

Bird & Bird & IP & IT Bytes

November 2015

First published in the November 2015 issue of PLC Magazine and reproduced with the kind permission of the publishers. Subscription enquiries 020 7202 1200.

Community trade marks: geographical extent of reputation

Summary

The European Court of Justice (ECJ) has ruled on the extent of the reputation of a Community trade mark (CTM) that is required under Article 4(3) of the Trade Marks Directive (2008/95/EC) (Article 4(3)) for a successful opposition to a later trade mark application made in an EU member state.

Background

A trade mark will not be registered or, if registered, will be liable to be declared invalid, if it is identical with, or similar to, an earlier CTM, and is registered for goods or services which are identical, similar or dissimilar to those for which the earlier CTM is registered, where the earlier CTM has a reputation in the EU and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier CTM (Article 4(3)).

In *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH*, the ECJ held that, to have a reputation in the EU, a CTM must be known by a significant part of the public concerned by the products or services covered by the CTM, in a substantial part of the territory of the EU (www.practicallaw.com/0-500-5653). It also held that, in some circumstances, a single member state might constitute a substantial part of the EU.

Facts

U opposed the registration as a Hungarian trade mark of a figurative sign incorporating the words "be impulsive". Its opposition was based on its earlier CTM IMPULSE. The Hungarian trade marks office allowed the opposition, finding that U had demonstrated the reputation of its CTM in a substantial part of the EU. Its conclusion was based on evidence that U's IMPULSE branded goods had a market share in the UK and Italy, although not in Hungary.

On appeal, the Budapest Court referred to the ECJ the question of whether it is sufficient, for the purposes of proving that a CTM has a reputation within the meaning of Article 4(3), for the CTM to have a reputation in one member state, including where the national trade mark application that has been opposed on the basis of such a reputation has been lodged in a country other than that member state.

Decision

The ECJ held that the earlier CTM may be regarded as having a reputation in a substantial part of the EU within the meaning of Article 4(3) even if that reputation is only established in a single member state, and even if that single member state is not the state where the application for the later national mark was filed. The genuine use criteria set out in EU case law are not relevant in this context.

If the earlier CTM has established the necessary level of reputation within the EU, but not with the relevant public in the member state where the later national mark was filed, the CTM owner can still rely on Article 4(3) if it can show that a commercially significant part of that public is familiar with the CTM and makes a

connection between it and the later national mark. It must also show that there is, taking into account all relevant factors, actual and present injury to the CTM or, failing that, a serious risk of this injury occurring in future.

The ECJ referred to *PAGO* and noted that the threshold for establishing reputation is that the CTM is known by a significant part of the public concerned by the relevant product or service. This requires a court to take into account factors such as market share, intensity and geographical extent and duration of use, and the level of investment in promoting the brand. As *PAGO* established that a substantial part of the EU could mean a single member state, it followed that if a CTM has the necessary level of reputation in a single member state, its owner does not have to produce evidence of reputation in a different member state where the later application has been filed.

EU provisions on the requirement for genuine use of a mark, such as in Article 15(1) and 51 of the CTM Regulation (207/2009/EC), have a different objective unrelated to the protection of marks with a reputation, so they are not applicable in the context of Article 4(3).

The ECJ also found that, even if a national court were to find that the relevant public in the member state of the later application was not familiar with the CTM, it was still conceivable that a commercially significant part of the public might be familiar with the CTM and make a connection between it and the later mark. However, this link would not of itself establish the unfair advantage or detriment required by Article 4(3); the CTM owner would still need to prove that one of these was occurring or at serious risk of occurring, and that the owner of the later mark did not have due cause to use it. The more immediately and strongly the later mark brought the earlier mark to mind, the greater the likelihood that the current or future use of the later mark would create unfair advantage or detriment.

