

# Bird & Bird & IP & IT Bytes

March 2016

*First published in the March 2016 issue of PLC Magazine and reproduced with the kind permission of the publishers. Subscription enquiries 020 7202 1200.*

## Patents: guidance on experiments and scientific advisers

### Summary

The High Court has provided guidance on use of evidence based on computer modelling, court scientific advisers and the scope of cross-examination of a witness about a Civil Evidence Act 1995 (1995 Act) notice to admit hearsay evidence.

### Background

A party seeking to prove any fact by using experiments as evidence must serve on all parties a notice: stating the facts which the party seeks to establish; and giving full particulars of the experiments proposed to establish them (*paragraph 7.1, Practice Direction 63*).

A scientific adviser may be appointed to assist the Patents Court (*section 70(3), Senior Courts Act 1981*) (*section 70(3)*). The assessor will assist the court in dealing with a matter in which the assessor has skill and experience (*Civil Procedure Rule (CPR) 35.15(2)*) (*CPR 35.15*). Although *CPR 35.15* only uses the word “assessor”, the Court of Appeal has held that this rule also included scientific advisers (*Halliburton v Smith [2006] RPC 2*).

A party proposing to adduce hearsay evidence must give notice to the other party and, on request, particulars of the evidence as is reasonable and practicable in the circumstances to enable that party to deal with any matters arising from its being hearsay (*section 2(1), 1995 Act*). Where a party proposes to rely on hearsay evidence, the court may, on request, require that party to call the maker of the statement to be cross-examined (*CPR 33.4*).

### Facts

E issued proceedings against P for patent infringement. The High Court held that E did not have to serve a further pleading giving particulars of the alleged infringement because its construction of the patent could be discerned from correspondence.

E then wrote to P indicating a change of stance on its case as to construction (the letter).

P applied for further information in relation to E’s use of experimental proof, the appointment of a court scientific adviser, and permission to call and cross-examine the maker of a statement about a 1995 Act notice. P argued that the letter meant that E’s position needed to be clarified by requiring E to answer certain questions, and that these answers should be formally recorded in a pleading.

### Decision

The court granted the application in part. It also gave general guidance in relation to the use of computer simulations as experimental evidence.

In conventional scientific experiments in a patent case it is usual to have directions for a witnessed repeat of the experiment. In some cases a repeat might be disproportionate but the availability of a witnessed repeat was important. The same applied to computer modelling, but the need to have a witnessed repeat might be removed by providing the totality of the input data and the computer software to the other party so that they could run the model themselves and see whether the result was genuine.

It was necessary for E to explain what the experiments were supposed to prove and what role they were to play in the case. Proper notice had to be given to P of what facts the experiment was supposed to prove. If E changed its case and wished to rely on the same experiment to prove something different, permission to amend the Notice of Experiments was required.

General guidance was also given on whether the court should sit with a scientific adviser. Where a case involves a difficult area of science, the correct approach is for the parties to arrange for the judge hearing the trial to have a non-controversial introductory course, probably over no more than a day, before reading into the case. With that assistance a Category 4/5 judge (with a technical background and patent law experience) would then be able to handle the trial itself without a scientific adviser sitting in the trial, but assisted by the technical primer, the expert witnesses and the parties' legal teams. Any written materials produced by the scientific adviser for the judge should be given to the parties after the introductory course had taken place. If they wished to comment, they could do so at trial. Verbal discussions between the scientific adviser and the judge would not be available but a reasonable and fair minded observer would understand the respective roles of the court and the scientific adviser and would have no reason to think that these roles had not been fulfilled.

Cross-examination under CPR 33.4 was limited to the contents of the hearsay statement and did not extend more widely. The party cross-examining already had the equivalent of the evidence in the form of the hearsay statement. If the cross-examining party could cross-examine more widely, they would be able to introduce new evidence on new topics by using the techniques of cross-examination. This would be unfair to the party serving the hearsay notice, who may have had no notice of any of this.

