

# Bird & Bird & IP and IT Law Bytes

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## Databases: Dedicated meta search engines

### Summary

The European Court of Justice (ECJ) has held that using a dedicated meta search engine can, in certain circumstances, amount to re-utilisation of the contents of a database under Article 7(2)(b) of the Database Directive (96/9/EC) (the Directive).

### Background

The Directive establishes a sui generis database right for the maker of a database to prevent extraction or re-utilisation of the whole, or a substantial part, of the contents of the database (Article 7(1)) (Article 7(1)). Re-utilisation means any form of making available to the public of all, or a substantial part, of the contents of a database by the distribution of copies, by renting, by online or other forms of transmission (Article 7(2)(b), the Directive).

### Facts

W provides access through its website to an online collection of second-hand car sale advertisements, updated daily. Using the W search engine, the user can carry out a targeted search for a vehicle on the basis of various criteria.

I provides a meta search engine through its website that is dedicated to car sales. Through a single query on I's meta search engine, the user can simultaneously carry out searches of several collections of car advertisements listed on third-party sites, including W's website. The collated results are then merged into one item with links to all the sources where that car was found. Using I's meta search engine, users can search through W's collection on the basis of specific criteria and in real time.

W successfully sued I for infringement of its sui generis database right. I appealed, and the Hague Court of Appeal stayed the proceedings pending a reference to the ECJ for a preliminary ruling.

### Decision

The ECJ held that, in these circumstances, using I's meta search engine would infringe W's sui generis database right. Article 7(1) must be interpreted as meaning that an operator who makes such a dedicated meta search engine available on the internet re-utilises the whole or a substantial part of the contents of a database protected under Article 7, where that dedicated meta engine:

- Provides the end user with a search form that essentially offers the same range of functionality as the search form on the database site.
- Translates queries from end users into the search engine for the database site in real time, so that all the information on that database is searched through.
- Presents the results to the end user using the format of its website, grouping duplications together into a single block item but in an order that reflects criteria comparable to those used by the search engine of the database site for presenting results.

## Key factors underlying the court's reasoning were:

- The end user no longer needs to go to W's website, since he can consult the contents in real time through I's website. Therefore, W would lose the income (for example, from advertising) that would otherwise enable it to recoup the investment costs of setting up and operating the database.
- The end user has access to W's database that is different from the access route that W intended, while providing the same advantages in terms of searches.
- The "making available" in Article 7(2)(b) of the Directive is to the public, as anyone can use a dedicated meta search engine. The re-utilisation involves a substantial part of the contents of W's database as the entire contents of that database can be searched as though the query were entered directly into W's search engine. The fact that only part of the W database is actually consulted and displayed on the basis of the search criteria specified by the end user is irrelevant, and does not detract from the fact the entire W database is made available to that end user.

## Comment

The court equated the making available of an access tool (namely, the dedicated meta search engine into which end users key in queries for translation into the search engine of the protected database) with the making available of the entire contents of the database.

While the ruling is fact-specific, operators of dedicated meta search engines should review their operations if their business model gives end users the means of searching all the data in a third-party website without the need to visit that site. A key element of the decision appears to have been the high degree of similarity between the search criteria on W's website and the search results obtained by I's meta search engine, which provided the end user with the same range of functionality as the search on W's website.

A dedicated meta search engine does not have its own search engine scanning other websites. Instead it makes use of search engines from other websites covered by its service, transferring queries from its users to those other search engines. This feature differentiates meta search engines from general search engines based on an algorithm, such as Google or Yahoo, which are unaffected by the ruling.

*Case: Innoweb BV v Wegener ICT Media BV, Wegener Mediaventions BV, C-202/12.*

## Copyright infringement: Computer software

### Summary

The Court of Appeal has dismissed an appeal against the High Court's application of a European Court of Justice (ECJ) ruling on the protection given to computer software and other aspects of the Software Directive (91/250/EEC) (the Directive).

### Background

The expression in any form of a computer program is protected by the Directive, but ideas and principles which underlie any element of a computer program, including its interfaces, are not (Article 1(2), the Directive (now codified by Directive 2009/24/EC)).

A person that has a right to use a copy of a computer program is entitled, without the authorisation of the rights holder, to observe, study or test the functioning of the program in order to determine the ideas and principles that underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do (Article 5(3), the Directive) (Article 5(3)). Contractual provisions contrary to the exception in Article 5(3) are void (Article 9, the Directive).

