

# Bird & Bird & IP & IT Bytes

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## Trade marks: validity of three-dimensional bottle shape

### Summary

The European Court of Justice (ECJ) has dismissed an appeal against a declaration of invalidity of a figurative mark which consisted of a three-dimensional representation of a cylindrical bottle.

### Background

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

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 (OHIM)*, [www.practicallaw.com/9-103-2468](http://www.practicallaw.com/9-103-2468)).

### Facts

V obtained a three-dimensional CTM registration covering alcoholic and non-alcoholic drinks, including water, for a cylindrical glass bottle with a silver cap of the same diameter as the bottle. N, which markets vodka in a similarly shaped bottle, contested the validity of the mark under Article 7(1)(b). OHIM's cancellation division rejected the invalidity action, holding that the shape of the mark was uncommon, diverged significantly from existing bottles in the beverages market and so could function as a trade mark.

The OHIM Board of Appeal annulled the decision and held that the three-dimensional CTM for a cylindrical bottle was registered invalidly because it was devoid of distinctive character. As beverages are always sold in bottles, cans or other forms of packaging marked with a label or a verbal or graphic sign, consumers would first look at the label in order to identify the origin of the product. The mark was also similar to beverage bottles already on the market.

V applied to the EU General Court to annul the Board of Appeal's decision. The General Court upheld the Board of Appeal's decision. V, with the support of the International Trademark Association (INTA), appealed, arguing that the General Court had erred by unduly imposed a burden on V of proving the distinctive character of the mark despite the mark enjoying a presumption of validity through registration, and by not requiring the original complainant, N, to provide evidence of non-distinctiveness. . INTA criticised the conclusions drawn by the General Court on whether the mark departed significantly from the norms of the relevant sector to afford it the requisite distinctiveness for registration.

## Decision

The ECJ dismissed the appeal. It rejected all of V's grounds of appeal.

The General Court's independent examination of the mark was sufficient for it to rule on its distinctiveness, and it had neither compelled V nor required N to present evidence in this regard.

The General Court's consideration of the individual elements of the mark did not preclude a sufficient analysis of the overall impression created by the mark. INTA's criticisms of the conclusions drawn by the General Court were irrelevant as, in the absence of allegations of distortion of the evidence before the General Court, appeals to the ECJ lay on points of law only.

The General Court's assessment not only analysed the mark's components, the transparent cylindrical body and the non-transparent cap, and correctly concluded that they were devoid of distinctiveness, but also considered whether as a whole the mark could be distinctive because of the combination of its elements. However, the General Court could not find any evidence to this effect, as the mark was simply the sum of its non-distinctive parts.

The ECJ denied that the General Court did not define the norms and customs of the beverages sector against which to establish whether the three-dimensional mark had distinctive character. The General Court relied on well-known facts: that the majority of the bottles in the sector have a cylindrical section and that their caps are usually made of a different material and have a different colour.

According to the General Court, the three-dimensional mark was a mere variant of a common shape of a bottle, which was not sufficient for the mark to have distinctiveness within the market. The ECJ found that the General Court was in compliance with relevant case law on the criteria for assessing the distinctive character of three-dimensional marks. The key question was whether the mark permitted average consumers of the product to distinguish it from those of other undertakings.

## Comment

This decision demonstrates an apparent inconsistency between the threshold at the registration stage when applying to protect a shape of a product as a trade mark, and the threshold to maintain the rights in a three-dimensional mark when its validity is challenged. Following this decision it may become more difficult to register common bottle shapes as trade marks. The ECJ reiterated that average consumers are not in the habit of making assumptions about the origin of products based on the shape of the goods or their packaging in the absence of any graphic or word element, and so it may be more difficult to establish distinctive character in relation to such three-dimensional marks.

*Case: Voss of Norway ASA v OHIM, Case C-445/13 P.*

## Passing off: territorial nature of goodwill

### Summary

The Supreme Court has confirmed that, for the purposes of passing off, goodwill is territorial and cannot be established on the basis of reputation alone without a customer base within the UK.

