Newsletter

BURGES SALMON

Concept

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Welcome

Welcome to the Autumn 2014 edition of **Concept**, the news bulletin from Burges Salmon's Intellectual Property and Technology Team.

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Wii-in for Philips in Nintendo High Court battle

The High Court has held that the Nintendo Wii console infringes two of Philips' patents; infringement occurring when the Wii is running the popular Wii Tennis game *(Koninklijke Philips Electronics N.V. v Nintendo of Europe GmbH [2014] EWHC 1959).*

Three of Philips' patents were in issue in this case. The first patent (entitled *"Method and apparatus for controlling the movement of a virtual body"*) was held to be invalid on grounds of obviousness – the patent lacked an inventive step over the prior art- in this case Nintendo's "NES" game *"World Class Track Meet"*. Mr Justice Birss reminded the parties that those working in the industry are entitled to be sure that they are not infringing any valid patent if they merely make obvious improvements to prior art. He said that it would be entirely obvious to upgrade and improve the prior art to include the technology in Philips' patent. Philips' first claim therefore failed.

Where Philips succeeded was in relation to its second and third patents. Both these patents concerned a *"hand-held pointing device used to control electrical apparatus"*.

Although the Wii console itself did not infringe, when the hand- held Wii controller and the Wii Tennis software were connected to the Wii console and the game was played, the combination created a means for putting an essential element of the invention into effect. Such a combination was not part of the common general knowledge and no prior art disclosed or led naturally to the combination. Mr Justice Birss therefore held that the patents were valid and Nintendo infringed them.

The case also discussed the issue of double patenting. Double patenting (generally not allowed) is the granting of two patents for a single invention to the same proprietor in the same country. No double patenting was found but the case is a reasonably rare example of the argument being run.

Philips' damages will be decided at a later hearing and the case is due to be appealed. It is also part of a wider worldwide patent battle between Philips and Nintendo, particularly in the USA, where Philips hopes to block sales of the Wii and related products entirely.

Drip, drip – an erosion of civil liberties?

DRIP, the Data Retention and Investigatory Powers Act 2014, completed its fast track through Parliament and received Royal Assent on 17 July. There were just three days of debate on what is an important piece of legislation in the digital age and one which, arguably, interferes with fundamental rights to privacy.

The Act has two main elements. The first provides the powers to introduce secondary legislation to

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Drip, drip – an erosion of civil liberties? *continued*

replace the 2009 Data Retention (EC Directive) Regulations which implemented the 2006 Data Retention Directive in relation to the retention of communications data relating to internet access, internet telephony and internet e-mail as well as mobile and fixed line telephony. In April the Court of Justice of the European Union declared the Data Retention Directive invalid on the basis that its interference with individual privacy rights was too wide ranging and went beyond what was strictly necessary to achieve the legitimate objective of the prevention and detection of crime. So, in mid-July the Government put forward DRIP and on 30 July Regulations were made under it to ensure that the UK continues to have a mandatory data retention regime. The second element of the Act makes it clear that the interception and communications data provisions in the Regulation of Investigatory Powers Act 2000 have extra-territorial effect. In other words, any company providing communication services to customers in the United Kingdom is obliged to comply with requests for communications data and interception warrants issued by the Secretary of State, irrespective of where they are based.

Civil liberties campaigners have criticised the Act and the Parliamentary "emergency" procedure used to make it law. They argue that it is incompatible with the Human Rights Act 1998 and interferes with individual citizens' privacy rights under the European Convention on Human Rights and the EU Charter of Fundamental Rights. We wait to see if their challenges are successful.

Retail store layouts may be capable of trade mark registration

The Court of Justice of the European Union (CJEU) has ruled that it may be possible for a retail store layout to be registered as a trade mark.

The ruling in *Apple Inc., v Deutsches Patent-und Markenamt* arose out of a dispute between Apple and The German Patent and Trade Mark Office (DPMA) following its refusal of Apple's application to register the design of its flagship store layout as a trade mark.

