



PATENTS

***Musion Systems Ltd v Activ8-3D Ltd:* Disposal, Making and Offer to Supply**

In *Musion Systems Ltd v Activ8-3D Ltd* [2011] EWPC 12, the judge ruled on a preliminary issue in a patent infringement action regarding the extent to which various acts by four Defendants amounted to offering for disposal, manufacture and supply of certain infringing apparatus under Section 60(1)(a) of the Patents Act 1977 (the Act).

BACKGROUND

The Claimant alleged that the Defendants had infringed its patent by the manufacture, offer to supply and supply of image projection apparatus; the keeping of said apparatus; the subsequent use of that apparatus to demonstrate to potential customers, which the Claimant said also amounted to an offer to supply to those customers; the use of image projection apparatus at a theatre to demonstrate the apparatus to potential customers, which the Claimant also alleged amounted to an offer to supply; the subsequent manufacture and supply of apparatus to customers to whom it had been demonstrated; the manufacture, offer to supply, supply and use of image projection apparatus as demonstrated on a website; and the offer to supply to specific customers.

OFFER FOR DISPOSAL

HHJ Birss QC began by reviewing the law on the proper scope of “offer for disposal” and “make” under Section 60(1)(a). That section provides that, where the invention is a product, a person infringes a patent where, without the owner’s consent, he “makes, disposes of, offers to dispose of, uses or imports the product or keeps it whether for disposal or otherwise”.

On the scope of “offer for disposal”, the Claimant sought to rely on *Gerber v Lectra* [1995] RPC 383 in which Jacob J said:

A party who approaches potential customers individually or by advertisement saying he is willing to supply a machine, terms to be agreed, is offering it or putting it on the market. If that happens during the life of the patent he infringes. He is disturbing the patentee’s monopoly which he ought not to do.

Agreeing with this, HHJ Birss QC said that Jacob J was rejecting a submission that anything short of an offer capable of acceptance in terms of the English law of contract was outside the Act. The judge also observed that the law did not require, for Section 60(1)(a) to be satisfied, that the person to whom the offer was made necessarily knew anything about how the product worked or was configured.

MAKING

On the issue of “making”, the judge commented that some “real contribution” to the finished apparatus would be required. As regards the quality of the work an individual carried out, in the judge’s view, “making” must be focused on the product as defined in the claim. The terms of the claim were therefore decisive.

On the question of “making” the apparatus in question, one of the Defendants clearly helped another to construct the installation but his contribution, inasmuch as it consisted of “stapling and woodwork... as well as the tea making” was “minor and insubstantial” and not sufficient to constitute making under Section 60(1)(a).

OFFER TO SUPPLY

On the issue of “offer to supply”, the judge had to decide whether demonstration of apparatus to “illustrate the technology of image projection apparatus systems generally” constituted an offer to supply customers with an apparatus of that type. In this respect, HHJ Birss QC recalled Lord McNaughton’s words in *Montgomery v Thompson “Stone Ales”* (1891) 8 RPC 361: “thirsty folk want beer not explanations,” which he used to make the point that customers are likely to be indifferent to detail if they get what they want or something like it. Nevertheless, HHJ Birss QC found, on the facts, that at the demonstrations customers were being told that the system offered would differ and considered that there was insufficient evidence to safely conclude that “in the particular circumstances of this case, merely demonstrating the Musion system to potential customers can be taken as an offer for disposal of a system constructed in that manner”.

COMMENT

There were several factual scenarios that the judge needed to apply the above law to, and for each scenario where making, offering, demonstrating etc. had been shown, the judge also needed to determine which of the Defendants was liable (joint-tortfeasorship was an issue). The judgment provides a useful

reminder of the law on this topic, and shows how the case law will be applied to the facts; however it is also a reminder that this is a fact specific area of patent law, and will require a detailed review of the actions and activities of a defendant in order to prove infringement, and is thus an area where the documentary disclosure is likely to be key.

TRADE MARKS

Court of Appeal of England and Wales Allows Appeal in Unlawful Threats Action

In *Best Buy Co Inc v Worldwide Sales Corporation España SL* [2011] EWCA Civ 618, the Court of Appeal of England and Wales has allowed an appeal against a decision that a letter before action containing threats of infringement fell within the without prejudice rule because the letter also contained an offer to negotiate an out-of-court settlement of the parties' dispute.

BACKGROUND

Best Buy Co Inc proposed to enter the UK and European market by opening shops under the name Best Buy, which it had used extensively in the United States. Best Buy Enterprises Services, a US company related to Best Buy, applied for a Community trade mark (CTM) incorporating the words BEST BUY. This was opposed by Worldwide Sales Corporation España SL (España) on the basis of its two earlier device CTMs that incorporated the words BEST BUY. Best Buy applied to revoke one of these marks for non-use. During the cooling-off period, España's lawyers sent a letter to Best Buy requesting Best Buy's confirmation of its willingness to start negotiations within 15 calendar days of the date of receipt of its letter, or an undertaking not to use the BEST BUY mark in Europe.

The parties entered into unsuccessful negotiations. Best Buy issued and served proceedings on España for groundless threats of infringement under Section 21(1) of the Trade Marks Act 1994. The issues were whether the letter sent by España's lawyers threatened proceedings for infringement of España's CTMs. If so, whether the threat was made in relation to an infringement that was excluded from the operation of Section 21(1); and, if a non-excluded threat was made, whether evidence of it was inadmissible by virtue of the without prejudice rule.

