Bird & Bird & IP & IT Bytes

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Copyright: private copying exception

Summary

The High Court has held, in judicial review proceedings, that the new copyright exception for personal copies for private use without a compensation scheme was unlawful.

Background

EU member states may allow the private copying of copyright works provided that there is fair compensation for rights holders (Article 5(2)(b), Copyright Directive (2001/29/EC)) (the Directive) (Article 5(2)(b)). However, the Directive provides that compensation is not due where the private copying causes no or minimal harm to rights holders. The UK has implemented Article 5(2)(b).

Following the 2010 Hargreaves review and consultation by the Secretary of State for Business, Innovation and Skills (S), section 28 of the Copyright, Designs and Patents Act 1988 was amended to permit the making of personal copies of copyright works for private use (section 28B) (*www.practicallaw.com/7-506-6394*). Under section 28B, the making of a copy of a work, other than a computer program, by an individual does not infringe copyright in the work provided that the copy is of the individual's own copy of the work, or a personal copy of the work made by the individual. The copy must be made for the individual's private use, and not for ends which are directly or indirectly commercial.

S did not include a compensation mechanism in section 28B on the basis that there would be no or minimal harm because:

- The only relevant harm that would, in principle, need to be compensated for was the risk to right holders of lost, duplicate sales; that is, consumers who would have bought copies of works but no longer needed to do so. There was no automatic correlation between the desire to copy and lost sales: if copying was restricted, the sales would not necessarily occur.
- Sellers of content had already priced-in to the initial sale price, either fully or very substantially, the fact that consumers treat content that they buy as fair game when it comes to copying for personal use (the pricing-in principle).

Facts

R, representing copyright owners, applied for judicial review of section 28B, arguing that it was incompatible with Article 5(2)(b) as it did not provide fair compensation for rights.

R also argued that S's decision was flawed because the evidence relied on to justify the conclusion about harm was inadequate, and did not support S's conclusion that section 28B would lead to minimal or no harm.

Decision
The court ruled in favour of R. It held that the evidence did not support S's conclusion about the level of harm caused to copyright owners.

S had correctly posed the question of no or minimal harm as the relevant issue but had not addressed its meaning. The key evidence relied on by S was a research report commissioned by the Intellectual Property Office (IPO report), and the terms of reference in the IPO report were insufficiently precise. In relation to both films and books, the IPO report showed evidence of pricing-in but no analysis of the key issue of whether any harm not covered by pricing-in was minimal.

Another report relied on by S contained incomplete surveys and research. S had also ignored credible evidence which cast doubt on the correctness of inferences drawn by S in relation to films, and had ignored an entire potentially relevant category of harm: historical pre-digitalisation sales.

There was sufficient evidence for S to draw common sense economic intuitions about pricing-in. However, although these intuitions were sufficient as a starting point, they were not capable of answering the more specific legal question of whether pricing-in was so extensive as to render residual harm minimal or non-existent.

As this issue was material to the legality of S's decision to adopt section 28B without a compensation mechanism, it was sufficient to render the decision unlawful.

The court ordered the parties to make submissions as to:

- Whether any issue of law should be referred to the European Court of Justice (ECJ) and if so what questions should be asked.
- The appropriate relief.

Comment
Most member states (apart from the UK) use a system of copyright levies to provide for compensation to rights-holders, in the form of a surcharge on equipment and/or blank media which can be used for private copying.

Although the judicial review application successfully established that S's decision to introduce the private copying exception without a compensation scheme was unlawful, the court did not go as far as ruling that the UK exception was not incompatible with the Directive or making any other decision on relief.

What will happen next is hard to predict. The court noted that its decision had potentially complex implications and did not necessarily result in section 28B being struck down. In theory, the S could re-investigate the issue to address the evidential gap. One outcome could be that the gap was plugged and so the decision to introduce section 28B would be justified. Alternatively, if, following further investigation, the gap in the evidence remained, S could either repeal section 28B or introduce a compensation scheme. A third possibility is that S could decide to introduce a compensation scheme without further investigation. The court also raised the prospect of an ECJ reference on the issue of the meaning of harm, while expressing a provisional view that it was probably clear enough not to require a reference.

Case: R (British Academy of Songwriters, Composers and Authors and others) v Secretary of State for Business, Innovation and Skills [2015] EWHC 1723 (Admin).

Community trade mark: three-dimensional shape mark

Summary
The EU General Court has held that two three-dimensional Community trade marks (CTMs) for Lego toy figures were validly registered.