### Facts

S had developed analytical software (the SAS system) consisting of various components (the SAS components), written in a language known as the SAS language. W created a software product called World Programming System (WPS) to execute application programs written in the SAS language. In developing

WPS, W sought to emulate closely much of the functionality of the SAS components, but did not have any access to its source codes. Instead, W used various SAS system manuals, and observed a “Learning Edition” (LE) product sold to teach users how to use the SAS system.

S claimed that W had infringed the copyright in the manuals for its software and, indirectly, in the software itself. S also argued that W infringed the copyright in the SAS manuals by creating a manual for its own program (the WPS manual) (the manual to manual claim). In addition, SAS alleged that in observing, studying and testing its LE software to create WPS, W had acted contrary to the terms of the LE licence.

In July 2010, the High Court referred a number of questions to the ECJ ([www.practicallaw.com/0-503-1591](http://www.practicallaw.com/0-503-1591)). Following the ECJ ruling, the case returned to the High Court, which dismissed all of S’s claims except the manual to manual claim (see *News brief “Copyright and computer software: still no protection for functionality”*, [www.practicallaw.com/0-519-6247](http://www.practicallaw.com/0-519-6247); [www.practicallaw.com/8-524-3749](http://www.practicallaw.com/8-524-3749)).

S appealed. It was agreed that, following the ECJ’s decision, neither the SAS language nor the functionality of the SAS system was protected by copyright under the Directive.

## Decision

The court dismissed the appeal, although it disagreed with some of the High Court’s reasoning. The court held that:

- What was protected was the form of expression of an intellectual creation (not the intellectual creation itself). The functionality of a computer program did not count as a form of expression.
- W would only have infringed copyright in the SAS manual if W had copied the expression of the intellectual creation of the author of the SAS manual. The intellectual creation of the author of a different work such as the SAS software was not relevant. The underlying idea (namely the functionality of the SAS software) was not protected by copyright. .as it was not a form of expression at all. Since W did not have access to the SAS source code, S could not try to obtain protection in the functionality of the SAS software by claiming copyright in the SAS manual, which merely explained and detailed that functionality and did not contain the SAS source code. Therefore, there was no copying of the SAS manual’s author’s expression of the intellectual creation in W’s software program.
- Where W used the SAS manual to ascertain the functionality of the SAS software (which was not protected by copyright), and that functionality was then explained in the WPS manual without any direct reproduction of the SAS manual, there was no copyright infringement of the SAS manual.
- W did not infringe the copyright in the LE program by testing the LE software in order to understand its functionality more fully. Since W was a licensee of the LE program, under Article 5(3) of the Directive, W was entitled to use the LE program in the manner that it did, despite such use being outside the terms of the LE licence. Once W was permitted to do certain acts under the LE licence, W was entitled under Article 5(3) to do those acts for the purpose of observing, studying or testing the functioning of the program in order to determine the ideas and principles that underlay any element of the program.

## Comment

The decision confirms that it is not an infringement of the copyright in a computer program to reproduce its functionality without copying its source code. In the court’s view, the ECJ has clarified that what is protected is the form of expression of an intellectual creation, rather than the intellectual creation itself, and this means that the functionality of a computer program does not count as a form of expression of an intellectual creation. The decision is also interesting in relation to the contractual analysis of the terms of the licence to use the LE program.

*Case: SAS Institute Inc v World Programming Ltd [2013] EWCA Civ 1482.*

# Patents: Stay pending EPO opposition

## Summary

The Court of Appeal has revised its guidance on when English patent proceedings should be stayed pending the outcome of opposition proceedings in the European Patent Office (EPO).

## Background

In *Unilin Beheer BV v Berry Floor NV*, the Court of Appeal held that a patentee whose patent has been held to be valid is entitled to claim damages for its infringement even if there is a later revocation of the patent ([2007] EWCA Civ 364).

However, the Supreme Court in *Virgin Atlantic Airways Ltd v Zodiac Seats UK Ltd* held that *Unilin*, and the line of cases on which it was based, were incorrectly decided as they had ignored the statutory position that a revoked or amended patent was treated as revoked or amended ab initio (see News brief “Patent infringement: reclining in the seat of justice”, [www.practicallaw.com/1-535-1285](http://www.practicallaw.com/1-535-1285)). As a result, the Supreme Court suggested that the guidance given in *Glaxo Group Ltd v Genentech Inc* on staying UK actions while EPO opposition proceedings are pending should be reconsidered ([2008] EWCA Civ 23).

