

Bird & Bird & IP and IT Law Bytes

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Data protection: Personal data

Summary

The Court of Appeal has held that the service provider of an electronic database cannot exercise a common law lien over that database in respect of its outstanding fees.

Background

Databases may be protected as intangible property under the Copyright, Designs and Patents Act 1988 (CDPA) and the Copyright and Rights in Databases Regulations 1997 (SI 1997/3032) (1997 Regulations). The structured information contained in a database, however, is not treated as property. The House of Lords has made it clear that information, even if it is confidential, cannot properly be regarded as a form of property (*OBG Limited and others v Allan and others; Douglas and another and others v Hello! Limited and others; Mainstream Properties Limited v Young and others and another*, www.practicallaw.com/6-364-4986).

Facts

D, a magazine publisher, engaged Y as database manager to maintain its electronic database of subscribers. The contract was made partly orally and partly in writing. There was no formal agreement and the contract did not address how it could be terminated and what was to happen to the database when the contract ended.

D purported to terminate the contract with one month's notice. Y brought proceedings for payment of its outstanding fees and damages for repudiation of the contract.

The County Court held, among other things, that Y was entitled to withhold the data until its outstanding fees were paid and that, on the facts, three months was a reasonable period of notice for termination. D appealed.

Decision

The court upheld the appeal in relation to the lien, holding that Y was not entitled to exercise a lien over the database. It dismissed the appeal in relation to the notice period, agreeing with the County Court that three months was a reasonable period.

The essential nature of a common law lien was the right to retain possession of goods delivered for the purpose of doing work on them. There were no cases in which the right to exercise a lien over intangible property had been recognised. Although it was now possible, by virtue of statutory provisions, to transfer the legal title to choses in action, it was not possible to transfer possession of them in any physical sense.

The nature of the protection for databases under the CDPA and the 1997 Regulations reflected a clear recognition that information of the kind that makes up a database did not represent tangible property of a type that was capable of forming the subject matter of the torts that were concerned with an interference with possession. It was not appropriate to extend the scope of the law on liens to databases, which would be a significant departure from the existing law.

In any event, Y had not exercised the degree of control necessary to entitle it to exercise a lien.

Comment

This case was concerned with a common law lien, in the absence of any contractual provisions. As the court noted, transfers of intangible property, in electronic or other form, are usually covered by contracts that may, if the parties wish, expressly provide for liens.

The decision is interesting for the court's observations on the wider implications of the submission that the electronic database was a type of intangible property. Although information may give rise to intellectual property rights, such as database right and copyright, the law has been reluctant to treat information as property. When information is created and recorded it is important to distinguish between the information itself, the physical medium on which the information is recorded and the rights to which the information gives rise. While the physical medium and the rights are treated as property, the information has never been so treated.

Case: Your Response Ltd v Datateam Business Media Ltd [2014] EWCA Civ 281.

Patents: stay pending EPO proceedings

Summary

The Court of Appeal has stayed an appeal from the High Court's finding of patent invalidity, pending the outcome of the European Patent Office's (EPO) central amendment procedure.

Background

Article 105a of the European Patent Convention 2000 (EPC) allows a patentee to have the claims of its granted patent limited or to have the whole patent revoked, in either case for all designated states. Under Article 68 of the EPC a central amendment or revocation is deemed to have effect from the grant of the patent. Section 77(4) of the Patents Act 1977 (1977 Act) gives effect to these provisions and provides that an amendment of the UK designation of a European patent in accordance with the EPC is to have effect for the purposes of the 1977 Act as if the specification of the patent had been amended under it. These amendments take effect from grant. A granted patent may also be amended in the course of legal proceedings under section 75 of the 1977 Act, subject to the UK court's discretion.

In *Nokia GmbH and others v IPCOM GmbH*, the Court of Appeal refused a post-trial application to amend a patent that had been found wholly invalid, on the grounds that it was strongly in the public interest that patent disputes that mattered commercially were resolved as soon as possible, and no other courts in Europe, nor the EPO, allowed a patentee to propose a limitation to its patent which had been found invalid in the same court ([2011] EWCA Civ 6).