Background

A sign shall not be registered as a trade mark if it consists exclusively of any of the following:

- The shape which results from the nature of the goods themselves.
- The shape of goods which is necessary to obtain a technical result.
- The shape which gives substantial value to the goods (*Article 7(1)(e), Community Trade Mark Regulation (207/2009/EC)*) (CTM Regulation) (Article 7(1)(e)).

A sign consists exclusively of the shape of goods which is necessary to obtain a technical result when all the essential characteristics of a shape perform a technical function.

The European Court of Justice (ECJ) has held that a trade mark registration for the shape of a red three-dimensional 2 x 4 studded Lego brick for construction toys was invalid under Article 7(1)(e) (*Lego Juris A/S v OHIM and Mega Brands, Inc, www.practicallaw.com/8-503-6976*).

Facts

L owned two three-dimensional CTMs for Lego toy figures that were registered for games, playthings and Christmas tree decorations. B applied for the CTMs to be declared invalid under Article 7(1)(e) on the grounds that the marks consisted exclusively of the shape which resulted from the nature of the goods themselves, and which was necessary to obtain a technical result.

The O*ffice for Harmonization in the Internal Market* (*OHIM*) Board of Appeal rejected B's applications. B appealed.

Decision

The court dismissed the appeal. It held that L's CTMs were validly registered.

No technical result was connected to the shape of the essential charcteristics of the toy mini-figures (heads, bodies, arms and legs) as those characteristics did not allow the figures to be joined to interlocking building blocks. The graphical representation of the hands of the figures, and the holes under their feet and in the backs of their legs did not in themselves give any indication as to any technical function of these elements. Even assuming that these elements enabled the figures to be joined to interlocking building blocks, they could not be held to be the most important elements of the marks, nor had it been shown that the essential functional characteristics of the shapes of those elements were attributable to the claimed technical results. The shape conferred human traits on the figures to represent characters for use in children's play, and the characteristics of the shape of the figures were not necessary to obtain a technical result.

B's complaints that the marks consisted of shapes determined by the nature of the goods themselves, and that the registration was made in bad faith, were also rejected.

Comment

Ironically, the ECJ's decision in 2010 to reject L's application to register the basic Lego brick provided support here for the registration of the Lego toy figures. In particular, the ECJ's decision had confirmed that a sign cannot be refused registration as a trade mark if the shape of goods incorporates a major non-functional element, such as a decorative or imaginative element which plays an important role in the shape. In that case, all of the essential characteristics of the shape would not perform the technical function of the goods in issue.

Case: Best-Lock (Europe) Ltd v OHIM, T-395/14 and T-396/14.

Trade marks: acquired distinctiveness of three-dimensional marks

Summary

The Advocate General (AG) has recommended that, in order to show acquired distinctiveness, it must be shown that the relevant public perceives the shape of a chocolate bar as a guarantee of origin rather than merely associating it with the goods.

Background

Under section 3 of the Trade Marks Act 1994 (TMA) 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))* (Article 3(1)(e)(ii)).

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

Facts

C opposed N's application to register its KIT KAT bar as a three-dimensional trade mark.

The Intellectual Property Office (IPO) rejected N's application on the grounds that the mark was devoid of inherent distinctive character, either inherent or acquired through use, and consisted exclusively of the shape which was necessary to obtain a technical result. N appealed.

The High Court stayed the proceedings and referred questions to the European Court of Justice (ECJ) in relation to the registration of three-dimensional marks.

Decision

The AG's opinion recommended that:

- In order to show acquired distinctiveness, it must be shown that the average consumer perceives the mark as a guarantee of origin rather than merely associating it with the goods. Although a sign might have acquired distinctive character as a component of, or in conjunction with, a registered word mark, it must be sufficiently distinctive in its own right. It is not enough to provide evidence only of combined use of the sign.
- The three grounds for refusal under Article 3(1)(e) must be considered independently and should not be applied in combination. However, Article 3(1)(e) precluded registration of a shape where that shape has three essential features, one of which results from the nature of the goods themselves and the other two of which are necessary to obtain a technical result, provided that at least one of those grounds fully applies to that shape.
- Article 3(1)(e)(ii) precluded registration of a shape which is necessary to obtain a technical result not only with regard to the manner in which the goods function, but also with regard to the manner in which they are manufactured. It was possible that the technical result might be obtainable only by means of a specific manufacturing process, such as the presence of grooves in the KIT KAT bar which enabled consumers to separate the wafer fingers easily, but were also determined by the method of manufacture. As the reason for the provision was to ensure that no single manufacturer could get a monopoly on technical solutions or functional characteristics of goods, it applied to both the manufacturing process and resulting technical function.