### Background

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 used the NOW trade mark on its internet television service in Hong Kong. In March 2012, B announced

that it intended to launch a new internet television service in the UK under the name “NOW TV”. S issued proceedings against B for trade mark infringement and passing off.

The High Court held that the registered mark was descriptive and so was invalid. It also dismissed the passing off claim on the basis that S had not generated a protectable goodwill in the UK for a business carried on by them under the name “NOW TV” because:

- UK viewers of S’s “NOW TV” programmes without paying a subscription were not, unlike Hong Kong subscribing viewers, customers of S.
- S’s preparations for the proposed launch of “NOW TV” in the UK in 2013, including confidential negotiations, did not give rise to a protectable goodwill in the UK. S appealed.

The Court of Appeal dismissed the appeal ([www.practicallaw.com/3-555-4625](http://www.practicallaw.com/3-555-4625)). It held that the ability of UK consumers to access programmes from Hong Kong was not a sufficiently close market link to establish an identifiable goodwill with a customer base in the UK. To establish goodwill 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. S’s preparatory activities in the UK were also insufficient to establish sufficient goodwill. S appealed to the Supreme Court, arguing that a claimant in a passing off action need only establish a reputation among a significant section of the public within the UK.

## Decision

The court dismissed the appeal. It held that a claimant in a passing off claim must establish that it has actual goodwill in the UK, and that this goodwill involves the presence of clients or customers in the UK for the relevant products or services.

Mere reputation was not sufficient to amount to goodwill. S must show that it had significant goodwill, in the form of customers, in the UK, although it did not need have an establishment or office in the UK. In order to establish goodwill, it must have customers within the UK, as opposed to people in the UK who happen to be customers elsewhere. Where S’s business is carried on abroad, it is not enough for S to show that there are people in the UK who happen to be its customers when they are abroad. However, it could be enough to show that there were people in the UK who, by booking with, or buying from, an entity in the UK, obtained the right to receive S’s service abroad. If so, the entity need not be a part or branch of S: it could be someone acting for or on its behalf.

As passing off is a common law concept, the assessment of the appropriate balance between competition and protection must be made by the court. If it was enough for a claimant merely to establish reputation within the UK to maintain a passing off action, without having any business or any consumers for its product or service in the UK, it would tip the balance too much in favour of protection. Without having any business or any consumers for its product or service in the UK, a claimant could prevent another person using a mark, such as an ordinary English word, “now”, for a potentially indefinite period in relation to a similar product or service.

S’s business was based in Hong Kong, and it had no customers, and so no goodwill, in the UK. A significant number of members of the Chinese community in the UK associated S’s internet television service with the mark NOW TV. However, they were not customers in the UK, because it was only in Hong Kong that they could enjoy the service in question, and the service was not marketed, sold or offered in the UK. The people in the UK with access to the NOW TV programmes via websites, or on various international airlines, were not customers in the UK, because there was no payment involved (either directly by the people concerned or indirectly through third party advertising), and the availability of the service in these outlets was intended to, and did, promote the Hong Kong business. A reputation acquired through advertising in the UK was not enough to found a claim in passing off.

The court left open the question of whether a passing off claim can be brought by a claimant who had not yet attracted goodwill in the UK, but had launched a substantial advertising campaign within the UK making it clear that it will imminently be marketing its goods or services in the UK under the mark.

## Comment

The Supreme Court opted to maintain the status quo: goodwill in the context of passing off remains territorial in nature in the UK. The court noted there is conflicting case law on this issue and that it is of particular significance in the age of global electronic communication and worldwide travel, both of which might at first appear to make the idea of a single international goodwill more attractive. However, the court was concerned that an imbalance between protection and competition would be created if a claimant could prevent the use of a mark in the UK even though it had no customers or business, and had not spent any time or money in developing a market, in the UK.