Apple had already successfully registered a design for its flagship store as a 3D mark in the US. Apple sought to extend its protection internationally but its application in Germany was refused the consumer would not see the layout of a retail space as an indication of commercial origin and therefore in the DPMA's opinion, the mark was not capable of registration.

Apple appealed and the German Federal Patent Court sought clarification on various points from the CJEU before reaching a final decision.

The CJEU held that a representation which depicts the layout of a retail store *may* constitute a trade mark provided that it is capable of distinguishing the products or services of one undertaking from those of other undertakings. It confirmed that the question as to whether the representation lacks distinctiveness or is descriptive (and hence is not registrable) must be assessed on a case by case basis.

Although it raises no new principles of law – indeed the CJEU has made it clear that the usual legal tests and analysis will apply - it is an interesting decision as it is the first time the concept of registering store layouts as trade marks has been approved in principle by the CJEU (or at least not ruled out).

Apple's case will now be referred back to the German Court for a ruling on the specific facts, a decision which is likely to be eagerly awaited by retailers focussed on distinctive store layouts.

Battle over the ORIGIN of whisky

A recent decision issued by the UK IPO between Whyte and Mackay Ltd and Origin Wines UK Ltd considered the level of similarity of wine and whisky, from a trade mark perspective.

Whyte and Mackay applied to register JURA ORIGIN for *whisky and whisky based liqueurs produced in Scotland*, to complement its family of JURA whisky brands.

The application was opposed by Origin, based on its earlier registered rights in ORIGIN, protected in class 33 for *alcoholic beverages and wine*. The company predominantly sold wine, but in May 2013 it started to expand into spirits.

Whyte and Mackay put Origin to strict proof of use of its marks. The hearing officer found that Origin Wines had used the mark for wine, but it could not evidence use for spirits within the prescribed period. Therefore, Origin could only rely on its UK marks in respect of *wine*.

As the CTM application was under 5 years old the whole specification could be considered, but there were also other visual elements within the mark which required further consideration.

The hearing officer considered there to be a moderate degree of similarity between all the marks as he considered ORIGIN to be equally distinctive as JURA, with neither element dominating in the sign applied for.

Focussing on the plain text mark, an assessment had to be made as to the level of similarity between wine and whisky and whether a consumer presented with JURA ORIGIN whisky would be confused into linking it to ORIGIN wine. In bars, restaurants and supermarkets the products are often placed on difference shelves and considered to be very different products, albeit remaining in close proximity.

The hearing officer decided that, despite wine and whisky having a low degree of similarity, he believed that the average consumer would be directly confused and would perceive there to be a commercial link between the two marks. Therefore, he ruled in favour of the Origin Wines and the opposition was upheld.

Creative Content UK scheme launched to fight internet piracy

In July, the government welcomed a new industry-led initiative, 'Creative Content UK', aimed at combatting internet piracy by promoting legal entertainment online, and warning internet users whose connections are being used to illegally share copyright material (such as films and music) through unlawful peer-to-peer file sharing. The government estimates that creative industries contribute £8 million to the UK economy every hour, so the initiative is considered an important step in combatting online piracy and intellectual property crime which damages these industries' investments.

The new scheme is the result of four years of negotiation between the British government, Internet Service Providers (ISPs) and the BPI and MPA, the bodies which represent the British music and film industries respectively.

Creative Content UK scheme launched to fight internet piracy *continued*

From next year, the scheme will allow ISPs to email a maximum of 4 letters to internet account holders whose connections are believed to have been used to infringe copyright, notifying them and urging them to use alternative, legal, sources for entertainment content. The letters will not contain the threat of legal action and there will be no sanctions for those that choose to ignore them.

The scheme will be supported by a 3-year education campaign on piracy, to which the government is expected to contribute £3.5m. This education aspect is perceived as being important to help ensure that IP rights are understood and piracy not regarded as a victimless crime, as well as raising awareness of legal ways to access content.

Critics of the scheme have expressed disappointment that the government is not taking a tougher stance and that the measures initially proposed in the Digital Economy Act for tackling piracy have been 'watered down', with the lack of a punitive element meaning the scheme will do little to effectively tackle piracy. However, the chief executive of the BPI has said that the intention is not to deny consumers access to the internet, but is about "persuading the persuadable" to make "the right choice" about the content they use.