Facts

In the global dispute between S and A relating to the iPhone and the iPad, S brought patent infringement proceedings against A. The High Court found that the patents in suit were not entitled to their claimed priority date, and were either invalid by reason of intervening prior art or otherwise invalid for obviousness. S had made conditional applications to amend each of the patents before trial. The High Court rejected one of these applications, finding it would not render the patent valid. S appealed.

S also filed central amendment applications in the EPO (the EPO amendment applications), explaining that its delay in so doing was due to co-ordination of parallel proceedings (in Germany, Italy and France) that would be affected by the EPO amendment applications. The EPO amendment applications were accelerated and a decision was expected within a few months.

S applied to adjourn the appeal pending the determination of the EPO amendment applications. A applied for an order that, unless S undertook to take no further steps with the EPO amendment applications, then the permission to appeal should be set aside, the appeal struck out and the patents revoked, in effect forcing S to choose between the appeal and the EPO amendment applications.

Decision

The court granted S's application to stay the appeal pending the EPO amendment applications and refused A's application.

Pending EPO opposition or central amendment proceedings did not prevent a national court from considering the claims of a patent in their existing form and revoking them. In this case, the order for revocation had been suspended, so the patents continued to exist and could be amended. A argued that the EPO amendment applications were an attempt to avoid the inevitable rejection of any post-trial application to amend under section 75 of the 1977 Act in light of *Nokia v IPCom*.

The 1977 Act specifically contemplated the possibility of concurrent opposition or central amendment proceedings in the UK and in the EPO. Save where opposition proceedings were pending, there was no prohibition on the filing of a central amendment application while infringement or revocation proceedings were pending, or in the period between a first instance judgment and an appeal in such proceedings, in any designated state. Any decision by the EPO on central amendment applications would be directly effective in every designated state. If such applications were allowed, the patents would be deemed always to have been in their amended form.

Whether or not a patentee's attempted reliance on a patent that has been amended under a central amendment application made after trial constituted an abuse of process depended on all the circumstances, including whether it would be necessary to remit the case for retrial and, if so, the consequences of this.

In this case, the EPO amendment applications were likely to be concluded in the relatively near future. So S's pursuit of the EPO amendment applications was not an abuse of the process of the court, nor an activity with which the court could properly interfere for any other reason. The EPO amendment applications might or might not be successful, and it could not be predicted with any certainty what form the amendments would take if allowed, since their final form might depend on interaction between S and the EPO during the application process.

The court adjourned the appeal until the outcome of the EPO amendment applications was known. An adjournment would not cause A any significant prejudice. Conversely, a refusal of the adjournment might have resulted in the appeal proceeding on what might turn out to have been a false basis, with consequential waste of costs and time.

Comment

The issue confronting the court was the inevitable consequence of the parallel jurisdictions of the national courts and the EPO over European patents, and also of the different approach to post-grant amendments in the UK and the EPO. The EPO does not have any discretion to refuse amendments based on the actions of the patentee, while English case law does provide this discretion in certain cases. Pragmatically, in the circumstances, it made sense for the English court to wait for the outcome of the EPO applications, particularly in view of the retrospective effect of the EPO's decision.

The court stressed that nothing in its judgment should be taken as casting doubt on its recent decision in *IPCom v HTC* (www.practicallaw.com/7-555-4647). *IPCom* was concerned with a different question; that is, the circumstances in which it might be appropriate for a court to grant a stay of UK infringement and validity proceedings pending the outcome of concurrent opposition proceedings in the EPO. In the present case, by contrast, the court granted an adjournment on the basis that the outcome of the EPO amendment applications would be known in a relatively short time, very likely before the national proceedings were finally disposed of.

Case: Samsung Electronics Co Ltd v Apple Retail UK Ltd and another [2014] EWCA Civ 250.