## Comment

The use of computer simulations as evidence in patent cases arises in a range of technologies, so the guidance that this must be approached using the law and rules relating to experiments is helpful. In particular, it will be useful to practitioners preparing cases where proof of infringement can only be done by computer simulation.

The issue of court scientific advisers is controversial. The concern about using a separate court scientific adviser is that the parties are not privy to what that adviser says to the judge, and fear that he or she may unconsciously influence the judge's view on a contentious issue. The court noted that assistance in other cases had sometimes been sought from patent examiners with expertise in the relevant field as they might be seen as being more impartial. Under the Unified Patent Court (UPC) system, patent litigators may have to become more familiar with this situation, as the UPC rules of procedure provide for the panel to include a technically qualified judge, who is not also legally qualified.

*Case: Electromagnetic Geoservices ASA v Petroleum Geo-Services ASA and others [2016] EWHC 27 (Pat).*

## Trade marks: co-existence agreements

### Summary

The High Court has held that a trade mark was infringed through online use as a result of the breach of a co-existence agreement.

### Background

Trade mark co-existence agreements between parties govern the rights, restrictions, and

obligations concerning marketplace co-existence of their respective trade marks in the context of resolving a dispute.

A person infringes a registered trade mark if he uses in the course of trade a sign which is identical or similar to the trade mark in relation to goods or services which are identical or similar with those for which it is registered (*section 10, Trade Marks Act 1994*) (1994 Act) (section 10).

A trade mark owner cannot rely on a registered mark to prevent a third party using its own name or address, provided that it uses it in accordance with honest practices in industrial or commercial matters (the own name defence) (*section 11(2)(a), 1994 Act*).

Under German contract law, the intention of the parties is given greater weight than under English law and the parties are obliged to support the purpose of the contract.

## Facts

MK (a German company) and MS (a US company), entered into co-existence agreements in relation to the MERCK trade mark. A 1955 co-existence agreement provided protection for MK and MS in their respective home territories, Germany and the US, in relation to their use of the trade mark. However, MK had rights for the rest of the world. The 1955 agreement was amended by a 1970 agreement.

MK issued proceedings against MS for breach of the 1970 agreement and trade mark infringement. MK argued that MS had used the name “Merck” and trade marks online.

MK owned two UK trade marks for the word MERCK and two international registrations for a figurative “Merck” mark. MS operated websites including *merck.com*, *merckformothers.com*, *merckresponsibility.com* and *merckmanuals.com*, which were accessible globally. MS argued that its websites were targeted at the US and Canada where the “Merck” logo was legitimately used, and that accessibility from the UK was unpreventable.

It had been held as a preliminary issue that the 1955 agreement was governed by German law. MS and MK accepted because of that ruling that the 1970 agreement was governed by German law.

## Decision

The court held that MS was in breach of the 1970 agreement and had infringed MK’s MERCK trade marks in the UK. It ordered MS not to describe itself in any printed or digital material addressed to the UK as “Merck”, but only as “MSD” or as “Merck Sharp & Dohme” or as “Merck & Co Inc” accompanied by a geographical identifier, and not to use the mark MERCK in this material. It was also ordered to stop using certain domain names in the UK, and to stop expanded use of *merck.com* and *@merck.com* on social media sites, although geo-targeting would be sufficient performance.

Under German law it was held that the 1970 agreement governed the use of the word “Merck” as a trade mark or trade name on the internet. The purpose of the 1970 agreement was to set up an all-encompassing co-existence model, negotiated by parties who were aware that technology evolved. The object of the agreement was to settle litigation in various countries by providing for use by MS of the word “Merck” in the US and Canada, and by MK in Germany and the rest of the world, As the 1970 agreement was forward-looking it was not anchored to a particular time: if the meaning and content of the word “mark” or “trade mark” changed in any particular jurisdiction, the obligation not to use the word “Merck” as a trade mark continued.

Use in the UK of “Merck” alone as a contraction of the full company name was a breach of the 1970 agreement. The agreements addressed in detail the use of the corporate names of MS, specifying that they could only be used with geographical identifiers of equal prominence or in the form “Merck Sharp & Dohme”. A reference on the website which defined any use of “Merck” as “Merck Sharp & Dohme” was not sufficient to comply with this contractual obligation.