Comment

The decision confirms that a CTM owner may be able to rely on the reputation of its CTM in one member state in order to enforce it in another, as long as a commercially significant number of the target consumers in that other member state are familiar with the CTM and connect it with the later mark. What constitutes a commercially significant part of the relevant public in that other member state, and how it differs from the significant part discussed in *PAGO*, is not explained in the judgment and may be the subject of a future reference, but it seems to be a more stringent test than the commercially pertinent part test recommended by the Advocate General in this case.

Case: Iron and another v Unilever NV C-125/14.

Design rights: jurisdiction and unjustified threats

Summary

The High Court has held that it had jurisdiction over a defendant's threat of infringement proceedings but not over declarations of non-infringement of its Community or UK unregistered design rights.

Background

The Brussels Regulation (44/2001/EC) has direct effect in EU member states and provides that a defendant is entitled to be sued in the courts of the member state where it is domiciled, unless an exception applies (Article 2).

The 2007 Lugano Convention governs jurisdiction and the recognition and enforcement of judgments in civil and commercial matters between most EU member states and Switzerland, Iceland, Denmark and Norway, and is in substantially the same terms as the Brussels Regulation.

The Community design courts have exclusive jurisdiction for actions for declaration of non-infringement of Community designs, if permitted under national law (Article 81(b), Community Designs Regulation (6/2002/EC)) (CDR) (Article 81). Proceedings in respect of the actions and claims referred to in Article 81

must be brought in the courts of the member state in which the defendant is domiciled or in which it has an establishment (*Article 82(1), CDR*) (*Article 82(1)*).

Registered and unregistered Community designs fall within the scope of UK threats legislation (*regulation 2, Community Design Regulations 2005 (SI 2005/2339)*) (2005 Regulations). Whether a letter threatens proceedings is an objective test so evidence of how a threat is subjectively understood by the recipient is inadmissible (*Best Buy Co v Worldwide Sales Corporation España, www.practicallaw.com/3-506-6391*).

Facts

L, a Swiss company with establishments in the Netherlands and Croatia, and T, a UK company, both launched impact protection cases for iPad tablets, following an earlier unsuccessful collaboration agreement.

T received a letter from a German law firm acting for L alleging that T's product infringed the Community unregistered design right in L's product. T issued UK proceedings seeking declarations from L that T had not infringed any Community or UK unregistered design rights subsisting in the designs and that L had made unjustifiable threats to bring proceedings for infringement of the Community unregistered design right.

L argued that the UK court had no jurisdiction over the claim.

Decision

The court held that it had no jurisdiction to hear the claim for declarations of non-infringement but did have jurisdiction to hear the claim relating to unjustifiable threats.

Under Article 82(1), if a defendant is not domiciled, but has an establishment, in a member state it can be sued in that state. The defendant in Article 82(1) is the person being sued and the claimant is the person that started the proceedings, even if those proceedings are defensive in nature. So the claim for a declaration of non-infringement of L's Community unregistered design right had to be brought in the courts of the Netherlands or Croatia.

With regard to the UK unregistered design right, the court's jurisdiction to make a declaration of non-infringement would only be exercised, under Article 5(3) of the Lugano Convention, if there was a real and present dispute between the parties as to whether T was infringing L's UK unregistered design right by selling its protective cases in the UK. The particulars of claim and the evidence filed did not disclose a good arguable case that there was a real and present dispute between the parties as to whether L was entitled to UK unregistered design right and, therefore, whether T's sales in the UK infringed that right.

However, the court did have jurisdiction to hear the claim under regulation 2 of the 2005 Regulations in respect of the threat made by the letter to bring infringement proceedings in the UK courts. Following *Best Buy*, evidence of how a letter was subjectively understood by the recipient is not admissible in deciding if the letter threatens infringement proceedings. The question is not whether the letter would reasonably be understood as threatening proceedings, but whether the reasonable reader would understand the threat to be of legal action in the UK, or in Germany, or elsewhere. This depends on understanding the provisions that govern jurisdiction for infringement proceedings in respect of unregistered Community design rights, which an ordinary businessman would not understand.

