

Bird & Bird & IP & IT Bytes

November 2014

First published in the November 2014 issue of PLC Magazine and reproduced with the kind permission of the publishers. Subscription enquiries 020 7202 1200.

Trade marks: validity of shape

Summary

The European Court of Justice (ECJ) has provided guidance on questions relating to the validity of three-dimensional shape marks in the form of children's chairs.

Background

The Trade Marks Directive (2008/95/EC) (the Directive) sets out the grounds for refusal and invalidity of signs as trade marks. Signs that cannot be accepted as trade marks include those that consist exclusively of:

- The shape which results from the nature of the goods themselves (*Article 3(1)(e)(i), the Directive*).
- The shape which is necessary to obtain a technical result (*Article 3(1)(e)(ii), the Directive*).
- The shape which gives substantial value to the goods (*Article 3(1)(e)(iii), the Directive*).

In *Lego Juris v A/S v OHIM and MEGA Brands*, the European Court of Justice held that the national court must first identify the most important elements of the shape (its essential characteristics) (www.practicallaw.com/8-503-6976). The court may base its assessment of shapes resulting from the nature of the goods either on the overall impression that the sign gave, or by examining each component of the sign in turn. The grounds for refusal under Article 3(1)(e) of the Directive (*Article 3(1)(e)*) were not applicable if a decorative or imaginative element, not inherent in the generic function of the goods, played an important or essential role in the shape.

Facts

S marketed a children's high chair called the Tripp Trapp and registered its three-dimensional shape as a Benelux trade mark. H began selling similar chairs and was sued by S in Holland for infringement of its copyright in the Tripp Trapp and infringement of the Benelux trade mark. H counterclaimed for a declaration of invalidity of the mark.

The Dutch Court upheld S's copyright infringement claim but declared its shape mark invalid. On appeal, the Netherlands Supreme Court referred preliminary questions to the ECJ.

Decision

The ECJ confirmed that the main aim of Article 3(1)(e) was to prevent trade mark registrations being used to monopolise technical solutions or functional characteristics of products. All three limbs pursued the same objective, and each must be interpreted consistently with the other two limbs.

The concept of a shape which results from the nature of the goods themselves covered shapes with essential characteristics that were inherent to the generic function or functions of such goods, being characteristics that consumers might look for in the products of competitors.

The ground relating to “substantial value” covered not only aesthetic characteristics but also extended to other characteristics (for example, safety, comfort and reliability) that gave the shape essential functional value. The way in which consumers perceive the shape of the product is not decisive, although it might be one relevant factor that the court can take into account.

The various grounds of refusal under Article 3(1)(e) are not to be applied in combination, but independently of each other. If one limb is satisfied, the shape cannot be registered, but registration cannot be refused unless one ground is satisfied, not a combination of two.

Comment

This decision confirms that even if a design does not fall foul of the nature of the goods limb because the decorative or imaginative element plays an essential role in the shape, it may still be found invalid if aspects of the shape other than aesthetic considerations give the chair functional value; for example, making it safe, comfortable, reliable. The focus on how consumers regard the essential characteristics of the shape, and so whether competitors need to use those characteristics in order to compete effectively in goods of that kind, shows the delicate balance between trade mark rights and consumers’ interest in effective competition, as well as where to draw the line between the protection of product shapes by design or copyright law on the one hand, and trade mark law on the other.

Case: *Hauck GmbH & Co KG v Stokke A/S and others C-205/13*.

Copyright: research and private study exception

Summary

The European Court of Justice (ECJ) has provided guidance on the research and private study exception to copyright infringement for libraries, educational establishments, museums and archives in the Copyright Directive (2001/29/EC) (the Directive).

Background

Authors, performers and producers enjoy an exclusive reproduction right in relation to certain types of creative work (*Article 2, the Directive*). Copyright owners also have the exclusive right to authorise or prohibit any communication to the public of their works and may claim fees in respect of such communication (*Article 3, the Directive*).

Article 5 sets out exceptions and limitations to Articles 2 and 3 of the Directive, including exceptions for public libraries, educational establishments, museums and archives making:

- Specific acts of reproduction, which are not for direct or indirect economic or commercial advantage (*Article 5(2)(c), the Directive*) (Article 5(2)(c)).
- Certain copyright works available through terminals on their premises for research or private study (*Article (5)(3)(n), the Directive*) (Article 5(3)(n)).