Logos used on MS's website and on slide presentations available online included the use of "Merck" as a trade mark as it established a link between the "Merck" sign and the goods or services provided by MS. This use outside the US and Canada was in breach of the agreement.

The court dismissed MS's argument that its websites were targeted at the US and Canada and that accessibility from the UK was unpreventable. Evidence showed the websites were global websites, users of the msd-uk domain were directed to the merck.com website, there was substantial visitor traffic from outside the US, and MS had not restricted access from outside the US, such as by geo-targeting or using territorial restrictions on social media sites.

MS's internet activity was directed at the UK. Its global websites had UK-specific content directed at commercial activity in the UK. Enquirers about MSD and its products were redirected to MS's website and received information under the "Merck", not the "MSD", branding. So, MS had infringed MK's trade marks under section 10. This use also diluted the effect of the MERCK mark in the UK and took unfair advantage of its repute. The use was without due cause because there was a deliberate attempt to expand beyond the boundaries of a long established co-existence agreement.

The own name defence was inapplicable. In the UK, MS was known as "MSD" or Merck Sharp & Dohme". Use of the mark MERCK in the UK was not use of its own name and MS's use of the mark was not in accordance with honest practices in industrial and commercial matters.

## Comment

The key question here was how global online brand use could co-exist with national trade mark rights and a geographical delimitation agreement. Although the decision was dependent on the long and complex relationship between the parties, it shows how co-existence agreements, negotiated when the internet had not been contemplated, may be interpreted in the context of global online use. The agreement was interpreted under German law. Under English law, although it may have been similarly interpreted, the words of the contract are given greater weight, rather than the intention of the parties.

The decision illustrates the importance of keeping to the terms of older co-existence agreements when businesses expand and use global websites for marketing their goods and services. Businesses may wish to consider the use of geo-targeting and other forms of territorial restrictions online to avoid straying into each other's agreed territories. Parties could also build a review mechanism into their co-existence agreement to allow for renegotiation after a set number of years in case modifications are needed in the light of changing commercial circumstances.

*Case: Merck KGaA v Merck Sharp & Dohme Corp and others [2016] EWHC 49 (Pat).*

## Trade marks: three-dimensional shape marks

### Summary

The High Court has refused to register the shape of a three-dimensional trade mark in the form of a chocolate bar on the ground it had not acquired distinctiveness through use.

### Background

Under section 3 of the Trade Marks Act 1994 (1994 Act) and Article 3 of the Trade Marks Directive (2008/95/EC), a trade mark must not be registered if it:

- Is devoid of distinctive character (*section 3(1)(b); Article 3(1)(b)*).
- Consists exclusively of the shape which results from the nature of the goods themselves (*section 3(2)(a); Article 3(1)(e)(i)*).

- Consists exclusively of the shape of goods which is necessary to obtain a technical result (*section 3(2)(b); Article 3(1)(e)(ii)*).

A trade mark will not be refused registration under sections 3(1)(b) to (d) of the 1994 Act if, before the date of application for registration, it has acquired a distinctive character as a result of use.

## Facts

N applied to register in the UK a three-dimensional trade mark in the form of a four-fingered chocolate bar in relation to chocolate and biscuit-based goods, cakes and pastries. C opposed the application on the grounds that the mark was devoid of distinctive character.

The UK Intellectual Property Office (IPO) held that the trade mark was devoid of distinctive character and had not acquired a distinctive character in relation to all the goods covered by the application except cakes and pastries ([www.practicallaw.com/1-617-5347](http://www.practicallaw.com/1-617-5347)).

N appealed. C cross-appealed against the decision to permit registration of the mark in relation to cakes and pastries.

The High Court held that the IPO had been wrong to find that the trade mark was inherently distinctive in relation to cakes and pastries. However, it referred questions relating to acquired distinctiveness to the European Court of Justice (ECJ). The ECJ was asked whether it was sufficient for the applicant to prove that a significant proportion of relevant persons recognise the mark and associate it with the applicant's goods in the sense that if they were to consider who marketed the goods they would identify the applicant, or whether instead the applicant must prove that a significant proportion of persons rely upon the mark, as opposed to any other trade marks which may also be present as indicating the origin of the goods.