IPEC showers claimant with damages

A recent case in the Intellectual Property Enterprise Court *(Kohler Mira Ltd v Bristan Group Ltd)*, has highlighted the principles that the court will consider when assessing damages for infringement of unregistered design rights (UDR's).

Kohler brought a claim against Bristan for infringement of two Community Registered Designs and a number of UK UDR's in relation to electric showers. Kohler claims included loss of profits and a royalty on sales. At the damages inquiry, the court assessed damages on the following basis:

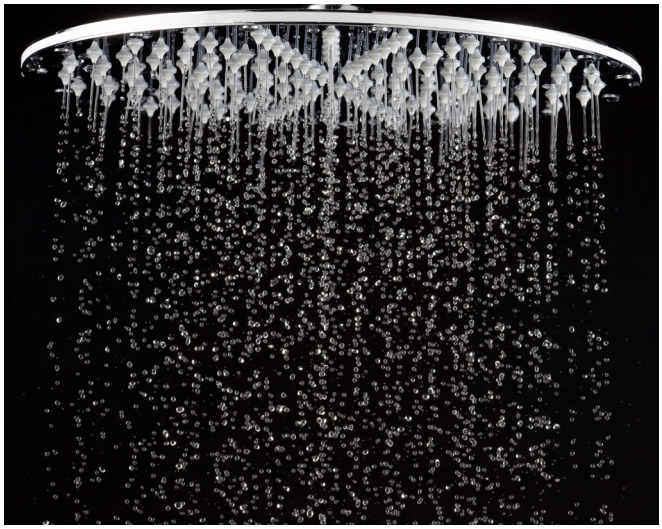
The starting point for the assessment of damages was the same as for breach of contract i.e. to put the injured party in "the same position he would have been, if he had not sustained the wrong for which he… was being compensated".

The court considered that in IP infringement cases, the loss may extend beyond loss caused solely by infringement of a protected right (primary loss) but may also encompass goods and services not protected by the IP right (secondary loss) e.g. lost sales of spare parts.

In secondary loss cases the damage claimed would need to meet a certain standard e.g. to be foreseeable and caused by the wrong done.

The court awarded Kohler damages for the infringement of the UDRs on the basis of a 30% royalty on the net profit of the sale of infringing shower units.

In the event, the final award of damages was calculated on this basis, and not on loss of profits, because the evidence presented to



the court on lost profits was considered too speculative to be useful.

The calculation of the net profit figure followed the Court of Appeal decision in *Hollister*, where the defendant was not entitled to take into account "overheads" in the calculation of profits because the infringing business had not increased overheads, which would have been incurred anyway.

In calculating how the profit should be split between the Kohler and Bristan, the court departed from the 25:75 split in *NIC Instruments*, that would have seen 25% of net profits awarded to Kohler. Instead Kohler were awarded 30% of the net profits i.e. 6.7% on the sale price of infringing goods, because the shower units were considered to be an industry breakthrough in the decision of the court at first instance.

Data sharing between public bodies

The Law Commission of England and Wales has published a comprehensive report recommending an in-depth review of legislation for data sharing between public bodies.

The report considered a number of issues: whether the hurdles that must be overcome in order for public bodies to effectively share data are appropriate, how far problems stem from the current law on data sharing (which at present are derived from a series of different statutes as well as common law) and how far they are due to other causes, and whether reform of the law would solve or mitigate these problems.

The Law Commission's report found "widespread misunderstanding and confusion" among UK public bodies about their ability to legally share data with one other, which may in part be caused by continual reforms of data sharing law.

A UK-wide data sharing law reform is, according to the Law Commission, required to 'create a principled and clear legal structure for data sharing, which will meet the needs of society'. The Law Commission also notes the need for data sharing law that operates in accordance with emerging EU law and technological advances and recommends that the reform project modernises and clarifies the current law on data sharing.

