

Welcome

Welcome to the Winter 2011/2012 edition of **Concept**, the news bulletin from Burgess Salmon's Intellectual Property and Technology Team.

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New small claims procedure for low value IP claims

The Patents County Court ("PCC"), despite its name, deals with disputes relating to trade marks, copyright and designs as well as patents.

In October 2010 the PCC was reformed to improve accessibility to lower cost intellectual property litigation for small- and medium-sized enterprises as an alternative to High Court litigation. In the PCC:

- proceedings are dealt with by a judge specialised in intellectual property matters;
- there is a streamlined procedure, designed to limit costs incurred in preparation for trial;
- the maximum award of damages is £500,000 (in addition to non-monetary remedies); and
- costs are awarded pursuant to a fixed scale, capped at £50,000.

The Government has now announced that a new small claims service will be introduced at the PCC to assist IP

owners who are currently deterred from enforcing their IP rights due to high legal costs. The small claims service will be designed for claims where damages are limited to £5,000 and will place limits on the costs that can be awarded. It is expected that the small claims service will follow a further simplified court procedure.

It is likely that the small claims service will be beneficial for many IP owners faced with minor infringements of their IP rights, particularly where an injunction to prevent future infringement is more valuable than a payment of damages, and where existing options for enforcement are not cost-effective.

We will keep you up to date with these changes as they are introduced.

The IPO is calling for evidence by 16 February 2012 on the details of how the small claims track should work.

Reggae Reggae Sauce

Levi Roots stands up for his rights

The High Court has dismissed a claim against Keith Graham (aka Levi Roots) and others for breach of contract and breach of a duty of confidence relating to Reggae Reggae Sauce (a marinade/condiment featured on the TV programme *Dragons' Den*).

Anthony Bailey claimed that the now famous Jamaican-style jerk sauce was derived from his own secret recipe, that Mr Bailey had entered into an oral agreement with Mr Graham to exploit its commercial potential in 2006, and that based on that agreement, Mr Bailey had then disclosed the secret recipe to Mr Graham in confidence.

Given the lack of documentary evidence, witness credibility was an important factor. Mr Bailey claimed that he had demonstrated the preparation of his sauce to Mr Graham and another chef at a meeting in 2006, shortly after the alleged agreement was reached. The Court rejected this, finding that it was "quite simply inconceivable" that Mr Bailey would risk his "secret recipe" by demonstrating it in front of a trade rival. While Mr Graham's credibility was also called into question, the Court preferred his description of the meeting (that it was Mr Graham's jerk sauce recipe developed throughout 2005 which had been demonstrated to Mr Bailey).



It concluded that the existence of the alleged agreement was logically inconsistent with these findings, as well as the subsequent conduct of the parties.

Mr Bailey's alternative claim for breach of confidence also failed, as it followed from the Court's findings above that there had been no communication of Mr Bailey's "secret recipe" to Mr Graham in circumstances which imported an obligation of confidence. Furthermore, Mr Bailey's recipe was not certain enough to be capable of being confidential information: it used standard ingredients, and the quantities and methodology were too imprecise to enable repeated consistent preparation of the sauce.

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Cookie compliance

“Must try harder”



On 26 May 2011, amendments to the Privacy and Electronic Communications (EC Directive) Regulations 2003 came into force, requiring consent to be obtained for the storage of cookies on a computer or mobile device.

The Information Commissioner's Office (ICO) indicated that it would allow a grace period of 12 months before taking any enforcement action. Now over six months in, the ICO has produced a “half term report” on compliance, and updated guidance. The report concludes that UK website owners “must try harder” to become cookie compliant.

While there is no one-size-fits-all solution to compliance, the ICO has further clarified its position, indicating that prior consent **will** generally be required, and that prior consent could be obtained by use of pop-ups, splash pages or website terms and conditions.

However, the ICO also recognises that prior consent presents potential

usability issues for many websites and may not always be possible. In those circumstances websites should be able to demonstrate that they are doing as much as possible to reduce the amount of time before the user receives information about cookies and is provided with options.

