



CONCEPT

New Intellectual Property County Court to benefit SMEs

At present lower value IP disputes and IP disputes between small and medium-sized enterprises (SMEs) are dealt with in the Patents County Court (PCC). However, concerns have been raised that the prohibitively high costs of litigating in the PCC prevent access to justice for many SMEs in respect of IP disputes.

A recent review by Lord Justice Jackson of civil litigation costs in England and Wales has concluded that proposals for reform of the PCC put forward by the Intellectual Property Court Users Committee should now be implemented.

In particular, Jackson LJ has recommended the following:

- the PCC to be renamed the Intellectual Property County Court to reflect the fact that it is a forum for all IP disputes, not just patent litigation;
- evidence to be submitted at the start of proceedings and closer Court scrutiny of the need for expensive disclosure of documents by applying a cost-benefit test;

- trials to be limited to one or two days;
- total recoverable costs to be capped at £50,000 for patent cases, and £25,000 for all other IP litigation; and
- damages to be limited to £500,000.

In addition Jackson LJ recognised that many lower-value IP disputes could be dealt with using simpler and faster procedures. He has recommended that IP claims valued at less than £5,000 should be assigned to a new small claims track in the PCC, and claims valued between £5,000 and £25,000 to a new fast track.

The judge suggested that these smaller cases could be heard by district judges, IP lawyers sitting as recorders or Intellectual Property Office hearing officers.

At present there is no timetable for implementation of the proposals.

Digital Economy Bill aims to keep pirates at bay



The Digital Economy Bill (the Bill) was published on 20 November 2009. It aims to implement most of the initiatives set out in the *Digital Britain* White Paper published in June 2009, including a clampdown on online piracy, new duties for Ofcom, and facilitation of the switchover to digital radio.

The Bill obliges Internet Service Providers (ISPs) to take an active role in combating online piracy by sending warning

notices to subscribers suspected of illegally sharing copyright material. If this fails to reduce piracy sufficiently, the Secretary of State can force ISPs to restrict or terminate users' internet connections.

Whilst these measures have been welcomed by the music industry, there is fierce criticism from ISPs and consumer groups, who argue that the cost of implementation will outweigh the benefits, and that disconnection will not be subject to proper judicial process.

Equally controversial is a power granted to the Secretary of State to amend by order the Copyright, Designs and Patents Act 1988 (the Act) to prevent infringement of copyright online. Although the Bill's initial draft required Parliament to approve any such order, following widespread opposition to the scope of the power, the Bill has been amended. Now the Act could only be changed to deal with only the most serious infringements and only then after a 60-day consultation process.

The Bill entered the House of Lords Committee Stage on 6 January 2010.

Welcome

Welcome to the winter edition of **Concept**, the news bulletin from Burges Salmon's Intellectual Property and Technology Team.

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"...the proposals are not without opposition. Health groups and unions, for example, claim that product placement will increase advertising of products that may harm children's health."

Change of heart on product placement?

English law currently governing "product placement" on television is strict: broadcasters must ensure advertising and programme elements are kept separate and, as a general rule, programmes must not refer to branded products by name or show them close up.

The European Audio-Visual Media Services Directive (the Directive), may soon change that. Whilst a prohibition on product placement remains, the Directive allows each Member State to permit a level of product placement within certain boundaries. As a maximum, a Member State could permit product placement in cinematographic works, films and series, sports programmes and light entertainment programmes.

Ben Bradshaw, Secretary of State for Culture, Media and Sports, announced in September 2009 that the Government would consult on the possibility of allowing product placement on television within the scope of the Directive. (It is already permitted in video on-demand services.)

During recent years television advertising revenue has declined, due in part to competition from on-line advertising, in combination with technologies allowing viewers to skip adverts more easily. Broadcasters therefore favour the change, which Ofcom estimates could generate an annual revenue of between £25 million to £30 million.

However, the proposals are not without opposition. Health groups and unions, for example, claim that product placement will increase advertising of products that may harm children's health. They argue that although the Directive prohibits product placement in children's programmes, and any placement or advertising of certain products such as tobacco products and prescription medicines, there are many other popular programmes (such as *The X-Factor*) that will be watched by the young and which will not be covered by the prohibition.