Comment

If this opinion is followed by the ECJ, it will be more difficult for N's application to succeed. Chocolate bars consisting of several separable sticks are often shaped with sloping sides to enable them to fall easily out of the mould. This may rule out the registration of these shapes as trade marks on the ground that they result

from the technicalities of the manufacturing process. This technical evidence may also make it difficult for N to show acquired distinctiveness on the basis that the average consumer recognises the chocolate bar to function as an exclusive indication of origin by its unpackaged shape alone, as opposed to in combination with the KIT KAT word mark.

Case: Société des Produits Nestlé SA v Cadbury UK Ltd C-215/14.

Patents: second medical use

Summary

The Court of Appeal has given its opinion that subjective intent on the part of the manufacturer of a pharmaceutical product was not required for infringement of a Swiss-form second therapeutic use claim.

Background

The grant of patents for second medical uses of known compounds must overcome two problems: that the compounds are not new, and that methods of treatment of the human or animal body by therapy are not patentable.

Since 2000, Article 54(5) of the European Patent Convention (EPC) has enabled the grant of claims in the form: product X for treating indication Y (a purpose-limited product claim). Before that, patents had to use claims in the Swiss form: use of substance X for the preparation of a medicament, or pharmaceutical composition, for treating indication Y (a purpose-limited process claim).

A patent for an invention is infringed by a person who keeps, disposes of, or offers to dispose of any product obtained directly by means of the claimed process (section 60(1)(c), Patents Act 1977) (1977 Act) (section 60(1)(c)). Indirect infringement occurs where an infringing invention is not put into effect by the defendant himself, but by someone who was supplied with means relating to an essential element of the invention (section 60(2), Patents Act 1977) (section 60(2)).

Facts

W marketed a prescription-only drug for three different indications under a single registered trade mark. Patent protection for the drug itself had expired but W also owned a current second medical use patent for pain relief, which was one of the three indications.

A applied for a marketing authorisation for a generic version of the drug limited to the other two indications.

W was concerned that, despite this, the generic drug would be dispensed for the patented second medical use because most prescriptions are written generically. As very few prescriptions state the indication for which the drug has been prescribed, the dispensing pharmacist will generally not know this. W also argued that, because the generic drug is usually cheaper than the patentee's product, pharmacists would have a strong commercial incentive to dispense the generic version of the drug unless positive steps were taken to prevent this.

W sued for patent infringement and sought an interim injunction requiring A to take specific actions to prevent its generic version of the drug being dispensed for patients who had been prescribed the drug for the patented indication.

A applied to strike out the infringement claims.

The High Court refused to grant the interim injunction. The manufacturer of a medical product which was the subject of a second medical use claim in the Swiss-form had to have a subjective intent that the product be used for the patented second use in order to infringe the claim, so there was no serious issue to be tried. Granting the relief sought would create a greater risk of injustice than refusing it.

The High Court also struck out the claim of indirect infringement but it dismissed A's application to strike out the claim entirely. Although W had still failed to plead direct infringement, the case should proceed to trial because this was a developing area of law.

W appealed the decisions in relation to the interim injunction and the indirect infringement claim.

Decision

The court dismissed the appeal in relation to the interim injunction but allowed the appeal in relation to the indirect infringement claim.

In relation to direct infringement the court disagreed that Swiss-form claims required subjective intent. The skilled person would understand that such claims owed their novelty to the discovery of the new therapeutic use of the drug. He would not construe the word "for" in the objective sense of "suitable for" since the claim so construed could not be distinguished over known uses of the known drug. The skilled person would understand the claim was concerned with the ultimate end use of the medicament, from which it derived its novelty. He would also understand that the word "for" required a link between the act of manufacture and the ultimate intentional use of the drug by the end user to treat the patented indication, pain. . . Based on that analysis, the skilled person would understand that the patentee was using the word "for" in the claim to require that the manufacturer knew (including constructive knowledge) or could reasonably foresee the ultimate intentional use for pain, not that the manufacturer have that specific intention or desire himself.

It was appropriate for the indirect infringement claim to go to trial for three reasons:

- The courts of two EPC member states, Germany and the Netherlands, have held that indirect infringement could arise in these circumstances.
- If there was a case of threatened or actual infringement of the process claim under section 60(1)(b) of the 1977 Act, then it followed that dealings downstream in the direct product of the process were also infringements under section 60(1)(c).
- "Putting the invention into effect" in section 60(2) might cover not just the situation where a single person carried out the invention, but also where the drug was manufactured by one person and supplied to another who intentionally used it for the treatment of pain. If the person supplying the drug has the requisite knowledge then they did provide means suitable and intended to put the invention into effect, although by the combination of manufacturer and user, rather than by any one person alone.