The ICO also suggests that as consumer awareness grows in the future, it might be possible to rely on implied consent, for example if a user ignores a pop-up asking for consent to cookie use and simply clicks through to the website. However, such guidance should be treated with caution for now.

Ultimate responsibility for compliance lies with the person setting the cookie. For ideas of relevant solutions, organisations should be looking at peers within their industry and sector levels. If others in your area of business are taking strides towards cookie compliance, the ICO might reasonably ask “if they can do it, why can't you?”

Government to consult on copyright

Follow-up to recommendations of the Hargreaves Review

The Intellectual Property Office (IPO) is to run a consultation on plans to implement recommendations relating to copyright made by the Hargreaves Review in May 2011. Evidence is being sought on how best to improve the contribution of the copyright regime to economic growth in the UK, and influence legislative and other measures.

The Consultation focuses on five main proposals, the first of which is the orphan works scheme. This would establish licensing and clearance procedures to facilitate the use of “orphan works” (whose rights holders cannot be traced following a diligent search) whilst maintaining appropriate safeguards for absent orphan works rights holders and the owners of rights in non-orphan works.

Views are sought on the introduction of a voluntary extended collective licensing (ECL) scheme which would allow authorised collecting societies to license works on behalf of all rights holders (who have not opted out) in a particular sector and distribute fees appropriately. Further

to this is the proposal to publish minimum standards for fairness, transparency and good governance for collecting societies, contained within voluntary codes of conduct. If a voluntary system proves ineffective, consideration will be given to a statutory code.

The Government also seeks views on the widening of copyright exceptions to the maximum permitted by EU law. This would include extending the exceptions for non-commercial research and library archiving, allowing certain limited acts of private copying and introducing an exception for parody and pastiche.

The IPO currently cannot issue authoritative guidance on copyright law. Views are therefore sought on the introduction of a Copyright Notice Service which would give the IPO a statutory function to publish formal opinions on UK copyright law.

The consultation closes on 12 March 2012. The Government intends to respond in an IP and Growth White Paper in Spring 2012.

The end to Europe's patchwork patent regime?

The debate about the creation of a single EU-wide patent, and a central European patent court, has been running for decades. The current system creates unnecessary costs as well as legal uncertainty. Patent protection and litigation in Europe is fragmented and expensive, requiring patent owners to register and enforce rights in each relevant national jurisdiction in order to secure international patent protection across Europe.

New proposals to establish a unitary patent and centralised European patent litigation system across Europe will deliver a more cost effective, user friendly and legally secure patent regime. An agreement on an EU patent package was expected to be announced by the end of 2011, with Poland reportedly eager to complete a deal before the end of December 2011 and its turn at the helm of EU's rotating presidency. However, no such agreement was reached, the main area of contention apparently being the location of the new European Patent Court.

Under the current proposals, the Court will comprise a Court of First Instance, a Court of Appeal and a Registry. The Court of First Instance will be composed of a Central Division, as well as local and regional divisions in the contracting states. The country that is eventually awarded the Central Division will enjoy an enviable position in the new European patent system as well as likely economic gain. UK lawyers are lobbying hard for the Central Division to be located in London, arguing that Britain does not currently host any European IP institutions, that it would be a convenient location for international litigants, that its Courts have an international reputation for fairness, and that English is the main language for science and business.

If the EU Council can agree on the Court's location, and the last remaining obstacles can be overcome, the new regime could come into force at the beginning of 2014.

Dyson fails to clean up in registered design case

***Dyson Ltd v Vax Ltd* [2011] EWCA Civ 1206**

Dyson has failed to convince the Court of Appeal that a Chinese rival's bagless vacuum cleaner infringes its UK registered design rights. In upholding the original decision of Arnold J, the Court confirmed the principles to be applied when comparing registered designs with alleged infringements. It also cast doubt on the usefulness of expert evidence in such cases.