## Facts

I’s patent had been held to be valid in English proceedings between I and N, but was also the subject of opposition proceedings in the EPO. H applied to have the English action brought against it by I for infringement, and H’s counterclaim for revocation, stayed pending the outcome of the EPO proceedings.

The High Court refused a stay, relying on the *Glaxo* guidance but, before it had given its reasons, the judgment in *Virgin Atlantic* was handed down. H appealed.

## Decision

The court dismissed the appeal. However, it said that the *Glaxo* guidance should be recast in a number of ways. These include:

- If there are no other factors, a stay of the national proceedings should be the default option. Under the previous *Glaxo* guidelines, the length of the delay in the EPO proceedings compared to national proceedings was a primary factor in the exercise of discretion to grant a stay, and the likelihood of such delay would, in most cases, tip the balance in favour of the refusal of a stay.
- The onus is now on the party resisting the grant of the stay to show why it should not be granted.
- While the length of time that it will take for the respective proceedings in the national court and in the EPO to reach a conclusion remains an important factor affecting the discretion, the court now emphasises that this is not an independent factor, but needs to be considered in conjunction with the prejudice that any party will suffer from the delay, and lack of certainty, and what the national proceedings can achieve in terms of certainty.
- The following two new factors should be taken into account in the exercise of the discretion to grant a stay of national proceedings:
  - the extent to which refusal of a stay will irrevocably deprive a party of any part of the benefit that the concurrent jurisdiction of the EPO and the national court is intended to confer. If allowing the national court to proceed might allow the patentee to obtain monetary compensation that is not repayable if the patent is later revoked, this would be a weighty factor in favour of the grant of a stay; and
  - the fact that resolution of the national proceedings may promote settlement.
- The public interest in dispelling the uncertainty surrounding the validity of monopoly rights conferred by the grant of a patent remains a factor to be considered. In weighing the balance, the risk of wasted costs is material, but will normally be outweighed by commercial factors concerned with early resolution.

Applying these principles to this case, there was nothing to indicate that the High Court has wrongly exercised its discretion in deciding to refuse a stay.

## Comment

The recasting of the *Glaxo* guidelines means that a stay is now the default position if there are no other factors. Commercial factors in favour of refusing a stay (for example, the need to get a ruling that a product is non-infringing before it is launched) will inevitably remain relevant, although the onus will now be on the party resisting the stay to justify its position with supporting evidence.

These changes also mean that the time delay inherent in EPO proceedings is to be given less weight than previously. An important factor will be whether refusing a stay will irrevocably deprive a party of some benefit derived from the dual system; in particular, if the patentee could derive some monetary compensation that is not repayable even if the patent is finally revoked. Patent owners resisting a stay should be prepared to give a suitable undertaking to repay in this event (such as that offered by I in this case) if it later transpired that the patent was invalid.

Case: *IPCom GmbH & Co Ltd v HTC Europe Ltd and others* [2013] EWCA Civ 1496.

## Trade secrets: Draft directive

### Summary

The European Commission (the Commission) has adopted a proposal for a directive on the protection of trade secrets, which is designed to harmonise the civil law on trade secrets and how it is enforced across the EU (the draft directive).

### Background

Recent studies on trade secrets by the Commission, the latest of which was published in April 2013, have highlighted the fragmented and diversified nature of the existing protection for trade secrets in EU member states and concluded that harmonisation of trade secret law in the EU would improve conditions for businesses to develop, exchange and use innovative knowledge ([http://ec.europa.eu/internal\\_market/iprenforcement/docs/trade-secrets/130711\\_final-study\\_en.pdf](http://ec.europa.eu/internal_market/iprenforcement/docs/trade-secrets/130711_final-study_en.pdf)).

Differences in trade secret protection can hinder cross-border research and development within the EU, and place companies in the EU at a possible competitive disadvantage.

### Facts

The draft directive introduces a common definition of “trade secret”; that is, information meeting all of the following requirements:

- Secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question.
- Has commercial value because it is secret.
- Has been subject to reasonable steps by the person lawfully in control of the information to keep it secret.