This decision also illustrates one of the advantages of registered trade mark protection, which to some extent does protect reputation alone, over common law passing off.

*Case: Starbucks (HK) Limited and another v British Sky Broadcasting Group plc and others [2015] UKSC 31.*

## Patents: damages on cross-undertaking

### Summary

The Court of Appeal has upheld an award of damages to a generic pharmaceutical manufacturer which was the subject of an interim injunction by a patent owner, where the patent was later found to have been wrongly granted.

### Background

The High Court has set out principles to be applied in assessing the damages payable under a cross-undertaking given in respect of the grant of an interim injunction (*Les Laboratoires Servier v Apotex Inc. [2008] EWHC 2347*).

### Facts

A had a monopoly in the UK over the pharmaceutical esomeprazole as a result of a European patent, which was due to expire in 2014. Sales of A's product in the UK amounted to about £65 million and it was sold at a high price.

In 2010, K sought to launch a product, which it believed did not infringe A's patent. A sued for infringement and K concluded that it had no alternative but to submit to A's application for an interim injunction, on the basis that A gave the usual cross-undertaking in damages. R, another generic company, issued proceedings to challenge the validity of A's patent and seek a declaration of non-infringement for its own esomeprazole tablet.

In 2011, the High Court held that R's product did not infringe. Shortly afterwards, A notified K that it proposed to lift the injunction and an order for its discharge was made.

The decision in R's proceedings had a significant impact on the market by opening the door to the marketing of generic esomeprazole products by several other companies. This had the consequence of driving the price down and had a significant impact on the success of the launch of K's generic product. K lost the opportunity to enjoy almost a year as the only generic product available to the market. K issued proceedings for the loss of this "first mover" advantage, seeking damages for losses during the period of the injunction and following the launch of K's product in 2011.

The High Court awarded £27 million to K in relation to losses suffered as a result of the interim injunction. A appealed, arguing that K's loss only amounted to £3 to £6 million. It contended that the actual sales of K's product following its launch in September 2011 represented what would have been achieved had the launch occurred as originally planned. As A's product was sold in tablets, prescribing practice would need to have changed in order for K's capsules to be dispensed, so A argued that K's market penetration would have been modest. A also relied on what it said was a comparable market for a different drug, where a branded generic tablet was similarly launched into a capsule market.

## Decision

The court dismissed the appeal. It upheld the the High Court's award of damages on the cross-undertaking.

A key factor was that K's approach to the calculation of damages relied on comparables that were more true to the counterfactual consideration than the arguments relied on by A.

Due to K's strategy of marketing to NHS medicine managers, who provide guidance and assistance to GPs, the NHS Primary Care Trusts (PCTs) would largely have recommended a change to prescribing practice in order to minimise the overall drugs bill for the NHS. This would have led to much larger sales of K's medicines. Evidence was given by 16 medicine managers, which the court considered formed a good representative sample. An essential part of a medicine manager's job was to encourage GPs to prescribe the cheapest types of relevant drugs for their patients. So, the medicine managers were particularly well placed to assist the court as to how both they and GPs would have been likely to react to the launch of K's generic product in 2010.

The court agreed with the High Court's finding that by 2011 the market had been completely altered by generic competition, with the result that there was little point in any particular PCT investing time and effort into the promotion of a switch from A's to K's product or, indeed, any other generic.

Overall, the High Court had taken the relevant issues into account when it concluded that K's generic product would have achieved a market share of 80% one year after launch, subject to an uncertainty discount of 20% to take account of the fact that medicine managers may exaggerate the switching effect.

## Comment

The court made it clear that a claimant who obtains interim relief can expect a liberal assessment of damages under any cross-undertaking if it is unsuccessful in its substantive claim. Patentees who obtain interim injunctive relief to protect a monopoly market in a high-value pharmaceutical must factor in the risk, if unsuccessful in the substantive claim, that they will have to pay substantial compensation to generic manufacturers which have been prevented from entering the market.