The ECJ ruled that an applicant for registration must prove that a significant proportion of the relevant class of persons perceive the goods or services designated exclusively by the mark applied for, as opposed to any other mark which might also be present, as originating from a particular company ([www.practicallaw.com/8-618-8209](http://www.practicallaw.com/8-618-8209))... It did not therefore answer the question in the terms in which it was referred to it. C and N disagreed on the effect of the ECJ's ruling on acquired distinctiveness.

## Decision

The court dismissed N's appeal and allowed C's cross-appeal. It held that, having failed to pass the ECJ's test on acquired distinctiveness, the shape of the KIT KAT chocolate bar was not registrable as a trade mark.

The ECJ's ruling was interpreted to mean that, to demonstrate that a sign had acquired distinctive character, the applicant must prove that, at the relevant date, a significant proportion of the relevant class of persons perceived the relevant goods or services as originating from a particular undertaking because of the sign in question as opposed to any other trade mark which might also be present.

It was legitimate for the court, when assessing whether the applicant had proved that a significant proportion of the relevant class of persons perceived the relevant goods or services as originating from a particular undertaking because of the sign in question, to consider whether those persons would rely on the sign as denoting the origin of the goods if it were used on its own.

Here, it was clear from the IPO's reasoning that the perception of consumers had been evaluated at the relevant date in a way that was consistent with the ECJ's ruling. The IPO's assessment of the relevant factors, including the survey, was correct. An additional factor was that there were a number of similarly shaped products produced by other undertakings on the market and no evidence that consumers thought that those products were KIT KAT products. This was inconsistent with the trade mark having acquired a distinctive character.

## Comment

The court noted that the ECJ had not directly answered the question referred to it but had instead reformulated it. So, this decision may be seen as expanding on the ECJ's ruling on acquired distinctiveness

by introducing a test based on whether the relevant consumer would rely on the mark for which registration was sought as a badge of origin. This was proposed in the original reference to the ECJ but the ECJ did not rule on it.

The court's interpretation of the ECJ's ruling that to show acquired distinctive character, consumers must perceive the goods or services as originating from a particular undertaking because of the sign is consistent with the ECJ's ruling. However, the additional reliance-based test could suggest a higher threshold for acquired distinctiveness if interpreted as requiring consumers to have decided to buy goods in reliance on the mark, rather than that there will be reliance on the mark if consumers use it to distinguish between goods and services from different undertakings. The decision is likely to be appealed.

*Case: Société Des Produits Nestlé SA v Cadbury UK Ltd [2016] EWHC 50 (Ch).*

## Trade marks: validity and infringement of shape marks

### Summary

The High Court has held that UK and Community three-dimensional trade marks were invalid and not infringed.

### Background

Signs are unacceptable for registration as a trade mark if they lack distinctive character (*Article 7(1)(b), Community Trade Mark Regulation (207/2009/EC)*) (the Regulation) (*Article 7(1)(b)*).

A trade mark will not be refused registration if, before the date of application for registration, it has acquired a distinctive character as a result of use.

Only a mark that departs significantly from the norm or customs of the sector, and so fulfils its essential function of indicating origin, does not lack distinctive character for the purposes of *Article 7(1)(b)* (*Mag Instrument v Office for Harmonisation of the Internal Market, www.practicallaw.com/9-103-2468*).

A sign shall not be registered as a trade mark if it consists exclusively of a shape which gives substantial value to the goods (*Article 7(1)(e), CTM Regulation ;Article 3(1)(e)(iii), the Directive*) (*Article 3(1)(e)(iii)*).

The European Court of Justice (ECJ) has held that if a three-dimensional trade mark could be protected by other intellectual property (IP) rights such as registered designs or patents, it may fall foul of *Article 3(1)(e)(iii)* (*Hauck GmbH & Co KG v Stokke A/S C-205/13*).