Confidential information: format of TV show

Summary

The High Court has dismissed a claim for misuse of confidential information relating to the format for a television musical talent show.

Background

To be protected by the law of confidential information, information must be confidential in nature (that is, not in the public domain) and must be disclosed in circumstances importing an obligation of confidence (see feature article “The law of confidence: where are we now?”, www.practicallaw.com/2-556-5238). A duty of confidence arises when confidential information is disclosed to a person in circumstances where he has notice, or is held to have agreed, that it would be just in the circumstances that he should be precluded from disclosing the information to others or from using it for his own benefit.

Facts

W conceived an idea for a TV talent show (W’s show), which they pitched to a broadcaster, B, by way of a deck of Powerpoint slides (the slides). B decided not to commission the programme but, shortly after the pitch, put a new show into production (B’s show).

W alleged misuse of confidential information by B. They said that the content of the slides, which comprised a detailed proposal for a television programme, was confidential and that B was obliged not to misuse it. By taking ideas for W’s show from the slides and using them to create B’s show, B had misused that confidential information.

B argued as a positive case that its show was conceived, developed and produced entirely independently of W’s show. B also contended that the law requires ideas to have the necessary quality of confidence if they are to be protectable in an action of this kind, and that the key elements of W’s show on which W relied were unoriginal and too vague to be protected.

Decision

The court held that B’s show was created independently of W’s show.

W had disclosed their ideas in circumstances of confidence. A pitch document, such as the slides, was capable of being protected by the law of confidence even if not all details had been worked out. However, although all eight format elements listed in W’s claim were duplicated in B’s show, this was a selective list and there were many other unlisted elements that were different. Also, some of the claimed elements were not, in fact, confidential in nature, even taken in combination. Certain elements did have the necessary quality of confidence, but this raised the risk of “cherry-picking” rather than fairly reflecting the contents of the slides.

The court accepted that B’s evidence was cogent and, taken as a whole, presented a clear and persuasive picture describing how the format for B’s show was developed. There were similarities between B’s show and some ideas in the slides but the evidence explained their origin. The inference that the common ideas in B’s show and W’s show must have been derived from the slides was not strong enough to counter the evidence that B’s show was created entirely independently of W’s show.

Given this conclusion on the facts, the court did not have to decide whether the particular combination of elements that B’s show had in common with the slides had the necessary quality of confidence to be protected by the law.

Comment

Ideas for television show formats under English law are notoriously difficult to protect. Breach of confidence claims are highly dependent on factual evidence, making the outcome of these cases inherently uncertain. The parties in this case had not entered into a written non-disclosure agreement and so the claim was based on the equitable obligation of confidence. If W had been able to rely on a contractual breach of confidence claim it is

possible that they may have been more successful, particularly in view of the timing, shortly after the pitch, of the alleged use of the confidential ideas.

Case: Wade and others v British Sky Broadcasting Ltd [2014] EWHC 634 (Ch).

Trade marks: commonplace product names

Summary

The European Court of Justice (ECJ) has ruled on questions relating to revocation of a trade mark where, due to the acts or inactivity of the trade mark owner, it has become the common name in the trade for a product for which it is registered.

Background

Under Article 12(2)(a) of the Trade Marks Directive (2008/95/EC) (Article 12(2)(a)), a registered trade mark can be revoked if, due to acts or inactivity of the owner, it has become the common name in the trade for a product or service in respect of which it is registered.

Facts

K owned the Austrian word mark KORNSPITZ, registered for “flour and preparations made from cereals; bakery goods; baking agents, pastry confectionery, also prepared for baking; pre-formed dough ... for the manufacture of pastry confectionery”. K produced and sold a baking mix under the mark (the mix), which it supplied primarily to bakers.

Most bakers knew that KORNSPITZ was a registered trade mark. However, they sold a certain type of distinctively shaped bread roll as a “kornspitz” roll, without informing consumers who bought them that the word was a registered mark, nor that the rolls were produced using the mix.