Here, K had submitted to the injunction on the basis of evidence from A that K's product was substitutable with A's product, that over 90% of A's market would be accessible to K from launch, and that K's entry into the market would lead to a significant loss of market share or downward price spiral. Where a claimant has obtained interim relief by persuading the court that it is easier to calculate the defendant's loss than its own, this was just the kind of evidence which supported a liberal but fair assessment of loss.

*Case: AstraZeneca AB and another v KRKA dd Novo Mesto and another [2015] EWCA Civ 484.*

## Patents: unitary patent

### Summary

The European Court of Justice (ECJ) has rejected challenges made by Spain to the legitimacy of the EU legislation for the unitary patent.

### Background

The European Patent Office (EPO) and 25 participating countries are in the final stages of establishing the European unitary patent and the Unified Patent Court (UPC), the largest change to patent law across Europe in 40 years. It will create a single approach to patent registration and litigation across 25 countries in Europe.

The Unitary Patent Package consists of three elements: the Unitary Patent Regulation (1257/2012/EU) (UP Regulation) and the Regulation on translation arrangements (1260/2012/EU) (Translation Regulation) (together, the 2012 Regulations), and the Agreement on a UPC (UPC Agreement). European patents can be granted in three languages: English, German and French. The Translation Regulation provides for some translations, but only for a transitional period until good machine translations become available.

The 2012 Regulations are instruments of enhanced co-operation between 24 EU member states. The UPC Agreement is an international agreement and although it can only be joined by member states, it is not EU law. The UPC Agreement and the already existing European Patent Convention (EPC) together create an autonomous system of substantive law on validity and infringement of unitary patents and traditional European patents and procedural law for patent litigation at supra-national level.

The European Parliament and the Council of the EU must establish measures for the creation of European intellectual property (IP) rights to provide uniform protection of IP rights throughout the EU and for the setting up of centralised EU-wide authorisation, co-ordination and supervision arrangements (*Article 118, Treaty on the Functioning of the European Union*) (Article 118).

## Facts

Following repeated failures to agree a language regime, the European Commission's proposal for initiating an enhanced co-operation regime for a unitary patent and associated translation regime was accepted by 23 member states and the European Parliament.

Spain and Italy refused to agree to the proposed language regime. In June 2011, Spain and Italy challenged the adoption of the enhanced co-operation regime by filing complaints with the ECJ.

The ECJ rejected Spain and Italy's legal challenges. In May 2013, Spain appealed, challenging the legality of the 2012 Regulations. Spain argued that:

- The administrative procedure preceding the grant of the unitary patent was not subject to EU judicial review, which undermined the principle of effective judicial protection.
- It was unacceptable that the UP Regulation should incorporate into the EU legal order measures from an international body such as the EPO, which was not subject to EU principles.
- Article 118 was not an adequate legal basis for adopting the UP Regulation because it was not accompanied by measures providing uniform protection of IP rights throughout the EU, nor did it align the laws of the member states for that purpose.

Spain also argued that the Translation Regulation discriminated against languages such as Spanish, and against citizens and companies who cannot understand the three official EPO languages.

## Decision

The ECJ dismissed the appeal.

The ECJ rejected Spain's arguments. The UP Regulation was not intended to affect the conditions for granting European patents, which were exclusively governed by the EPC and not by EU law. Also, it did not incorporate the procedure for granting European patents laid down by the EPC into EU law. The UP Regulation merely established the conditions under which a European patent previously granted by the EPO under the EPC may benefit from unitary effect, and provided a definition of that unitary effect.

Article 118 does not necessarily require EU legislature to harmonise all aspects of IP law completely. In practice, the substantive law governing the scope of protection of the unitary patent will predominantly be the UPC Agreement, as it applies in all participating member states whose national law might apply. For issues not covered by the UPC Agreement, the UP Regulation specifies the national law that applies across all participating member states. So, uniform protection is sufficiently guaranteed.