The consultation closed on 8 January 2010 and the Government's decision will be keenly awaited by broadcasters and health groups alike.

AdWords: Google nears victory



Many high-profile brand owners have been trying to prevent Google selling keywords to their competitors which incorporate their registered trade marks and trigger advertising (so-called "AdWords") alongside natural search results. They argue that such use constitutes trade mark infringement, but the Advocate General has disagreed in a preliminary opinion of issues referred to the European Court of Justice.

Louis Vuitton Malletier SA LV is the proprietor of the Community trade mark VUITTON and the French national trade marks LOUIS VUITTON and LV. At first instance in the French Courts, Google was found liable for trade mark infringement by allowing competitors of LV to purchase Louis Vuitton's marks as keywords. The case, along with two others involving Google and its AdWords service, was referred to the ECJ for clarification of certain key issues.

In the Advocate General's opinion, there was no trade

mark infringement. As far as Google offering keywords for sale was concerned, his view was that the use by Google of the trade marks was not use made in relation to goods or services which were identical or similar to those covered by the trade marks. When Google subsequently used the keywords as triggers to display advertising, although this was use made in relation to goods or services which were identical or similar to those covered by the trade marks (ie use in advertising), such use was not liable to lead to a likelihood of confusion on the part of the public, who ultimately only decide on the origin of goods and services offered on AdWords once they leave Google and enter those sites.

If the ECJ follows the Advocate General's approach, then Google will have won a decisive victory in its battle to protect a lucrative business model. A decision is expected later this year.

Don't hold your fire in invalidity proceedings

A recent High Court case considered the ambit and legal effect of decisions made by the Intellectual Property Office (IPO) in trade mark invalidity hearings (*Evans and Another (t/a Firecraft) v Focal Point Fires Plc*).

Focal Point Fires (FPF) had successfully registered the trade mark FIRECRAFT in 2000. In 2008 Firecraft successfully applied for a declaration of invalidity against that mark, the IPO deciding that Firecraft demonstrated sufficient earlier rights in the mark to establish that FPF was passing off its goods as those of Firecraft.

FPF continued to use the mark and Firecraft subsequently brought a High Court action for passing off, applying for the case to proceed straight to an assessment of damages on the basis that a case of passing off had been established at the IPO hearing.

The Court found in favour of Firecraft and the decision is not going to be appealed. The IPO's finding of a valid

passing off claim was treated as final and conclusive, and the Court was unwilling to allow the same or similar arguments to be brought before the Court again. This principle is known as issue estoppel.

Applicants in invalidity proceedings now have the possibility to establish a claim for passing off through an IPO decision and using this to obtain relief from the High Court (a route significantly cheaper than a full High Court action). Those engaged in IPO proceedings must therefore ensure that proceedings are carried out with equal diligence and care as would be the case in the High Court, as any deficiencies at this stage may have irreversible consequences should they lose.

The significance of this decision is highlighted by recent IPO guidance that all invalidity actions brought on relative grounds must be decided only after a full hearing at which both the parties or their legal advisers are present.

The Empire fails to strike back

The Court of Appeal has recently dismissed Lucasfilm's appeal for copyright infringement against a British prop designer who sells replicas of the *Star Wars* Stormtrooper costumes. It confirmed the High Court's finding that the Stormtrooper helmets and body armour were not artistic works (their purpose was not aesthetic but to give a particular militaristic impression in the film). Accordingly, the defendant, who had produced moulds of the items for the original film based on Lucasfilm's designs, could rely on a defence under section 51 of the Copyright, Designs and Patents Act 1988, which provides that with the exception of artistic works it is not copyright infringement to make an article to a design or to copy an article made to a design.

The Court also added it would be wrong to determine questions of whether the defendant had infringed copyright under US law as there was no international jurisdiction for copyright matters.

The judgment shows the limits of protection of designs under copyright law. Unregistered or registered design rights offer alternative protection for such works both within the UK and the wider European Community. Unregistered design right (which arises naturally) offers only limited protection: 3 years within the Community and up to 10 years within the UK. Alternatively, applying for Community or UK registered designs is straightforward and registration provides protection for a maximum of 25 years. It is also possible to gain longer protection for a design by registering it as a trade mark.

