



Battens Commercial Law Update

January 2010

IP/IT Legal Update

There has been quite a lot going on in the IP and IT worlds recently. This update therefore contains a good deal of interesting material, and we have set it out in sections so as to make it easier for you to find your way around it.

Counterfeit goods

In the case of *Nokia Corporation v HMRC*, Nokia applied for a judicial review of a decision by HM Revenue and Customs not to continue to detain and instead to release a consignment of counterfeit telephones which were in the UK having stopped off on a journey from Hong Kong to Colombia. The court had to consider whether these were “counterfeit goods”, being defined as goods which infringed someone’s trade mark in the territory in question, in this case the UK. The relevant EU regulation made it clear that infringement involved using a mark “in the course of trade”. As the telephones had not been put on the market in the UK, they were not counterfeit within the meaning of the regulation.

The court called for a review of the adequacy of the legislation, which should have been sufficient to prevent trade in counterfeit goods by stopping their transshipment through EU member states but could not do so here.

Who owns designs?

The ECJ has considered who owns unregistered Community designs. Where a customer commissions a design, they will not own the design which results from their instruction. This contrasts with the position in relation to UK unregistered designs, where the commissioner of such designs does own the rights to them.

The whole question of designs, which relate to the external appearance of commercially produced products and the overall impression which they create, is enormously complicated and in need of reform. There are, for example, UK registered designs, UK unregistered designs, Community registered designs and Community unregistered designs, and the rules in relation to them are all different. The whole area is ripe for reform.

Can rights under an intellectual property licence vanish on insolvency?

In the case of *Butters v BBC Worldwide*, the High Court held that clauses in a licence of intellectual property rights which terminated the licence on the insolvency of a member of the licensee’s company group offended against public policy and were void. In the case, there was a joint venture, and the licensee enjoyed rights which contributed substantially to its net worth. In the event of the insolvency of the JVA partner or its parent, the other partner had a right to bring the licence to an end and acquire the other company’s shares at a knocked down price. The High Court held that this arrangement went against public policy, since the overall effect was to deprive the creditors of the insolvent joint venture partner of the value of the licence. This was not helped by the fact that in the case, the licensee did not suffer the insolvency event, but instead it was the parent of one of the joint venture partners.

Clauses in licenses which purport to bring them to an end if the licensee suffers an insolvency event are extremely common, but such clauses do offend against the anti-deprivation principle and are now likely to be struck down by the courts.



Image rights

Photographs of real members of staff are becoming increasingly common in a world where customers are tiring of stock images on brochures and websites. In one case, the Advertising Standards Authority has upheld a complaint about the unauthorised use of the image of a security guard. The guard objected that the advertiser had used his image without his consent. The advertiser claimed that it had obtained his oral consent to the use of his image, but the ASA decided that the advertiser should have received written consent before using it.

Companies should therefore ensure that they do have that written consent, and should be aware that obtaining either an oral consent or none at all will not be allowed.

Trade mark decisions

A number of applications for trade marks have been considered, both at a UK and at a European level. Here are some of the decisions: -

Dr No – the James Bond rights holder Danjaq failed in an attempt to oppose an application by Mission Productions to register Dr No as a Community Trade Mark. The court decided that although Danjaq had rights in “Dr No” it had not used that term as a commercial trade mark i.e. as an indicator of the commercial origin of goods and services, but rather in an artistic sense. Danjaq separately failed to oppose an application for the registration of ‘From Russia With Love’.

Bambineo - The court considered whether the sale of reusable nappies under this mark infringed the earlier registration of the mark Bambino Mio for similar goods. The High Court concluded that the signs were sufficiently dissimilar to prevent there being a likelihood of confusion between the two marks.

“You can’t be a virgin all your life, it’s time” – the Intellectual Property Office has dismissed an objection by Virgin Enterprises to an application to register this mark for, among other things, telecommunications. Even though Virgin is a distinctive and well-known mark, the IPO found that the marks were sufficiently dissimilar for there to be no risk of confusion.

The new mark would not therefore infringe the marks Virgin or Virgin mobile.

Bebimil - the court has rejected an application to register this mark in the context of objection by the proprietor of an earlier mark Blemil. Both marks would cover a range of goods including food for babies and milk products. The court found that the marks were sufficiently similar, consisting of a single invented word, and the differences were not sufficient to distinguish the marks even though the new mark contained the word “bebi” and the earlier mark did not. The fact that both marks ended in the words “mil”, which was similar to the English word milk, was an important factor in the case.

Built to Resist – an application to register this mark has been rejected on the basis that the mark, which would have been applied to tough clothing and footwear, was descriptive and related to the quality, resistance and reliability of the goods. The application therefore failed.