The Berne Convention for the Protection of Literary and Artistic Works requires that most exceptions to copyright must fulfil the following three-step test: the exception must be confined to certain special cases, must not conflict with normal exploitation of the work, and must not prejudice the legitimate interests of the rights owner (the Berne three-step test).

Facts

D operated a library where it installed electronic reading points permitting the public to consult the works in the library collection, including a book published by U. D had refused U’s offer to purchase e-book versions of

certain textbooks in the library collection. U brought a claim against D in Germany for copyright infringement.

The German Regional Court referred questions about the interpretation of Article 5(3)(n) to the ECJ.

Decision

The ECJ held that the concept of “purchase or licensing terms” in Article 5(3)(n) required that the rightholder and an establishment (for example, a public library) must have concluded a licensing agreement setting out the conditions in which the establishment might use the relevant work. Offering to conclude a licensing agreement was not sufficient and would be inconsistent with the Berne three-step test.

Article 5(3)(n) did not stop EU member states from granting to public libraries the right to digitise the works contained in their collections if that act of reproduction was necessary for making those works available to the public at terminals within the libraries for the purpose of research or private study. The court called this the “ancillary right” of digitisation. The reference to “specific acts of reproduction” means that, in general, libraries must not digitise their entire collections.

Article 5(3)(n) did not extend to acts such as printing out of works on paper or their storage on a USB stick carried out by users from terminals within public libraries. These acts of reproduction went beyond those permitted under the ancillary right of digitisation since they were unnecessary for making the relevant work available to users of the work through dedicated terminals. In addition, the acts were not carried out by the libraries but by the users of the terminals. However, these acts might, if appropriate, be authorised under national legislation transposing the exceptions or limitations in Article 5(2)(a) or (b) of the Directive provided that, in each individual case, the conditions laid down by the provisions were met.

Comment

The ECJ’s interpretation of “purchase or licensing terms” is irrelevant under UK copyright law; the terms of section 40B of the Copyrights, Designs and Patents Act 1988, which implements Article 5(3), contain differences from Article 5(3)(n).

However, this decision is a novel linking of the two optional exceptions under Articles 5(3)(n) and 5(2)(c). The exception under Article 5(3)(n) refers to use by communication or making available to individual members of the public, but it does not refer to the reproduction of works, unlike Article 5(2)(c). The so called “ancillary right” of a library to digitise works in its collection in order to make them available on a public terminal is an example of purposive interpretation by the court.

By deciding that printing or storage onto USB sticks from library terminals was not permitted under Article 5(3)(n), the court avoided the issue of how, in practice, users could record the results of their research by leaving it to national courts to adjudicate on whether those activities fell within the photographic or private copying exceptions (where implemented).

Case: *Technische Universität Darmstadt v Eugen Ulmer KG C-117/13*.

Designs: groundless threats

Summary

The High Court has refused to strike out an action for threats arising from a notice from eBay under its Verified Rights Owner (VeRO) system.

Background

Groundless threats of infringement are actionable under section 26 of the Registered Design Act 1949 (for registered designs) and section 253 of the Copyright, Designs and Patents Act 1988 (for unregistered designs).

An actionable threat involves a statement from which a reasonable man in the position of the recipient would understand that he might be the subject of infringement proceedings.

The eBay VeRO system allows an intellectual property (IP) rightholder to notify eBay if it believes that a third party is offering goods for sale on eBay that infringe its IP rights. Following notification, eBay often de-lists the allegedly infringing products until the dispute between the IP rightholder and the third party is resolved.

In *Quads 4 Kids v Campbell*, the High Court granted an interim injunction on the basis that it was arguable that the notice under eBay's VeRO system was an actionable threat ([2006] EWHC 2482 (Ch)).

Facts

B and C marketed cake stands on eBay. B sent two notices to eBay complaining that C's cake stands infringed their registered and unregistered designs. As a result, eBay sent notices of claimed infringement under its VeRO system to C requiring C to desist from selling its cake stands on eBay and then removed C's listings from its website.

B and its solicitor also sent C a letter alleging infringement. C's cake stands were not re-listed on eBay for several months.

C issued a claim against B for groundless threats on the basis of the eBay notice and the letter. C also argued that eBay might regard C as a serial infringer and approach re-listing with caution. B applied to strike out C's claim, and C applied for summary judgment.

Decision

The court dismissed both applications.