Comment

This decision only dealt with "Swiss-form" claims, although EPC second medical use claims also include "for", which is also a purpose-limited claim, without the manufacturing step required for the Swiss-form claim. So, the question of the necessary mental element for infringement in this context will continue to be relevant in the future to the pharmaceutical industry.

To date, the proceedings have related to interim relief. The issue of whether A infringes, and if so what remedy is appropriate, remains to be considered at full trial. Having refused interim relief, the court did not have to decide the issue of subjective intent at this stage, so arguably its comments and guidance in that regard were obiter. The Court also noted that, even if infringement was established at trial, it did not follow that unqualified relief in the form of a final injunction would be granted. It is possible that these issues will ultimately have to be considered by the Supreme Court. In the meantime, it will be more difficult for generic manufacturers to argue that because they have no specific intention that a product will be used for a patented indication they do not infringe a Swiss-form claim. So-called "skinny labels", which do not mention patented indications, may not be sufficient to to avoid a patent infringement claim if it is reasonably foreseeable that patients will use the generic product for the patented indication.

Case: Warner-Lambert LLC v Actavis Group PTC EHF and others v Secretary of State for Health [2015] EWCA Civ 556.

Patents: indirect infringement

Summary

The Court of Appeal has reversed the grant of a declaration of non-infringement (DNI) of a patent, refusing to hold there was no indirect infringement.

Background

Article 69(1) of the European Patent Convention (EPC), and the Protocol on the Interpretation of Article 69, provide that the extent of the protection conferred by a European patent or application is determined by the claims. However, the description and drawings may be used to interpret the claims. For the purpose of determining the extent of protection conferred by a European patent, account may be taken of any element that is equivalent to an element specified in the claims.

Indirect patent infringement occurs where an invention is not put into effect by the defendant himself, but by someone who was supplied with means relating to an essential element of the invention (essential means) (*section 60(2), Patents Act 1977*) (section 60(2)).

Facts

Pemetrexed, a cancer treatment marketed by a US company, L, was protected by a basic patent extended by supplementary protection certificates (SPCs) expiring in December 2015 (the basic patent). L also owned a patent for the use of pemetrexed disodium in combination with vitamin B12, which would not expire until June 2021 (the patent).

A wished to enter the market, on expiry of the basic patent, with a generic product. L was concerned that this product would infringe the patent. A wanted to resolve this issue in a single trial and in good time to enter the market on expiry of the SPCs in relation to the French, German, Italian, Spanish and UK designations of the patent.

A sought DNIs of each of those designations of the patent. A did not challenge the validity of the patent in these proceedings. L applied for declarations that the High Court did not have jurisdiction in respect of the French, German, Italian and Spanish designations of the patent.

The High Court granted the DNIs, holding there was neither direct nor indirect infringement (*www.practicallaw.com/4-572-1394*). It also held that, where there was no challenge to the validity of the patent, the English court had jurisdiction to try an action claiming DNIs of counterparts in other European countries, as well as claiming a DNI of the UK European patent.

As the law applicable to the question of whether A was entitled to a DNI was English law, A was entitled to a DNI for the UK, French, Italian and Spanish designations of the patent. Even if English law was not applicable, the national laws of French, Italian and Spanish law would permit the grant of a DNI for each jurisdiction. L appealed.

Decision

The court allowed the appeal. It held that there was no direct infringement by A,but in relation to indirect infringement it was not possible to grant a DNI.

Two general issues of construction were considered:

- In the US, and in some European countries, the courts apply a doctrine of equivalence which extends the scope of protection outside the scope of the claims. The UK prefers a principle of construction which gives effect to what the person skilled in the art would have understood L to be claiming. In arriving at the skilled person's understanding of the language of the claim, it could not be right to provide him with information which he could not derive either from the specification or his common general knowledge.

- It was not useful to examine the prosecution history to discover that L accepted a restriction to its claim against an objection of lack of support in the specification. It was always open to a party attacking the patent to argue that the claims as sought to be construed by the patentee lacked support in the specification. Patent offices were concerned with patentability, not scope of protection. If an applicant stated that he did not accept that by accepting a limitation he was necessarily restricting the scope of protection, in practice no inference could be drawn from his conduct in accepting it.