P was a competitor of K, and brought proceedings in the Austrian trade mark office seeking revocation of the KORNSPITZ mark in its entirety on the ground that it was perceived by end-users as the common name for a particular shape of bread roll..

The Austrian trade mark office granted the application for revocation. K appealed to the Austrian Trade Mark Office Appeal Board, which referred certain questions to the ECJ for a preliminary ruling.

Decision

The first referred question centred on the significance of the words “in the trade” in Article 12(2)(a) and asked whether a trade mark would be liable to revocation if it had become the common name for the product only among end-users, and not among traders in the product. The ECJ held that Article 12(2)(a) must be interpreted as meaning that a trade mark is liable to revocation in respect of a product for which it is registered if, in consequence of acts or inactivity of the owner, that trade mark has become the common name for that product from the point of view solely of end-users of the product.

In this case, as the bakers did not generally indicate to their customers the origin of the goods they were selling, and the KORNSPITZ mark was not therefore fulfilling its essential function as an indication of origin of the “kornspitz” bread rolls, the mark was liable to revocation in respect of that particular product. Although the question of whether it had become a common name had to be addressed in the light of how traders perceived it, as well as how consumers or end-users perceived it, under ECJ case law, the perception of consumers or end-users played a decisive role.

The second question related to the scope of what would count as inactivity on the part of the trade mark owner. The ECJ found that inactivity went wider than failure to sue infringers, and also included omissions showing that the trade mark owner was not vigilant enough in preserving the distinctive character of the mark. The failure of K to take any initiative to encourage bakers and distributors of the “kornspitz” bread rolls made with the mix to make more use of the mark KORNSPITZ in their commercial contact with customers might be

classified as inactivity within the meaning of Article 12(2)(a). The question of whether there had been inactivity was therefore referred back to the Austrian Court to decide.

The existence (or absence) of other names for the product in question was irrelevant. Even if there were such equivalent alternative names, this would not alter the finding that the trade mark had lost its distinctive character.

Comment

The decision illustrates the danger of the supplier of a branded product, or its ingredients, failing to include clauses in its supply and distribution agreements as to how the buyer must represent the brand to end-users or consumers (for example, by making it clear that the name of the final product is a registered trade mark) or failing to enforce such clauses in practice. Generic use of a brand name can quickly escalate, and it can be difficult and expensive (or even impossible) to reverse the perception of a word mark as a generic term once it has taken hold among consumers of the product.

Trade mark owners should monitor compliance with the terms of their licence agreements with traders to check that they are promoting the mark to their customers in a manner that is consistent with its function as an exclusive badge of origin. At the same time, since the perception of end-users is the key determinant of trade mark validity, owners of registered marks should also monitor general use by consumers, for example in social media, in order to avoid the transformation of their trade mark into the common name for the product.

Case: Backaldrin Österreich The Kornspitz Company GmbH v Pfahnl Backmittel GmbH, Case C-409/12.

Copyright Directive: communication to the public

Summary

The European Court of Justice (ECJ) has ruled on questions relating to the remuneration to copyright holders for the communication of their works to the public in a spa establishment, and the lawfulness of monopolistic national collecting societies.

Background

Article 56 of the Treaty on the Functioning of the European Union (TFEU) prohibits restrictions on the freedom of nationals established in one EU member state to provide services to persons in other member states. Article 102 of the TFEU prohibits abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it.

Article 16 of the Services Directive (2006/123/EC) requires member states to respect the right of providers to provide services in member states other than that in which they are established.

Under Article 3(1) of the Copyright Directive (2001/29/EC) (Article 3(1)), copyright owners 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. Any exceptions and limitations must be applied in a way that does not conflict with normal exploitation of the work and must not unreasonably prejudice the legitimate interests of the rights holder (Article 5(5), Copyright Directive).