So the test is whether the reasonable reader, who had received correct legal advice on the relevant jurisdictional provisions, would understand the threat to be of legal action in the UK for the alleged infringement of the claimed Community design right, either immediately or in the future. In view of the demand for EU-wide relief in the cease and desist declaration, a reasonable reader would have regarded it as being likely, or a realistic possibility, that proceedings in Germany, if successful, would be followed by proceedings in the UK.

Comment

In addition to the jurisdictional issues, the judgment is interesting in relation to the UK statutory threats provisions. The decision builds on existing principles in relation to threats, referring in particular to *Best Buy*. The applicable test means that, in some cases, legal advice may be necessary to determine whether a

letter is threatening. The court also noted that the purpose of the threats provisions is to create civil liability for what is perceived as undesirable anti-competitive behaviour; its purpose is not to provide a procedure for obtaining a declaration of non-infringement.

Case: Tech 21 UK Ltd v Logitech Europe SA [2015] EWHC 2614 (Ch).

Copyright: damages for infringement

Summary

The Intellectual Property Enterprise Court has assessed damages for copyright infringement from the use of photographs on a website without the photographer's consent.

Background

Section 97(2) of the Copyright, Designs and Patents Act 1988 (section 97(2)) gives the court the power to award additional damages for infringement of copyright, having regard to all the circumstances; in particular, to the flagrancy of the infringement and any benefit accruing to the infringer.

Article 3(1) of the Enforcement Directive (2004/48/EC) (the Directive) obliges EU member states to provide for the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. These should be effective, proportionate and dissuasive (*Article 3(2), the Directive*) (Article 3(2)).

Under Article 13 of the Directive (Article 13), infringers that knowingly, or with reasonable grounds to know, engage in an infringing activity must be ordered to pay damages appropriate to the actual prejudice suffered by the rights holder as a result of the infringement. Courts should take into account all appropriate aspects, such as: negative economic consequences, including lost profits, that the injured party has suffered; any unfair profits made by the infringer; and, in appropriate cases, other factors such as the moral prejudice caused to the rights holder by the infringement. Alternatively, courts may set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees that would have been due if the infringer had requested authorisation to use the right (the user principle).

In *Henderson v All Around the World Recordings Ltd*, the Intellectual Property Enterprise Court concluded that compensation for actual prejudice suffered could, where appropriate, include additional sums related to the profit that the defendant made from the knowing infringement, not just the profit itself ([2014] EWHC 3087(IPEC)). This would occur, for example, where the defendant had made no financial profit from the infringement but its business had expanded.

Facts

AL and A were both in the business of residential loft conversions. AL would, on completion of a loft conversion, take photographs of the work done to display on its website. AL and A agreed that copyright subsisted in these photographs and that it belonged to AL.

A used 21 photographs on its website without AL's consent. Following AL's letter before action complaining of unlawful use of the photographs, A removed them from the website and replaced them with 21 licensed images of loft conversions bought from a stock photograph library for £300.

A admitted that it had infringed AL's copyright. The issues before the court were therefore limited to the quantum of compensatory damage due to AL, and whether AL was entitled to additional damages under section 97(2) or Article 13(1) and, if so, how much.

Decision

The court held that AL was entitled to damages of £300 according to the user principle. AL had not suffered any detriment from the misrepresentation of its photographs on A's website. AL and A operated in different geographical areas, so neither would expect to overlap in custom or potential customers, nor was it likely that anyone would notice the duplication of the photographs on their respective websites.

There was no evidence that A wanted to use AL's images above any other reasonable photographs of loft conversions and it was likely that A would have chosen the cheapest option available. A sensible guide as to what A would have agreed to pay for the use of AL's photographs was what it actually paid for stock photographs from a library. On this basis, the court awarded the sum of £300.