References in the Treaties to the use of languages within the EU do not create a general principle of EU law to the effect that anything that might affect the interests of an EU citizen should be drawn up in his language in all circumstances. A difference in treatment on the grounds of language must be appropriate for attaining the objective pursued and must not go beyond what is necessary.

Here, the stated legitimate objective of the Translation Regulation was the creation of a uniform, cost-effective and simple translation regime for the unitary patent with the aim of enabling access to patent

protection, particularly for small and medium-sized enterprises. The existing European patent system created by the EPC was complex and costly for an applicant requiring patent protection in all of the member states, partly due to the need, in order to validate a European patent in a member state, for a translation of that patent in the official language of that member state. The Translation Regulation maintained the necessary balance between the various interests without going beyond what was necessary to achieve the legitimate objective. Also, the translation arrangements did not violate legal certainty.

## Comment

Now that the last legal obstacle has been removed, the implementation of the Unitary Patent Package can proceed, although a number of practical issues remain outstanding and the necessary ratifications of the UPC Agreement have yet to be completed. 13 ratifications are needed, including the UK, Germany and France; to date Austria, Belgium, Denmark, France, Luxembourg, Malta and Sweden have ratified.

An important aspect of the decision relates to languages and translation issues which have often led to political deadlock within the EU, and prevented the creation of a unitary patent for decades. Spain's main objection to the unitary patent system was that Spanish was not one of the official languages.

The decision also expressly confirms that for each unitary patent only one substantive law will apply in all participating member states. This is an advantage over traditional European patents, for which the substantive law differs according to country of registration and enforcement.

After the dismissal of Spain's appeal, Italy announced that it will join the unitary patent system. Until the outcome of Spain's challenge to its legality, Italy had said it would participate in the UPC system but not the unitary patent. Whether Spain will join remains to be seen, but the legal arguments for not joining have been rejected.

*Case: Kingdom of Spain v Council of the European Union, Case C-146/13 and C-147/13.*

## Design rights: damages inquiry

### Summary

The Intellectual Property Enterprise Court (IPEC) has assessed damages in a design right infringement action in relation to unregistered EU and UK design rights.

### Background

The remedies available for infringement of design right are similar to those available to an owner of copyright, including damages or, as an alternative to damages, an account of the profits made by the defendant.

### Facts

A and E were competing furniture wholesalers that sold to furniture retailers. H was a furniture retailer, which had previously been a customer of A and E. E sold two styles of dining tables to retailers including H. H then sold these tables to consumers.

A issued proceedings against E and H on the basis that these tables infringed A's unregistered EU and UK design rights in two of its ranges of dining furniture. The parties settled the claim.

Following settlement, there was an inquiry as to damages in relation to infringements by E only.

### Decision

The court held that, in relation to 20% of the sales of the infringing dining tables by E, A was entitled to the profit that it would have made on the sale of equal numbers of its dining tables of equivalent design, and the profit it would have made from sales of related products. In relation to the remaining 80% of sales, A was entitled to a royalty per table.

The evidence showed that sales of dining tables could drive sales of other pieces of furniture from the same range, and these convoyed sales were shown to have been previously made in respect of the two dining table designs copied by E. Due to this causative link in the minds of consumers between the purchase of the infringing tables and the purchase of related but non-infringing items, A was awarded damages for loss of profits for the 20% of lost sales, in the proportions shown by A of past convoyed sales.

When determining a reasonable royalty to apply to the remaining 80% of sales of the infringing products, the court took into account the benefit that would be derived by E in licensing A's dining table designs in respect of the sales of related furniture products that would be driven by the sale of the dining tables. As a result, it was likely that E would have agreed a royalty rate of 25% of its profits in any hypothetical negotiations. In relation to the remaining 80% of sales of the infringing dining tables sold by E, A was entitled to a royalty of £100 per table.

