

## Intellectual Property Update

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## MEDIA UPDATE

### Defamation risks for electronic publishers - Dow Jones sued in Australia for website posting

In December 2002 the Australian Court decided that Joseph Gutnick, a Melbourne based mining entrepreneur was entitled to bring a claim for defamation in the Australian courts in relation to a story posted by Dow Jones on its website. Dow Jones' web servers are located in the US.

This was the first ruling on the issue of whether posting on a website amounted to publication in countries from where the website could be accessed. The decision acts as a wake up call to publishers, that by putting material on-line they could be exposed to defamation actions anywhere in the world. Their concern is that they may be subject to harsher defamation rules than would apply if the action was brought in their own country.

The case coincided with the publication of a report by the Law Commission on proposed reform of UK Defamation Law in the light of developments in electronic publications.

The report highlighted the following issues:

- *Should ISP's be exempt from liability in respect of material over which they have no editorial control?*

This would supplement the existing limitations on liability introduced by the E-Commerce Directive. Under current rules, ISPs are only immune from liability where they can show that they did not have the information to judge whether the article was defamatory. However, ISPs tend to steer the safe course and remove disputed material on request, particularly where the request is accompanied by a letter threatening possible action.

- *Should material placed in an electronic archive which is accessible through a website give rise to a right to sue each time material is accessed?*

Under the existing rules, an action may be brought many years after the publication of the original piece by claiming that accessing the archive constitutes a further publication. It is also allows claimants to get around the statutory one year limitation period for bringing a claim. Actions brought years after the publication of the original piece may be difficult to defend due to lack of evidence.

- *Should it be a rule that defamation claims can only be made in the courts of the country where the publisher is based?*
- *Should the rules on contempt of court be changed so that archived material is excluded from the restrictions on publication pending trial?*

Despite recognising the potential difficult issues associated with electronic publication, there are no easy solutions and no immediate proposals to implement any changes in UK law. Publishers and other businesses posting material on-line need to remain aware that publishing on-line could expose them to defamation\ contempt claims, including claims originating from overseas. Businesses should check that their insurance policies cover all such potential risks.

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### **ASA criticises misleading certification claims in promotional material**

A leaflet advert for ladder stabilisers stated that the device was “Patented Worldwide” and “BSI tested”. The advert also featured the “CE96” logo. A complaint was made to the Advertising Standards Authority.

The advertisers said the claim to a patent appeared in a leaflet produced in 1998. They said that the patent was allowed to lapse in 1999 and the claim was not in their up-to-date leaflets. The ASA noted that in fact the advertisers had allowed an international patent application to lapse, not a patent. The ASA also asked the advertisers to ensure that only up-to-date leaflets without the claim were distributed in future.

The ASA also asked the advertisers to remove the statement that the product was BSI tested. Whilst this claim was strictly true (the product had been tested by the British Standards Institute), the ASA considered that it could mislead consumers into believing that the product had been endorsed by the BSI, whilst in fact BSI testing does not indicate any measure of approval, certification, supervision, control or surveillance by the BSI.

The CE96 logo was inappropriate because the relevant rules had changed, and the advertisers said that their up-to-date advertising reflected the correct approach. However, some out-of-date 1998 leaflets displaying the CE96 remained in circulation. The ASA asked the advertisers to ensure that only up-to-date leaflets without the claim were distributed in future.

This adjudication highlights the importance of openness and fairness in technical claims made in advertising, and keeping those claims up-to-date in relation to the current situation.

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## **TRADE MARK UPDATE**

## Ice Cream wars: Can the shape of an ice cream be protected as a trade mark?

Unilever is facing an uphill battle to have the shape of its fancily decorated “Viennetta” ice cream registered as a trade mark.

The UK Court has indicated it is likely to reject Unilever’s appeal against the refusal of the UK Trade Mark Office to register the shape of its Viennetta ice cream as a trade mark. Further guidance is being sought from the ECJ before a final decision is made.

The High Court Judge who heard the case expressed the view that the shape of the product alone may not have met the criteria for a trade mark. Trade marks are required to perform the function of designating the origin of the product. In this case the Judge was of the view that the shape of the “Viennetta” product was not used to indicate to consumers the identity of the company that produced it.

Two factors appeared to have influenced the Judge:

1. The product had been sold in packaging displaying both the “Viennetta” and the “Walls” trade marks. There had been no attempt to rely upon the shape alone as a designation of origin.
2. There were a number of similar products in the market and survey evidence showed that 15% of the sample wrongly identified a rival product as “Viennetta”.

The Court made it clear that it would be very wary of granting shape trade marks just because a particular product shape had become associated with one manufacturer. This would give that trader a permanent monopoly over such a design - which was never the intention of the trade marks legislation.