The court did not accept A's evidence that it had not known the source of the infringing photographs and, until AL's letter before action, believed that they had been legitimately obtained. A had been prepared to mislead its customers and potential customers by passing off the loft conversions shown in both the infringing photographs and those bought from the photograph library as its own work. There was evidence of commercial dishonesty.

Contrary to its view in *Henderson*, the court concluded that a successful claimant is entitled to rely on either section 97(2) or Article 13(1) in order to maximise recovery in respect of additional damages. The Directive does not sweep away national legislation that is more favourable to rights holders. The court therefore considered the appropriate award of damages under each provision.

AL was entitled to additional damages to take into account unfair profits accruing to A through its infringing use of the photographs. The profit generated from A's infringing use of AL's photographs was particularly unfair as it involved a misrepresentation to A's customers that the photographs depicted work carried out by A. While the benefit to A may not have adversely affected AL, AL suffered prejudice because it enjoyed no part of the unfair profit accrued to A through the exploitation of AL's photographic skills. The strictly compensatory award of £300 also lacked the dissuasive element required by Article 3(2). Although assessment of quantum was difficult on the facts, the court held that AL should receive an additional £6,000.

The court also found that the infringing use of the photographs was flagrant. Although the route to assessing additional damages under section 97(2) is different from that used under Article 13(1), the court arrived at the same figure of £6,000. As the figures that would be awarded under the alternative provisions were identical, there was no need for AL to elect which to recover additional damages under.

The awards of £6,000 of additional damages under section 97(2) and £6,000 of unfair profits under Article 13(1)(a) were not cumulative, making a total payable by A to AL of £6,300.

Comment

Despite suggesting in *Henderson* that additional damages under section 97(2) had effectively been made redundant in the light of Article 13(1)(a), the court has explicitly confirmed that Article 13 does not override section 97(2) but instead provides an alternative route for the recovery of additional damages. Rights holders can therefore elect for recovery on the basis of whichever provision offers the more favourable outcome.

Case: Absolute Lofts South West London Limited v Artisan Home Improvements Limited and another [2015] EWHC 2608 (IPEC).

Patents: second medical use

Summary

The High Court has held that claims of a second medical use patent, although not obvious, were invalid for insufficiency and, even if valid, were not infringed.

Background

Second medical use claims in the Swiss form use are as follows: use of substance X for the preparation of a medicament, or pharmaceutical composition, for treating indication Y (a purpose-limited process claim). Article 54(5) of the European Patent Convention (EPC) now enables the grant of these claims in the form: product X for treating indication Y (a purpose-limited product 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)*) (direct infringement).

Indirect infringement occurs where an infringing invention is not put into effect by the defendant, but by someone who was supplied with means relating to an essential element of the invention for putting the invention into effect when he knows or it is obvious to a reasonable person in the circumstances that the means are suitable for putting and intended to put the invention into effect (*section 60(2), 1977 Act*) (*section 60(2)*). *Section 60(2)* therefore requires a double mental element: that of the supplier and that of the person to whom the product is supplied or possibly an end user.

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 owned a second medical use patent for pain relief, which was one of the three authorised indications.

A applied for a marketing authorisation for a generic version of the drug limited to the other two indications (a so-called "skinny label"). W was concerned that, despite this, the generic drug would be dispensed for pain relief 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, pain relief. The High Court refused to grant an interim injunction and struck out the claim of indirect infringement, but dismissed A's application to strike out the claim entirely.

The Court of Appeal dismissed W's appeal in relation to the interim injunction but allowed its appeal against the order striking out the indirect infringement claim. The word "for" in the context of a Swiss claim is construed as meaning suitable and intended for, but the meaning of "intended" in this context is unclear. In the Court of Appeal's opinion, "for" does not imply subjective intent. In relation to direct infringement under *section 60(1)(c)*, the Court of Appeal's view, arguably obiter, was that a manufacturer that knows or could reasonably foresee that some of its drug would intentionally be used for pain relief is making use of the patentee's inventive contribution in the same way as a manufacturer that actively desired that result.

The case proceeded to full trial by the High Court.