The question of whether eBay's notice constituted a threat was not clear and as each side had a real prospect of success the matter should be tried in the usual way. Provisionally, the court considered that C's submissions were the more persuasive. However, two factors weighed against granting the summary judgment application. Firstly, the High Court in *Quads 4 Kids* had regarded it as a difficult question and only said it was arguable, and here the court was not precluded from taking a different view. Secondly, the court did not have all the material desirable to make an assessment of B's arguments that, on the particular facts of how the VeRO system operated, there was no threat.

Comment

The court noted that if an intermediary like eBay is put on notice that its operation is being used for the purposes of infringing activity it will generally protect itself against becoming liable for infringement by de-listing the material. Following *L'Oréal SA v eBay*, it risks becoming liable if it does not desist from the allegedly infringing activity once it is put on notice (see *News brief "L'Oréal v eBay: good news for brand owners"*, www.practicallaw.com/9-507-0026). So, it is to be expected that, in most cases, an intermediary will choose to avoid the risk of liability by taking steps to prevent or limit access to the material. Although the issue remains to be decided at full trial, this decision confirms that it is arguable that filing of VeRO notifications with eBay may be an actionable threat, which could expose the IP rightholder to damages for the loss suffered by the online seller as a result of eBay de-listing their products.

Case: *Cassie Creations Ltd v Blackmore and Mirrorkool Ltd* [2014] EWHC 2941 (Ch).

Defamation: intermediary defences

Summary

The European Court of Justice (ECJ) has provided guidance on the intermediary defences in the E-Commerce Directive (2000/31/EC) (the Directive) in relation to a defamation claim.

Background

Articles 12, 13 and 14 of the Directive contain exemptions from liability for intermediary service providers that provide information society services by acting as a mere conduit, caching or hosting (the exemptions).

“Information society services” is defined at Article 2(a) of the Directive (Article 2(a)).

Facts

P brought a defamation claim against a Cypriot newspaper, O, and also its editor-in-chief and a journalist, in relation to articles published online.

The national court referred questions on the interpretation of Articles 12 to 14 of the Directive to the ECJ.

Decision

The ECJ held that the exemptions did not apply to O.

The concept of information society services in Article 2(a) covered online information services for which the service provider is remunerated, not by the recipient, but by income generated by advertisements posted on a website. Here, the Directive did not preclude the application of national rules of civil liability for defamation to information society service providers.

However, the exemptions did not apply to a newspaper publishing company that operated a website on which the online version of a newspaper was posted, and which was remunerated by income generated by commercial advertisements posted on the website, as it has knowledge of the information it posts and exercises control over that information, whether or not access to the website was free of charge. The exemptions only applied to intermediary service providers and to activities of a merely technical, automatic and passive nature.

The exemptions could apply in proceedings between individuals relating to civil liability for defamation. However, Articles 12 to 14 did not allow information society service providers to oppose the bringing of legal proceedings for civil liability against them. The articles did not concern the conditions in which the judicial remedies for civil liability could be exercised against those service providers in the absence of specific EU provision. Those conditions were the sole competence of EU member states. The Directive could not, in itself, create obligations on the part of individuals and could not be relied on against those individuals.

Comment

The decision that a newspaper would not be allowed to rely on the intermediary exemptions in the Directive to avoid liability for articles it had posted on the internet, as opposed to user-generated content or readers' comments, is unsurprising. The decision also confirms existing principles (*Google France and Google C-236/08 to C-238/08*) that Directive defences operate as a separate shielding layer above substantive national law. It also applied existing law that directives do not have direct effect where a member state has failed to transpose the law at all, although this may give rise to a *Francovich* claim for damages against the member state (*Francovich v Italy C-6-6/90 and C-9/90*).

Case: *Sotiris Pappasavvas v O Fileleftheros Dimosia Etairia Ltd and others C-291/13*.

twobirds.com

Abu Dhabi & Beijing & Bratislava & Brussels & Budapest & Copenhagen & Dubai & Dusseldorf & Frankfurt & The Hague & Hamburg & Helsinki & Hong Kong & London & Lyon & Madrid & Milan & Munich & Paris & Prague & Rome & Shanghai & Singapore & Skanderborg & Stockholm & Warsaw

Bird & Bird is an international legal practice comprising Bird & Bird LLP and its affiliated and associated businesses. Bird & Bird LLP is a limited liability partnership, registered in England and Wales with registered number OC340318 and is authorised and regulated by the Solicitors Regulation Authority. Its registered office and principal place of business is at 15 Fetter Lane, London EC4A 1JP. A list of members of Bird & Bird LLP and of any non-members who are designated as partners, and of their respective professional qualifications, is open to inspection at that address.