L's case on indirect infringement was that A was supplying an essential means for the doctor or pharmacist who makes up the solution to put the invention into effect. Section 60(2) did not require the supply of an element of the claim, but a means relating to an essential element. A means for releasing pemetrexed ions into solution related to an essential element of the invention where the invention called for pemetrexed ions and sodium ions in solution, particularly as the presence of the pemetrexed ions in the manufactured medicament was essential for its efficacy. The invention was then put into effect when the pharmacist made up the solution using pemetrexed dipotassium, because there came a stage in the course of that activity when pemetrexed disodium was present and was used. Therefore the facts in this case may give rise to indirect infringement.

As there was no difference in the laws of France, Italy and Spain on the approach to indirect infringement, the DNIs should also be refused in respect of those countries. Applying the laws of those countries, there would also be no direct infringement.

Comment

This case attracted most attention for the High Court's earlier decision on the conditions for granting DNIs for foreign counterparts of a UK European patent. The other issue of wide interest is that the prosecution history should not be used as an aid to claim construction in the UK.

In post-appeal submissions, A applied to remit a further issue on infringement to the High Court. As the parties disagreed on whether acts done in relation to a product recommended for reconstitution in dextrose infringed the patent, it was held there would be procedural advantages, in terms of minimum formality and expense, in that issue being decided in the present proceedings.

Although it was not necessary to decide the issue, as it was an important point, the Court gave its view that the conditions for applying for a DNI were procedural, and so subject to English law as the law of the forum.

Case: Actavis UK Ltd and others v Eli Lilly & Co [2015] EWCA Civ 555.

Patents: construction of numerical range in patent claims

Summary

The Court of Appeal has allowed an appeal against a finding of non-infringement on the ground that the High Court had wrongly construed the numerical range in the claims of a patent.

Background

Article 69(1) of the European Patent Convention (EPC), and the Protocol on the Interpretation of Article 69, provide that the extent of the protection conferred by a European patent or application is determined by the claims. However, the description and drawings may be used to interpret the claims.

Facts

C owned a European patent concerned with the silverisation of gel-forming fibres (the patent). S applied to revoke C's patent.

The High Court held that the patent was valid. S appealed.

The Court of Appeal dismissed the appeal.

S then developed a new process and applied for a declaration of non-infringement of the patent. C counterclaimed alleging infringement.

The High Court held that S's new commercial product did not infringe the patent, but that work done in developing the new product, which was used to generate data for use in the application for regulatory approval, did infringe. The decision was based on using the significant figures construction of a term used in the claims: "the agent being present in a concentration between 1% and 25% of the total volume of treatment". According to this construction, 1% was a number stated to one significant figure, putting the lower limit at 0.95% (the lowest number that rounded up to 1 as one significant figure), and the upper limit at less than 25.5% (25% was a number stated to two significant figures).

Both parties appealed. S relied on the significant number approach and C put forward the whole number (or zero decimal places) approach.

Decision

The court allowed C's appeal and dismissed S's appeal.

The approach to the interpretation of claims containing a numerical range was the same as that to be adopted in relation to any other claim but there were certain relevant principles.

The scope of numerical range claims was exactly the same whether considering infringement or validity. Rounding or any other kind of approximation could not be used to change the disclosure of the prior art or to modify the alleged infringement.

The meaning and scope of a numerical range in a patent claim had to be determined in light of the common general knowledge and in the context of the specification as a whole. It might be the case that, in light of the common general knowledge and the teaching of the specification, the skilled person would understand that the patentee had chosen to express the numerals in the claim to a particular but limited degree of precision and so intended the claim to include all values which fell within the claimed range when stated with the same degree of precision. However, whether that was so or not would depend on all the circumstances including the number of decimal places or significant figures to which the numerals in the claim appeared to have been expressed.

The correct construction here was the whole numbers approach, which meant that the skilled reader would understand that S, by specifying a range of between 1% and 25%, intended the claim to embrace all concentrations of binding agent greater than or equal to 0.5% and less than 25.5%. So, S's new commercial product (at 0.77%) infringed the patent.

Comment

This decision provides guidance on the interpretation of the scope of numerical ranges in a patent claim. The issue of how far outside those exact numbers the scope of the claim extends has to be determined using the general principles of patent construction, taking into account how the skilled reader would understand the numerical range. One factor that influenced this decision was that the specification used different levels of accuracy in numbers used, which the court saw as an indication that the limits expressed in the claims were deliberately chosen. The decision also illustrates how difficult it can be in practice to interpret the scope of a numerical range in a patent claim in order to determine whether or not that claim is infringed.

Case: Smith & Nephew plc v Convatec Technologies Inc [2015] EWCA Civ 607.

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