Decision

The court held that none of the claims of the patent was obvious over the cited prior art, but certain claims that were directed to the treatment of pain other than inflammatory pain were invalid on the ground of insufficiency. However, even if valid, A had not infringed any claims under *section 60(1)(c)* or *section 60(2)*.

The Court of Appeal's judgment on the mental element was not binding but was highly persuasive. The court had doubts as to the correctness of the Court of Appeal's interpretation, but it was not clearly wrong and so should be followed. Such interpretation requires a double mental element, i.e. that of both the manufacturer and the person to whom it is supplied. As a result the intention of the doctor and the pharmacist is relevant to direct infringement, as it is when considering indirect infringement. In relation to direct infringement under *section 60(1)(c)*, the High Court held that:

- The intention of the doctor is highly relevant because it is the prescribing doctor who intends to produce the new therapeutic effect (treating pain). However, it is not sufficient that the prescribing doctor intends the drug from any source to be administered for the treatment of pain. Infringement depends on what the manufacturer could foresee happening with the drug it manufactured, not the drug made by others.

- The intention of the pharmacist is also likely relevant. In general, the pharmacist simply intends to dispense the drug to treat whatever indication the doctor has prescribed that drug for, and would not know what that indication was. In those circumstances, the pharmacist's intention adds nothing to that of the doctor. But if the pharmacist knows that the doctor prescribed the generic drug for treating pain and dispenses the generic manufacturer's product, it seems that the result is intentional administration of the generic manufacturer's product to treat pain.
- The patient's intention is not relevant. In general, the patient intends to take whatever drug the doctor prescribes for whatever condition the doctor prescribed it for. The patient relies on the pharmacist to dispense the correct drug, and usually has no choice as to the source of that drug.

A had not directly infringed the patent under section 60(1)(c). For product manufactured in the period before steps were taken to notify prescribers and dispensers of the requirement only to provide A's drug if it was prescribed for pain, it was not foreseeable to A that the generic drug would be intentionally administered for the treatment of pain save in a small number of exceptional cases, which it was proper to regard as *de minimis*. For product manufactured at later dates when guidance had been issued and then later when other generic products came on the market, it was not foreseeable that more than a *de minimis* proportion of the product would be intentionally prescribed or dispensed for pain.

A had also not indirectly infringed the patent under section 60(2). The claims were directed to an act of manufacture, not a method of treatment, and there was no act of manufacture by any party downstream from A. Although the generic drug's active ingredient was a means, relating to an essential element of the invention, for putting the invention into effect, the drug was not suitable for putting, or intended to put, the invention into effect. Either the invention had already been put into effect by the time that it left A's hands or it was not put into effect at all.

Comment

The decision highlights the difficulties inherent in proving infringement of Swiss-form claims. In future, the situation will be different as second medical use claims granted under Article 54(5) of the EPC are purpose-limited product claims, as opposed to Swiss-form purpose-limited process claims.

In relation to the key question of whether the Court of Appeal's interpretation of "for" was correct, the High Court pointed out that the construction adopted was not one that was contended for by either party in the Court of Appeal. Given the difficulties in applying this interpretation in circumstances where the ultimate use of the product is outside the manufacturer's control, the Court of Appeal may be persuaded to look at it again.

The case raised a subsidiary issue as to whether common general knowledge has a territorial dimension. It was common general knowledge in the US, but not in the UK, that a closely related drug was being used off-label by clinicians for the treatment of neuropathic pain. The court held that it had to be shown that the matter in question was common general knowledge in the UK because, whether dealing with the validity of a European (UK) or UK patent, one was concerned with a right in respect of the UK. While the prior art might have been published anywhere in the world, that did not alter the need for the skilled team to consider that art as if they were located in the UK.

Case: Generics (UK) Ltd (trading as Mylan) and others v Warner-Lambert Company LLC, intervenor Secretary of State for Health [2015] EWHC 2548 (Pat).

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