional measures to close what it considers a “loophole”.

Apart from that, the Commission’s report confirms the necessity of protection for digital access systems that represent “a vital pre-condition for the growth of new content distribution services like video on demand, online products and mobile TV”. The report makes a number of recommendations to ensure the further effectiveness of the Directive. Implicit in those is the Commission’s acknowledgement of the Directive’s imperfections resulting in and compounded by uneven transposition of the Directive at national level. In this respect, as the Commission reports, efforts to combat piracy against conditional access systems have varied according to Member State (although all Member States have now implemented the Directive).

#### THE GREY MARKET

The Commission noted that despite the overriding aim to sustain the development of cross-border services, the EU broadcasting market has remained fragmented and in nearly all cases pay-TV channels are broadcast exclusively within the country in which they are based. Broadcasters tend only to buy rights to broadcast in their own country. Not surprisingly, as many Europeans live outside their country of origin, a grey market has developed. This has been characterised as “not exactly piracy but an infringement of contractual obligations imposing territorial restrictions to rights’ exploitation”. Thus,



subscriptions are paid for but are used outside the licensed territory, inevitably breaching the consumer's subscription contract.

On consultation, the Commission floated the idea of legalising the grey market. Not surprisingly, this did not go down well and most market stakeholders raised objections on the basis that it necessarily challenges the organisation of the sale of rights according to national territory. Whilst the Commission acknowledges the potential erosion of broadcasting revenues, it clearly recognises the requirements of European nationals living in parts of the European Union other than their homeland. In this respect the Commission intends to "continue the examination of the subject" with a view (and *only* with a view) to encouraging the development of a cross-border market for protected services "catering to the mobility and legitimate expectations of European citizens and, as such, legally available in their mother tongue and a language of their native country".

#### **UNEVEN TRANSPOSITION**

The Directive requires Member States to apply sanctions that are "effective, dissuasive and proportionate". Unfortunately, as the Commission suggests, not all Member States have achieved this. The ranges of sanctions are indeed very broad with fines ranging between minima of €25 to €7,500 and maxima of €1,158 to €50,000 and for prison sentences, where applicable, between eight days and five years. Some Member States go further in imposing protection beyond the requirements of the Directive by sanctioning private ownership of illicit devices. The Commission therefore intends to give further consideration to this subject and is seeking feedback from Member States.

#### **NEW FORMS OF PIRACY**

Another concern is the Directive's inability to deal with emerging forms of piracy, including smart cards and card sharing. The increasing use of smart cards has led to the widespread availability of decoders and blank smart cards that, once combined with card programming codes that are increasingly disclosed online, allow the user to gain unauthorised access to conditional access protected services. Also prevalent is the practise of card sharing whereby a legally obtained card is used to enable redistribution of a service to other consumers via a wireless network or WiMAX. These forms of piracy make it difficult to detect infringement. The Commission nonetheless is committed to exploring the legal options for countering such practices.

#### **ENHANCED PROTECTION FOR RIGHTS HOLDERS?**

For rights holders and audiovisual service providers, the grey market discussed above is merely the tip of an altogether blacker iceberg. The Directive protects against actions relating to the use of "illicit devices" only. As such, it does not extend to the use of lawful devices "without respect for territorial restrictions". In other words, the Directive "effectively defines piracy as based on the use of illicit devices". This appears to

cut right through the rights holders' contentions in *Murphy* and *FAPL* that the unauthorised use of lawful equipment means that such equipment is in fact "illicit" within the meaning of the Directive. The Commission is clearly referring to the lawfulness of the equipment and not its use in determining whether a device is illicit. The good news, however, is that the Commission is clear that sports events rights holders should be entitled to better protection and that it is committed to assessing "the need for additional measures to close this loophole".

#### **COMMENT**

The message in the Commission's report is "could do better". However, many of the Directive's shortcomings suffer from its implementation rather than its substance and the Commission seems confident that most new types of service are protected by the Directive, including video on demand, mobile TV and online streaming. There are a number of loopholes that the Commission intends to close. Unfortunately, the Commission doesn't promise to resolve any of these problems overnight. It proposes to set up an expert group on conditional access later this year whose first task will be to encourage administrative co-operation between Member States and examine the issues raised in the report more closely. This will take time due to the nature of the discussions, the complexity of the issues and the legislative procedures required to resolve them. The Commission also intends to set up a working group on the grey market whose primary concern will be to solve the problem of displaced European citizens not being freely entitled to watch programmes broadcast back home.

On an international level, the Commission is also pushing for ratification of the *European Convention on the legal protection of services based on, or consisting of, conditional access*, in recognition of the international dimension of conditional access piracy.

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