In *SCF v Marco Del Corso* C-135/10 the ECJ held that patients in a dental practice did not comprise “the public” for the purposes of Article 8(2) of the Rental Directive (2006/115/EC) (www.practicallaw.com/7-519-1755). *SCF* emphasised that the concept of communication to the public in Article 3(1) and, separately, in 8(2) of the Rental Directive, is used in different contexts and in relation to different rights.

Czech copyright law provides that the operation of the radio or television transmission of a work does not include access to works by patients who are receiving health care in health establishments.

Facts

The Czech national collecting society (OSA) has exclusive rights to enter into licence agreements and collect fees on behalf of authors of musical works in the Czech Republic. OSA claimed payment of fees from a commercially-run spa (L) that had installed radio and television sets in guests' bedrooms. L had no licence agreement with the OSA, but claimed that the use was exempt from any obligation to pay remuneration to the copyright holders because it fell within the health care exemption of Czech copyright law.

In addition, L claimed that the service in question was not a communication to the public. It also argued that OSA's territorial monopoly was contrary to the Services Directive and that it was abusing its monopoly by charging fees higher than those charged in neighbouring member states.

The Czech court referred certain questions to the ECJ for a preliminary ruling.

Decision

The ECJ held that, by transmitting copyright protected works by means of television and radio sets in guests' bedrooms, L had made a communication to the public of those works. Such a communication must be authorised by the copyright owners, who must receive adequate compensation. Article 3(1) precludes national legislation from excluding the right of authors to authorise or prohibit the communication of protected works by a spa establishment that is operating as a commercially-run business.

Article 3(1) cannot be relied on by a copyright collecting society in a dispute between individuals for the purpose of setting aside national legislation contrary to that provision. However, the national court hearing such a case is required to interpret its domestic legislation, so far as possible, in the light of the wording and purpose of the Copyright Directive in order to achieve an outcome consistent with the Copyright Directive's objective.

Article 16 of the Services Directive, and Articles 56 and 102 of the TFEU, do not preclude national legislation that reserves the exercise of collective management of copyright in respect of certain protected works in the territory of the member state concerned to a single copyright collecting society and that therefore prevents users of such works, such as L, from benefiting from the services provided by another collecting society established in another member state. However, under Article 102 of the TFEU, the imposition by that copyright collecting society of fees for its services that are appreciably higher than those charged in other member states (a comparison of the fee levels having been made on a consistent basis), or the imposition of a price that is excessive in relation to the economic value of the service provided, are indicative of an abuse of a dominant position.

Comment

Previous ECJ decisions have held that communications of copyright protected works to hotel bedrooms are communications to the public whereas communications to patients in dental clinics are not (*SGAE v Rafael Hoteles SA*, C-306/05; *SCF v Marco Del Corso*). The Advocate-General's opinion in this case was that spa establishments were more analogous to hotels, rather than health care facilities such as dental practices. The ECJ confirmed that because *SCF* concerned the remuneration right the principles developed in *SCF* were not relevant to this case, and so it was not open to OSA to argue that, by analogy with *SCF*, its acts had the same characteristics as communications of protected works in dental practices.

The ECJ's discussion on the extent to which national legislation giving collecting societies a monopoly on administering copyright in respect of certain protected works, so that users cannot obtain a licence from collecting societies in other member states, is compatible with Articles 56 and 102 of the TFEU, is also of interest. The decision leaves open the possibility that those seeking licences from a collecting society with a monopoly in a member state could allege that there has been an abuse of a dominant position by the collecting society.

The decision also confirms that provisions of a directive seeking to confer rights or obligations on individuals do not have direct effect in proceedings between private parties, but depend on implementation by national legislation. Where, as here, the national legislation is inconsistent with a directive, the ECJ does not make such a ruling, but requires the national court to interpret its domestic laws in accordance with the ECJ's interpretation of EU law.

Case: Ochranný svaz autorský pro práva k dílům hudebním, o.s. (OSA) v Léčebné lázně Mariánské Lázně a.s., C-351/12.-