Tame It – the court has rejected an application to register this mark for hair oils and hair lotions, finding that the mark was devoid of distinctive character since taming hair is what hair oils do. The court had, however, earlier allowed the application to proceed in relation to soaps and perfumes, where the mark would not be descriptive of its function and was more distinctive.

Rubik’s Cube - an application to invalidate the Community Trade Mark in relation to the three-dimensional



shape of the cube has been rejected. It helped the distinctive character of the mark that the mark displayed nothing which indicated that the cube was a game.

Agile – the court has rejected an application to register Agile as a Community Trade Mark for sports equipment and clothing because of an earlier registration for the word Aygill's. Whilst the marks had a low degree of similarity, the goods to which they were going to be applied were identical. The court also noted that the marks were phonetically similar in French.

Deere & Co. – the court has rejected an application for a declaration of invalidity of a Community Trade Mark owned by Deere & Co. The mark consisted simply of the colours green and yellow for farm tractors and agricultural machinery, the arrangement described being that the vehicle body be green and the wheels be yellow. The court found that the mark had acquired distinctive character over time and that customers and potential customers knew and recognised the colour arrangement. The mark was found to have a strong and long-lasting presence on the market, despite its simplicity.

! – the court has rejected applications by Joop! to register CTMs consisting of a single exclamation mark and also an exclamation mark in a rectangular box for goods including jewellery and clothes. The court decided that the marks were not sufficiently distinctive, and that the signs could not be considered capable of identifying the commercial origin of goods to which they were attached.

When are threats of legal action to stop infringement unjustified?

Under section 70 of the Patents Act 1977, someone who believes that their patent has been infringed can get into trouble if he makes threats about that infringement which turn out to be unjustified. It is particularly dangerous to make those threats to people other than the alleged infringer.

In a case called *Zeno v BSM–Bionic Solutions Management*, the court considered two devices using dry heat to treat patients, one for insect stings and bites, and the other for acne and found that the patent for the former was not infringed by sales of the latter. The court found that letters written by the insect bite patent holder's German patent agents to individual shops were unjustified threats. Although there was no overt threat of litigation, it was important that the letters were directed neither to the manufacturer nor even to the head offices of the retail chain. When read in context, the letters amounted to veiled threats of infringement proceedings and were intended to deter the retailers from selling the acne device.

The patent agents would have been criticised less if they had written to the manufacturer and/or not tried to go round the retailer's head offices.

In another case, called *Grimme v Scott*, the court considered design right infringement in relation to rollers in potato separators. The court found that one of the defendant's roller designs infringed but that the other did not. The court found that there had been unjustified threats of design right infringement proceedings made in letters sent by the claimant's solicitors to various customers of the defendant. While, in the letters, the solicitors said that they did not intend to commence proceedings against the customers, they also reserved their rights and said that they would contact the customer again when judgement against the defendant had been obtained. It was found by the court that an ordinary recipient would read the letters as indicating that the claimant was likely to commence proceedings against the recipient of the letter in the future if it was successful in its action against the defendant. The design right allegations were not fully justified, since the letter was not specific about which particular roller designs were alleged to infringe. The claimant would have to have been able to show that all of the defendant's roller designs infringed at least one aspect of its



unregistered design right, and it could not.

Service of injunction by Twitter

The High Court has granted an order for service of an injunction using the social networking website Twitter. This follows proceedings in Australia and New Zealand in which the courts permitted service by Facebook. This type of application is likely to become increasingly common in intellectual property, defamation and confidentiality cases, particularly where the only method of contacting the defendant which is known to work through one of the new social networking websites. The claimant may for example know that the defendant responds immediately to twittering, but the defendant's name and even country of residence may not be known.

Front running – how real is the threat?

Front running is something which has posed a significant risk to people wishing to buy a domain name. Picture the scene. You wish to register a domain, you check that it is available and then you decide to buy it. Before buying it, however, you decide to go and make yourself a cup of coffee and treat yourself to a Hobnob. By the time you come back to register the domain, it has been snapped up by a frontrunner, someone who has spotted that you were interested in it. It may now cost you a substantial amount of money to buy it from him.

ICANN, the body which organises the international domain name system, has carried out a number of tests in three rounds, but their tests have failed to provide any evidence of front running.

The expert who carried out the tests indicated that whilst he was unable to uncover any evidence of front running, that is not to say that it does not go on. The absence of evidence is not necessarily the same as evidence of absence.

The advice must remain the same. If you are thinking of buying a domain and see that it is available, buy it there and then without giving anyone the opportunity to nip in and register it instead.

Conclusion

The world of Ip and IT continues to be fresh and full of developments and possibilities. We hope that this update has been helpful and will keep you up to date with developments in the future.



If you have any queries/comments regarding Battens' marketing material, please contact Sarah Knowles on 01935 846156 or email s.knowles@battens.co.uk.

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