It was not in dispute that a unique product shape can over a period of time acquire such a well known association with a particular manufacturer to make it capable of registration as a trade mark (e.g. the coca-cola bottle). The Judge asked the ECJ to clarify whether the fact that a minor proportion of the public are mistaken as to the true origin of a product should be fatal to an “acquired recognition” argument.

**Comment:** This case is an example of the Court’s reluctance to allow trade mark rights to be used to give businesses a monopoly over the shape of particular products in all but the most well established cases. Where new products are being introduced, companies should consider the possibility of obtaining Registered Design Right protection - see separate update on the Community Design Right.

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## No trademarking of smells?

The recent judgement of the European Court of Justice in the case of Sieckmann -v- Deutsches Patent-und Markenamt has raised serious doubts on the potential for smells to be registered as trade marks.

The applicant applied to the German Trade Marks Registry to register a smell, described alternatively as C<sub>6</sub>H<sub>5</sub>-CH=CHCOOCH<sub>3</sub> (cinnamic acid methyl ester) or a “balsamically fruity [smell] with a slight hint of cinnamon”. The applicant also filed a sample of the odour with the application.

The German authorities refused to register the smell as a trade mark, initially because they said that it lacked distinctive character and subsequently, on appeal from the initial decision, because they had doubts as to whether an olfactory mark can satisfy the fundamental requirement that a trade mark must be capable of being represented graphically.

The ECJ confirmed that a trade mark may consist of a sign which is not itself capable of being perceived visually, provided that it can be represented graphically and that the representation is clear, precise, self-contained, easily accessible, intelligible, durable and objective. However, the ECJ then considered whether in respect of an olfactory sign the requirements of graphic representability are satisfied by a chemical formula, by a description in written words, by the deposit of an odour sample or by a combination of these elements.

The ECJ decided that a chemical formula does not represent the odour of a substance, but merely the substance itself. They decided that the description of an odour is also not sufficiently clear, precise and objective. Finally they said that a sample of the smell does not constitute a graphic representation. The ECJ decided that a combination of these elements did not cure their individual defects.

There would now seem to be little possibility of registering smells as trade marks unless the ECJ changes its position on the fundamental issues of registrability that it considered in this case

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### **Nestle -v- Mars: Confectionery giants in trade mark punch-up**

Food giant Nestlé applied to register the trade mark HAVE A BREAK in respect of various snack products. Mars successfully opposed the application on the grounds that the mark was devoid of distinctive character, (“inherent distinctiveness”) and also that it had not acquired a distinctive character as a result of the use made of it before the date of the application for registration (“acquired distinctiveness”). As a result Nestlé’s application failed and it appealed to the High Court.

In relation to the appeal against the Hearing Officer’s decision that the mark had no inherent distinctiveness, the Court decided that it should only review the decision if the Court was satisfied that it was plainly wrong or perverse.

In relation to the finding on lack of inherent distinctiveness, the Court found that the Hearing Officer applied the law correctly and gave manifestly careful consideration to the essentially factual question of whether the mark enjoyed the requisite distinctive character. The Hearing Officer had considered that “most consumers eat snacks during their breaks”, and had also regarded the phrase HAVE A BREAK as a slogan. He said “consumers will be aware that slogans are commonly used in trade for purely advertising purposes and may, therefore, not accept a slogan as an indication of trade source as readily as they would a traditional indication of trade source, such as word brands, logos and figurative marks”.

In relation to Nestlé’s claim that HAVE A BREAK had acquired distinctiveness through use, the Court noted that Nestlé’s problem was that it had only made minimal independent use of the mark, most use of the mark being made as part of Nestlé’s trade mark HAVE A BREAK... HAVE A KIT KAT. The judge considered that the survey evidence put forward by Nestlé sharing public recognition for the slogan was “somewhat pointless” as the mark had not been used as an independent mark to more than a minimal extent.

**Comment:** The decision highlights some of the potential problems an applicant faces when trying to register a trade mark which consists of all or part of an advertising slogan, especially where the slogan has been used in conjunction with a well known trade mark. It also identifies the drawbacks of relying on survey evidence, which can be expensive to prepare but whose relevance is consistently questioned by the Courts.

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## **PATENT UPDATE**

### **New plans to give inventive employees a greater share of the profits from exploitation**

New proposals aimed at rewarding employees whose inventions have been of particular benefit to their employers are the subject of a consultation paper recently published by the Department of Trade and Industry and the Patent Office.