### Facts

L owned a three-dimensional Community trade mark (CTM), and UK trade mark, for "motor vehicles" in Class 12, which consisted of a three-dimensional mark representing the shape of a London taxi cab. L sued F for trade mark infringement and passing off in relation to F's launch of a new model of London taxi.

### Decision

The court held that the marks were invalid because they were devoid of distinctive character and did not have acquired distinctiveness.

The average consumer of taxis was the average taxi driver, not members of the public who hired taxis since they were consumers of taxi services, not of taxis. Both the CTM and the UK trade mark would have been perceived by the average consumer of taxis as a variation of the typical shape of a taxi. Also, even if the shape was regarded as departing significantly from the norms and customs of the sector, it would not have been perceived as identifying the origin of the goods. So, the marks were devoid of inherent distinctive character. This assessment would be the same even if the relevant average consumer was a consumer of taxi services.

From the average taxi driver's perspective, the marks had not acquired distinctiveness. Relevant factors included lack of market share of goods bearing the mark and that L's advertising was not specific to the shapes of the vehicles. The iconic nature of the shape showed that the taxi shape was well-known and identified with London, but not that taxi drivers perceived taxis embodying the CTM or UK trade mark as originating from L because of their shapes, as opposed to the word or figurative trade marks under which the vehicles were sold.

The marks had not acquired distinctiveness from the perspective of consumers of taxi services. There was no evidence that consumers of taxi services identified the source of L's taxis because of the shape of those taxis. L did not have a monopoly of taxis and the trade origin of the taxis was always indicated by means of badges on the front and rear of the vehicles bearing L's word and figurative trade marks. The origin of the taxis in the sense of the manufacturer's identity was irrelevant to consumers of taxi services.

The trade marks consisted exclusively of the shape which gave substantial value to the goods. The shape which was the subject of the UK trade mark was also registered as a design. Applying *Hauck*, this was a relevant consideration as the ECJ had held that a key purpose of Article 3(1)(e)(iii) was to prevent trade marks from being used indefinitely to extend the time-limited protection of other IP rights. While the shape of the CTM was not protected by a registered design, it could have been and so it was also invalid.

L had stopped producing the goods many years before the relevant period, but relied on second-hand sales and sales for scrap as evidence of use. On the facts, the small number of sales of used taxis did not constitute genuine use. Disposals of taxis for scrap could not amount to use of the CTM at all: destroying goods bearing a trade mark was not trade mark use. So the CTM should be revoked for non-use.

Even if the marks were valid, there was no infringement as there was no likelihood of confusion on the part of taxi drivers between the trade marks and F's new taxi. There was only a low degree of similarity with the marks. Also, there was no detriment to the marks' distinctive character: the average consumer, whether of taxis or taxi services, would think that the shapes of the new taxi were a species of the genus London taxi. Nor had any unfair advantage been taken of the marks.

L's claim in passing off was also rejected as L had no relevant goodwill. Consumers of taxi services did not rely upon the specific features of the taxi shape as denoting a particular source. There was also no misrepresentation, as there was no evidence that the new taxi shape was likely to lead consumers of taxi services to believe that it came from the same source as L's taxis.

## Comment

This decision illustrates the difficulties involved in registering and enforcing a trade mark registration in respect of the shape of goods and the importance of educating the public by means of promotion and advertisement to regard the shape of the goods as designating the origin of the goods. The decision is also of interest because of its analysis of whether the trade marks consisted exclusively of the shape which gave substantial value to the goods so as to be invalid, in the context of balancing the unlimited monopoly protection given to three dimensional shapes as trade marks and the time-limited protection afforded to registered design or patents. Also of note is the discussion of the extent to which second-hand sales of trade-marked goods, or sale of those goods as scrap, may suffice to establish genuine use of a trade mark, a point which will ultimately have to be resolved in future by a reference to the ECJ.

*Case: The London Taxi Corporation Ltd (t/a The London Taxi Company) v Frazer-Nash Research Ltd and another [2016] EWHC 52 (Ch).*

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