The Law Commission also recommends that the scope of the review should extend beyond data sharing to the disclosure of information between public bodies and other organisations fulfilling public functions, and that the project should be conducted on a tripartite basis by the Law Commissions of England and Wales, Scotland and Northern Ireland. The report also considers that 'soft law' solutions such as staff training and sharing best practice systems could assist public bodies in managing data sharing.

Rooibos awarded Geographical Indication status

Rooibos tea, made from the South African rooibos ("red bush") plant, has been granted geographical indication (GI) status in the European Union as part of an EU economic partnership agreement.

GI status aims to protect the reputation of regional foods, as well as promote agricultural activity in the region they are produced and protect consumers by making the origin (and therefore authenticity) of the products known.

This GI award means that rooibos tea will bear a geographical origin sign intended to denote both its origination in South Africa, and the qualities and reputation of the geographical region the tea comes from. In the case of rooibos, these qualities include the unique climatic conditions in the region in which the rooibos plant grows, and the traditional knowledge in existence about the plant and the way it is to be cultivated, harvested and processed. A resulting benefit to rooibos tea producers is the ability to charge a premium for their authentic rooibos tea products.

The award also means that South African rooibos tea manufacturers will be able to prevent third parties from applying the term 'rooibos' to their products where those products do not

conform to the applicable standards associated with the product (in addition to the existing protection the South African government has over the word 'ROOIBOS' as a prohibited mark under the Merchandise Marks Act). The South African government has said it will approve any products bearing the description before they can be sold under the rooibos name.

The return of survey evidence?

A recent High Court decision *(Enterprise Holdings and Europcar [2014]* EWHC 2498 Ch) has, seemingly resuscitated the admissibility of survey evidence in trade mark proceedings.

A recent series of judgments has set the bar for permission to conduct and use survey evidence rather high. According to Lewison LJ in the flagship *Interflora vs Marks & Spencer* decision "only if the court is satisfied that the evidence is likely to be of real value should permission be given… Even then the court must be satisfied that the value justifies the cost".

In this case, the issue was whether survey evidence relating to the level of distinctiveness of a trade mark could be entered. The judge confirmed the same "real value" test should apply as when considering evidence of consumer confusion (the situation in *Interflora*). However, a finding of real value is perhaps more likely with distinctiveness evidence: judges will be happier to decide for themselves if a consumer is likely to be confused than if a sign has acquired distinctiveness, when guidance will be needed. The judge in this case also pointed out that the aims of a distinctiveness survey are more concrete than when considering confusion- seeking to conclude whether something **has** happened, not merely whether it is likely.

On that basis the judge concluded evidence was likely to be of real value. He also explicitly stated that he was not required to assess at this stage (i.e. an application for permission to use survey evidence) whether the survey would be of real value in addition to other, so far unseen, evidence.

While parties still need to apply for permission to use survey evidence in court proceedings, this case (if upheld on appeal) reignites the possibility to litigators that permission may be granted.

Big developments on big data

The Information Commissioner's Office (ICO) has published Guidance on how businesses can ensure that their use of big data is compliant with data protection law.

'Big data' is a term used to describe the analysis of huge datasets which often bring together data from different sources. If big data involves analysing personal information, such as data from social media or loyalty cards, the processor of the information will have to comply with the Data Protection Act 1998 (DPA).

The Guidance is grounded in the concept of fairness. This is an important consideration even when data is merely being used to analyse trends but a rigorous consideration of fairness is even more important if the analytics are being used to make decisions affecting individuals. Transparency about how the data will be used is highlighted as an important element in assessing whether big data analytics is fair.

In its Guidance the ICO has underlined the fact that big data is "not a game played by different rules"; it

is subject to established data protection legislation. The ICO emphasises that while big data analytics is complex, this is not an excuse for non-compliance with the DPA. Many of the challenges of compliance can be overcome by being open and transparent and organisations must find innovative ways to explain the benefits of the analytics and present users with a meaningful choice – and respect that choice - when they are processing their personal data.

A full copy of the guidance can be found at **www.ico.org.uk.**

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