For information on protecting designs please contact a member of the IP and Technology team.



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Budweiser battles on

Under section 48 of the Trade Marks Act 1994 a trade mark owner who has taken no action for a continuous period of five years against the registration of a later trade mark by a third party cannot then seek to invalidate the registration due to acquiescence.

Anheuser-Busch and Budvar each sold beers under the name BUDWEISER in the UK in the 1970s. Due to their honest concurrent use, both companies were eventually permitted to register BUDWEISER as a trade mark (after an acrimonious dispute lasting 20 years).

The two respective BUDWEISER marks were both registered on the same day. Four years and 364 days later, just before it would have been deemed to have acquiesced to Budvar's registration, Anheuser-Busch applied for a declaration that Budvar's BUDWEISER trade mark was invalid. The timing of the application was such that it was too late for Budvar to counterclaim against Anheuser-Busch.

Anheuser-Busch was successful in the Intellectual Property Office, where a hearing officer declared Budvar's trade mark invalid (due to the fact it had a later application date than Anheuser-Busch's trade mark). Budvar appealed to the High Court, and subsequently to the Court of Appeal.

The Court of Appeal has asked the ECJ to clarify a number of points in relation to acquiescence, including when the continuous period of five years commences, and the conditions necessary for acquiescence to arise.

If Anheuser-Busch ultimately succeeds with its invalidity claim, it may pave the way for a trade mark infringement claim against Budvar (who could be estopped from defending it following the recent *Firecraft* case reported elsewhere in this edition of *Concept*). Budvar may well feel aggrieved at such an outcome given the long history of concurrent use of the BUDWEISER trade marks, and Budvar's significant goodwill in its own use of the BUDWEISER brand.

Virgin Atlantic wins "flat bed" seat patent case

Virgin Atlantic has succeeded in its challenge to an earlier ruling against infringement of the patent covering its business class "flat bed" seats.

Virgin introduced flip-over flat beds on its aeroplanes in November 2003 and saw a 12% rise in its market share for long-haul flights. After Virgin had secured patent protection for the seats, the designers, Premium Aircraft Interiors, went on to assist other airlines to create fully flat bed seats.

At first instance, Virgin failed in its action against Premium, with the High Court finding that, although the patent was valid, because the allegedly infringing seats did not flip-over to provide a flat surface for passengers to lie on (one of the central claims of the Virgin patent), there was no infringement.

The Court of Appeal overturned the decision, finding that the patent was valid and had been infringed. The Court found that a "skilled reader" would not have concluded that the patentee intended to limit its claim purely to flip-over seats.

The patent had clearly identified the problem of "lost space" which resulted from the design of other airlines' upper class seats and the idea of extending the seat into the space was wholly unrelated to whether or not the seat flipped over. Importantly, the Court held that not only should the "skilled reader" be attributed with knowledge of the patent subject matter, but also with a certain knowledge and understanding of patent law and practice (by access to skilled advice).

A star from the Far East

The High Court has recently considered a claim by Daimler, owner of the Mercedes-Benz brand, that the three-point-star used by Sany, a Chinese manufacturer of construction machinery, took unfair advantage of its own famous three-point-star used for vehicles, under section 10(3) of the Trade Marks Act 1994.

The requirements for a claim of unfair advantage had only recently been considered by the ECJ (*L'Oreal v. Bellure*), and this was the first case in England to consider the ECJ's judgment.

The judge decided Daimler was unable to get over the first hurdle of establishing, on the balance of probabilities, that the average consumer would link the Daimler and Sany stars. The judge considered there is insufficient similarity between the three-point-stars for the Daimler mark to be

called to mind, even though the Daimler mark is "hugely famous and distinctive".

Even if a link had been established, the judge stated unfair advantage did not exist. The concept of unfair advantage suggests the intentional use of a logo which would call to mind another mark, and so incite consumer interest by adding allure and prestige. The judge placed emphasis on the evidence of Sany's own substantial investment in promoting its goods in the UK, which suggested there was no intention on Sany's part to get a "leg up" by virtue of Daimler's logo.

It remains to be seen whether future claims of unfair advantage will be limited to those cases where a newcomer intends to use an evocative trade mark for its own advantage.

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