Dyson had attempted to use its design rights, registered in 1994, to prevent Vax importing and selling its Mach Zen cleaner. Dyson had to prove that Vax's machine did not "produce on the informed user a different overall impression" to Dyson's own product.

The Court held that Arnold J had been entitled to discount the alleged design similarities put forward by Dyson. Some concerned features dictated by the technical function of the products, and were therefore excluded from protection. Others were insignificant, while several were not really similarities at all.

On the other hand, the Court agreed that there were significant differences between the designs. Most importantly, the informed user would perceive a considerable difference between the overall impressions given by the products: Dyson's cleaner was "smooth, curving and elegant" while Vax's was "rugged, angular and industrial".

The Court's decision highlights the potential difficulty of enforcing registered design rights. This is because the hypothetical informed user is "reasonably discriminatory", "particularly observant" and shows "a relatively high degree of attention". Although the product had been a "great departure" from existing designs at the time of registration and as a result, generally enjoyed a "fairly broad scope of protection", nevertheless the overall impression produced on the informed user by the Vax design was different.



Patent box

Good news for UK taxpayers

From 1 April 2013, the Government is introducing a preferential corporation tax rate of 10% for profits arising from qualifying patents, known as a "Patent Box". This results from concerns about the transfer of intellectual property out of the UK and the resulting loss of high value jobs.

Draft legislation was published in December 2011 following consultation in 2010 and 2011 and will be introduced in the Finance Bill 2012. The revised proposals are excellent news for business.

The proposals include patents granted by some other EU member states, which have criteria for patentability, patent examination and search practices comparable to the UK or European patent offices. There are currently no plans to extend the 10% rate to include other types of IP.

Companies must meet development and active ownership criteria. This may be challenging where joint ventures and complex funding arrangements exist. The original rules were criticised for their complexity and have now been simplified.

Qualifying income will include licence and royalty income relating to qualifying IP; the sale of patents; the sale of products incorporating a patented invention; compensation for infringement; and certain notional royalties. Financial income is excluded.

The amount of trading profit derived from patents will be calculated using a formula. The details remain under review and further refinements may be made before April 2012.

The changes announced in December 2011 will make the patent box simpler to operate and take into account the way patents are developed and applied in the UK and internationally. The Government has taken on board many of the responses to the consultations and is now consulting on the draft legislation.

To discuss the proposals with Burges Salmon's tax team please contact zoe.fatchen@burges-salmon.com (0117 307 6837). We would be happy to pass on your comments to HMRC.

Advocate General casts doubt over Community Trade Mark registration practice at OHIM

The Advocate General (AG) has given his opinion on OHIM's controversial position that a Community Trade Mark which cites a class heading taken from the Nice Classification is considered to protect all goods/services which fall within that class (IP TRANSLATOR C-307/10).

The Nice Classification allocates all possible products and services into one of 45 classes, with the class heading giving an indication of the contents of the class. OHIM's policy is administratively convenient, as applications citing the standard class heading can be automatically translated into the other EU languages and hence processed more quickly than "bespoke" specifications.

The AG's view is that, while such an approach may be permissible in some cases, not objecting to any of the class headings "does not guarantee the clarity and precision required for the purposes of the registration of a trade mark".

The class-heading-covers-all approach means that the scope of protection conferred by a mark may be unclear to other economic operators. For example, a registration in class 45 covering "personal and social services rendered by others to meet the needs of individuals" would be deemed to cover "dating services", "horoscope casting" and "crematorium services".

The approach also fails to meet the requirement of legal certainty. The Nice Classification is now into its 10th edition, with a range of goods and services moving into different classes over time. It is unclear what the scope of protection is for registrations filed under previous editions.

If the Court of Justice follows this opinion later this year, it will have a significant effect on a large number of existing registrations, as well as on the future protection strategy of trade mark owners, as it will mean marks are suddenly less broad ranging than previously assumed.

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