The draft directive also sets out the circumstances when the acquisition, disclosure and use of a trade secret is unlawful, and establishes the measures, procedures and remedies that should be made available for civil enforcement, including interim injunctions and precautionary seizure of infringing goods. Rules on the preservation of trade secrets during litigation are also included.

The draft directive provides for a two-year limitation period in which to bring claims. The draft directive is relatively short and a number of its provisions will be familiar to member states either from the provisions of

the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) or from the Intellectual Property Enforcement Directive (2004/48/EC).

The draft directive will now be transmitted to the Council of Ministers and the European Parliament for adoption. If approved, it could enter into force by the end of 2014.

## Comment

Only a few member states specifically address trade secrets in their civil laws: most rely on general unfair competition or tort law. Harmonisation is therefore a much needed and ambitious step, even without criminal sanctions, which have not been included at this stage.

Another notable omission is the failure to propose rules to facilitate the gathering of evidence of unlawful acquisitions, uses or disclosures of trade secrets in court proceedings, such as search and seizure orders or orders for the preservation of evidence. In practice, the evidential difficulty of proving an alleged misappropriation of trade secrets in court, which often prevents companies from enforcing their claims (particularly in cross-border litigation), is likely to continue, even if the draft directive is implemented.

The proposed two year limitation period for claims is likely to be problematical for many jurisdictions which currently allow a much longer time to bring proceedings to protect trade secrets, including, for example, the UK which has a 6 year limitation period.

*Source: European Commission, Proposal for a Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, COM(2013) 813, 28 November 2013*

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0813:FIN:EN:PDF>

## Copyright: Commission consultation

### Summary

The European Commission (the Commission) is consulting on EU copyright law, focusing on improving the cross-border licensing of copyright, the nature and scope of rights in digital content, and the limitations and exceptions to copyright (the consultation).

### Facts

The consultation considers the nature, scope and extent of copyright, copyright limitations and exceptions, private copying and reprography, fair remuneration of authors and performers, respect for rights, and a single EU copyright title. Key areas under discussion include the following:

- The lack of cross-border portability of online services, the availability of multi-territorial licences, and reasons for refusing to grant them.
- Uncertainty about what rights need to be licensed to allow digital transmission of content; for example, the provision of hyperlinks to copyright works, the viewing of webpages containing copyright content, and preventing the resale of "download to own" digital content.
- Whether it would be helpful to introduce an EU copyright register.
- Whether there should be interoperability of rights databases; for example, among collecting societies.
- Whether the current term of copyright (expiring 70 years after the death of the author) is still appropriate in the digital environment.
- Whether there should be greater harmonisation of the current limitations on, and exceptions to, copyright including in relation to user-generated content, in particular the re-use and adaptation of existing works via social media and other interactive websites.
- Whether to make the copying of purchased digital content by end-users subject to the payment of levies for private copying.
- The significant differences in the laws of EU member states governing the transfers of rights from authors and performers to producers, and ownership of rights when a work is created by an employee,

and concerns that authors and performers do not receive adequate remuneration, particularly in relation to online exploitation.

- Whether civil proceedings for infringement of copyright should be streamlined for cases where the infringing acts are committed with a commercial purpose.
- How the legal framework can be changed to foster the co-operation of intermediaries such as internet service providers, advertising brokers, payment service providers and domain name registrars.
- Whether the current system for civil enforcement strikes the right balance between copyright protection and human rights.

The Commission also asks for views on the idea of complete harmonisation of copyright law throughout the EU and the introduction of a central copyright register.

## Comment

As the consultation raises the issue of whether either internet browsing or the provision of hyperlinks to copyright content can constitute infringing acts, the Commission will also need to take into account the outcome of several pending references to the European Court of Justice (ECJ) on these questions.

For example, *Svensson v Retriever Sverige AB* (C-466/12) and *C More Entertainment AB v Sandberg* (C-279/13) are references pending from the Swedish courts to the ECJ on hyperlinking (C-466/12; C-279/13). *BestWater International GmbH v Mebes* is a reference pending from Germany on infringement by the framing of a copyright work within a website (C-348/13). There is also a reference pending from the *Meltwater* case in relation to infringement by internet browsing (*Public Relations Consultants Association Ltd v The Newspaper Licensing Agency Ltd and others*; see News brief “Meltwater and digital copyright: where do we stand?”, [www.practicallaw.com/2-535-1807](http://www.practicallaw.com/2-535-1807)).