## Comment

The IPEC has usefully set out the principles relating to the assessment of damages for infringement of various intellectual property rights in a series of recent cases, including this one. A notable feature of this case was the decision to award additional damages in respect of convoyed sales, which turns on the particular facts. The evidence here showed that sales of the infringed product drove, rather than just accompanied, sales of the convoyed articles. Additional damages in respect of lost sales of associated products cannot be claimed simply because the item in which its vested design rights have been infringed is part of a range of related products. It is necessary to show a causative effect between the sales of the infringed product and sales of the convoyed items.

*Case: Alfrank Designs Limited v Exclusive (UK) Limited and another [2015] EWHC 1372 (IPEC).*

## Copyright: distribution right

### Summary

The European Court of Justice (ECJ) has held that the offer for sale or targeted advertising of a copyright work may fall within the distribution right under Article 4(1) of the Copyright Directive (2001/29/EC). (Article 4(1))

### Background

Authors should have the exclusive right to authorise or prohibit any form of distribution of their original works, or copies of those works, to the public by sale or otherwise (*Article 4(1)*).

In *Peek & Cloppenburg KG v Cassina SpA*, the ECJ suggested that distribution to the public within the meaning of Article 4(1) only occurred where there was a transfer of ownership (*C-456/06*).

Under UK law, copyright subsists in an original literary work (*section 1, Copyright, Designs and Patents Act 1988*) (CDPA), and is infringed if a person copies a work or issues copies to the public without the copyright owner's consent (*section 18, CDPA*) (section 18).

### Facts

K owned the copyright in various chair designs. D advertised furniture similar to K's designs on its German language website, in German newspapers and magazines, and in an advertising brochure. The advertisements offered the sale of the copyright furniture from Italy and stated that no payment needed to be made until collection or delivery of the furniture by a forwarding agent authorised to take payment, which service was available on request.

K issued proceedings against D in Germany for copyright infringement. The German Federal Court of Justice referred questions as to the meaning of the distribution right to the ECJ.

### Decision

The ECJ held that distribution was an independent concept of EU law, not contingent on the legislation applicable to transactions in which a distribution takes place. Article 4(1) allowed the copyright-holder to



prevent an offer for sale or a targeted advertisement of the original or a copy of the copyright work, if the advertisement invited consumers of the EU member state in which the work was protected to buy it. This was the case even if the advertisement did not give rise to the purchase of the protected work by an EU buyer.

Distribution to the public was characterised by a series of acts from the conclusion of a contract of sale to the performance of the contract by delivery. An invitation to submit an offer, or a non-binding advertisement for a protected work, fell within the series of acts taken with the objective of making a sale of the work.

Goods might also infringe the distribution right where it was shown that they were intended to be put on sale in the EU. The same principle applied by analogy in the case of a commercial act, such as an advertisement addressed by the trader of a member state, through its website, to consumers in another member state in which the works were protected. There might be infringement of the distribution right where an unauthorised trader addressed an advertisement, through its website, by direct mail or in the press, to consumers located in the territory of the member state in which copyright works were protected to invite them to buy the works.

So, it was irrelevant for a finding of infringement of the distribution right that the advertising was not followed by the transfer of ownership of the protected work or a copy of it to the buyer.

## Comment

This expansionist decision represents a development of the law in *Peek & Cloppenburg*, although that decision may be distinguished on the basis that it was concerned with granting the right to use copyright works or exhibiting them in public. This decision appears to achieve a backdoor harmonisation by preventing manufacturers in countries which limit copyright in industrially produced designs to 25 years from advertising their goods in countries with longer protection periods.

Section 18 was regarded as being consistent with Article 4(1), so that no amendments were required to implement it into UK law. However, section 18 defines the right of distribution as the right to issue copies of the work: the act of putting into circulation copies of works not previously put in circulation. The UK position, that offering or advertising copies for sale is not capable of amounting to an infringement of the distribution right, seems no longer to be correct.

*Case: Dimensione Direct Sales Srl and another v Knoll International SpA, Case C-516/13.*



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