Currently under section 40(1) of the Patents Act 1977 an inventor can apply to the Court for an award of “compensation” from his or her employer where the patent resulting from the invention has been of “outstanding benefit” to the employer. However, there has never been a successful action brought by an employee under this section. This may be because employers have chosen to avoid litigation by settling all but the most hopeless of claims by employees. Alternatively it may mean that the section is failing to achieve its objectives because its requirements, for example that the invention be of “outstanding benefit” to the employer, are unclear or too difficult to fulfil.

The UK Government now wishes to explore whether the ways in which employed inventors are able to share in the benefits of their research can be improved, and invites comments on various issues set out in the consultation paper.

The consultation paper on the proposed Patents Act (Amendments) Bill was published by the Patents Office on 29th November 2002 and also sets out various other proposed changes to the Patents Act 1977, some consequential on the revision of the European Patent Convention in November 2000. Comments are invited by

21 February 2003.

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### **Remote access is no defence to UK patent infringement action: Menasche -v- William Hill**

The claimant owned a patent entitled "Interactive, computerised gaming system with remote control" and alleged that a computer system operated by the bookmakers William Hill and available to punters over the internet, had infringed some of the claims of the patent. William Hill argued that because the host computer which made up an essential part of the gaming system was situated outside the United Kingdom its system did not infringe the patent, even though the host computer was connected to the rest of the system and was therefore available to punters in the UK.

The judge at first instance found against William Hill, and William Hill appealed.

The Court of Appeal focussed the analysis leading to its decision on the user of the gaming system, the punter. The Court decided that it was clear that the punter used the system in the UK, which included use of the host computer in the UK even though the host computer was physically situated and operated in Antigua. William Hill intended the invention to be put into effect in the UK, and it made no difference that part of the system was operated outside the jurisdiction. Therefore, said the Court of Appeal, William Hill were not correct in claiming that it was a defence to a claim for patent infringement that part of the apparatus claimed in the patent are not present in the UK, but are connected to the rest of that apparatus.

This judgement shows that the Courts will strive to prevent the circumvention of UK patent laws by clever use of information technology or the cross border nature of the internet. Anyone offering services to users situated in the UK, even if they themselves are located in another country, should ensure that by offering those services to recipients in the UK they are not infringing a UK patent.

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## **ELECTRONIC BUSINESS UPDATE**

### **Proposal for reform of Consumer Credit Act to allow for electronic contracting**

On 13 December 2002 DTI published a consultation paper aimed at changing the formalities required under the Consumer Credit Act 1974. The Consultation is the first step in removing the obstacles to the recognition of Consumer Credit Agreements concluded electronically.

It also aims to bring the CCA in line with other legislation such as the E-Commerce Directive and the Distance Marketing of Consumer Financial Services Directives.

The Consultation Paper covers the following:

- what should replace a signature?
- ensuring the customer has a record of what they sign
- ensuring the customer has a copy of the agreement
- adapting the requirements for legibility and formal requirements to take into account electronic delivery
- introducing a standard 14 day cancellation period for all agreements

DTI has asked for views on the Consultation Paper to be submitted by 28th March 2003. Specific questions raised in the Consultation Paper include:

- Should all media (including mobile phones) be capable of enabling electronic credit agreements?
- In relation to record keeping, should the lender be required to ask the consumer specific questions about their hardware and software?
- Are there any credit agreements where the proposed 14 day cancellation period is not appropriate?

For copy of the paper see: [http://www.dti.gov.uk/ccp/topics1/consumer\\_finance.htm](http://www.dti.gov.uk/ccp/topics1/consumer_finance.htm).

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## **Court reviews application of Euro defences to IP infringement claims: Intel -v- Via**

In our December 2002 update, we reported that the UK Court had summarily dismissed the so called Euro defences raised by Via to Intel's claim for patent infringement.

The Euro defences are arguments that the patent holder's refusal to grant a licence on terms acceptable to the defendant amounts to a breach of EC competition rules (Article 81 and 82).

Via has successfully appealed and its Euro defences have been reinstated. The Court recognised that the Euro defences could only apply in exceptional circumstances where there was a clear abuse of a dominant position contrary to Article 82, or evidence that Intel was infringing Article 81 by engaging in prohibited anti-competitive practices. Although there were difficulties with both defences, it was premature to say they had no prospect of success until the facts were established at trial.

**Comment:** Assuming that this case now proceeds to a full trial - the Court will give some further guidance on the circumstances in which Euro defences can be successfully raised to an IP infringement action. This will be of great importance to businesses granting and negotiating licences of products which have no effective competition in the market.

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*This Update is produced by lawyers specialising in IP and IT law at Watson, Farley & Williams. It provides a summary of recent developments in the law, but is not intended to give specific legal advice. If you would like to discuss any of these issues or receive further information please contact a member of the WFW IP team:*

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