Source: European Commission consultation on review of EU copyright rules, 6 December 2013, [http://ec.europa.eu/internal\\_market/consultations/2013/copyright-rules/index\\_en.htm](http://ec.europa.eu/internal_market/consultations/2013/copyright-rules/index_en.htm). Comments are requested by 5 March 2014.

## Trade marks: Validity and passing off

### Summary

The Court of Appeal has held that the figurative “now” Community trade mark (CTM) for an internet television service in Hong Kong was descriptive and therefore invalid, and that it had no protectable goodwill in the UK to bring a passing off action against the launch of “NOW TV”.

Background. The CTM Regulation (207/2009/EC) prohibits the registration of trade marks that, among other things:

- Are devoid of any distinctive character (*Article 7(1)(b)*) (*Article 7(1)(b)*).
- Consist exclusively of signs or indications that may serve, in trade, to designate the kind, quality, quantity, intended purpose, or geographical origin of the goods or services covered by the trade mark application or registration (*Article 7(1)(c)*) (*Article 7(1)(c)*).

A CTM will be declared invalid if it was registered in breach of any of the grounds for non-registrability (*Article 51(1)(a)*, *CTM Regulation*).

The elements of the tort of passing off are:

- Goodwill or reputation attached to the relevant goods or services.
- A misrepresentation by the defendant to the public, leading or likely to lead the public to believe that its goods or services are those of the claimant.
- Resulting damage to the claimant (*Reckitt & Coleman Products Ltd v Borden Inc [1990] RPC 341*).

## Facts

S owned a CTM comprising the word "now". B announced that it intended to launch a new television service under the name "NOW" TV. S brought actions for trade mark infringement and passing off.

The High Court held that the CTM was invalid under Article 7(1)(b) as it was devoid of any distinctive character, and it was also invalid under Article 7(1)(c) as it would be understood by the hypothetical average consumer to describe the instant and immediate character of the service ([2012] EWHC 3074 (Ch)). The High Court also held that S had not generated a protectable goodwill in the UK for a business carried on by it under the name "NOW TV" and so the passing-off claim failed. S appealed.

## Decision

The court dismissed the appeal, observing that, although B's competitive conduct might be considered unattractive, it was not necessarily unlawful.

The court dismissed the trade mark appeal for the following reasons:

- NOW was devoid of distinctive character that would serve to identify S's service from that offered by other undertakings. It was irrelevant that other uses of the word "now" were distinctive of other services or products.
- S had chosen as its trade mark a commonplace, ordinary English word when it could have chosen or invented another to designate its service.
- It must have been obvious to S that it was running the risk of invalidity as the word designated a characteristic of that service; that is, the essential appeal of S's service was that programmes of choice were available on demand in an instant. NOW would be understood by the hypothetical average consumer as describing this characteristic.

The main issue in the passing-off claim was whether S had customers in the UK at the relevant date. The universal accessibility of the internet, enabling access to be gained in the UK to programmes emanating from Hong Kong, was not a sufficiently close market link to establish an identifiable goodwill with a customer base in the UK. It was necessary to have some kind of connection with customers in the market with a view to transacting business and repeat business with them.

The preparatory activities in the UK were also insufficient to establish sufficient goodwill at the relevant date. It was not enough to have planned to launch NOW TV in the UK; it was necessary either to have, or promote and publicise or advertise, a customer base in the UK to establish goodwill protectable in law.

## Comment

The decisive factor in the trade mark infringement claim was that the CTM would be understood by the average consumer as a description of the characteristics of the instant and immediate nature of the claimants' online television service, as contrasted with an ordinary television service broadcasting scheduled programmes at pre-set times.

The court's decision on passing-off illustrates the difficulty in demonstrating that there is a protectable goodwill in the UK when a business is expanding from a base established in another country. However, the court said that goodwill could, in principle, be established in the supply of a service, even where it was supplied free of charge or profit, and even though it was only supplied to a foreign-speaking ethnic minority section of the public (here, expatriate Chinese speakers resident in the UK). The court also said that a protectable goodwill could arise as a result of advertising and promotion in advance of a launch of new goods or services, although this had not been established on the facts by the relevant date.

*Case: Starbucks (HK) Ltd and others v British Sky Broadcasting Group plc and others [2013] EWCA Civ 1465.*