DECISION

At first instance, Mr Justice Floyd dismissed the action, ruling that the letter as a whole should be seen as España setting out its position in the settlement negotiations. As such, it fell within the without prejudice rule. Best Buy appealed to the Court of Appeal.

Lord Neuberger MR found that the letter constituted a threat, holding that a reasonable recipient of the letter would take statements as to the reputation of the marks, the "irreparable

and irreversible damage" that España would suffer, and its entitlement to "take appropriate legal action to defend its interests" as an indication that España was asserting its legal rights and intending to enforce those rights against Best Buy. He further found that the proposal of a negotiated settlement served to support the contention that infringement proceedings were threatened, not least because of the ultimatum.

Lord Neuberger MR held that a reasonable recipient in the position of Best Buy would have understood the letter as threatening proceedings in the United Kingdom. He noted España's submission that it would have been fanciful to think that a reasonable recipient of the letter would have understood it to be a threat to issue infringement proceedings in the courts of all 27 Member States, but held that if one made a Europe-wide threat of proceedings, the fact that, when it eventuated, the claim was brought only in one State did not mean that the threat of proceedings was not in each Member State. This view was reinforced by the fact that both parties would have known that the Best Buy group was intending to launch its European business in the United Kingdom.

However, whilst approving Floyd J's approach that the court should "as a general rule" be ready to hold that a communication was to be treated as privileged from use in court, where "it was clear from the surrounding circumstances that the parties were seeking to compromise the action", Lord Neuberger MR held that Floyd J had reached the wrong conclusion on the facts of this case as he had concentrated on the last three paragraphs without properly considering the letter as a whole.

FINDING

Lord Neuberger MR held that it was possible that parts of a letter could be excluded from court under the without prejudice rule. However, he held that if the main and earlier part of the letter would not have struck a reasonable recipient as anything other than open, that undermined the view that the proposals at the end of the letter would have been understood to have been intended to be privileged from use in court, since there was no indication in the letter that the last three paragraphs were to be treated differently. He therefore held that it was not realistic to treat the last three paragraphs of the letter as amounting to the sort of settlement proposal that should be privileged under the without prejudice rule.

COPYRIGHT

Rights Holders and Internet Service Providers Discuss Combating File-Sharing

The European Commission's Stakeholders' Dialogue on illegal uploading, downloading, and file-sharing was concluded with the publication of a Synthesis Report. The Report sums up the content of the meetings and discussions held by various participants to the Dialogue.

BACKGROUND

Stakeholders' Dialogues are a working method of bringing together a representative group of stakeholders to discuss concrete problems in the field of intellectual property rights enforcement and to explore possible ways of voluntary cooperation in compliance with the existing legal framework.

THE REPORT

The Report states that all parties agreed that raising awareness and education were essential to producing a comprehensive strategy on encouraging legal use of online content. Both rights holders and telecom operators/internet service providers (ISPs) already have in place different specific awareness campaigns. The Report notes, however, that it is still very difficult to assess precisely the impact of such campaigns. Rights holders agreed on the need to continue with awareness campaigns and even to step up efforts but found that deterrent measures (*i.e.*, sanctions) were needed in respect of repeated acts of infringement when warnings have no effect.

All the participants agreed that providing an alternative to piracy through the provision of legal content offerings was crucial. However, rights holders did not consider that legal content offerings alone were likely to reduce piracy, although without them, combating piracy would be more difficult. ISPs on the other hand said that the legal content currently available was insufficient, particularly in terms of conditions and diversity. In the view of the ISPs, wider availability of such content was the main tool for reducing piracy substantially and they urged rights holders to do more, particularly in cross-border situations.

On the sharing of information, the ISPs explained that sending warnings and notices to potential infringers identified by rights holders was not free of error and required human intervention. Consequently, there were important financial implications to consider. Further, ISPs said that they did not want to become involved in disputes between rights holders and infringers and expressed concern at the data protection aspects of information sharing, particularly in the sending of notices.

The current legal framework was discussed in great detail. Rights holders highlighted the difference between Member States in provisions on the protection of personal data and privacy and referred to the difficulties of exercising the right of

information in civil procedures due to national data protection rules. ISPs, on the other hand, perceived the current framework to be sufficient to protect the different rights and interests. They pointed out that national laws had only been amended recently in some Member States in order to comply with the IP Enforcement Directive (2004/48/EC) and that it would take time for national courts to apply these new rules in a consistent manner. As for sanctions, some rights holders advocated the use of a system of warnings followed by a full set of deterrent measures throughout the European Union. ISPs, on the other hand, stressed that sanctions should remain the prerogative of the courts.

With regard to technical measures, rights holders said that ISPs have the capability to exercise significant control over traffic generated by their subscribers. ISPs disagreed, saying that it was impossible to detect the legal status of a copyright work shared among users. They did not favour technical measures and considered them contrary to EU law.

COMMENT

Despite the obvious disagreements, the Dialogue facilitated an exchange of views on the basis of substantiated arguments, resulting in much better mutual understanding of the opposing positions, which in itself should be regarded as a substantial achievement. Most, but not all, participants said that they would be willing to continue to work together, albeit in a limited number of areas.

SOLICITOR PICKS UP THE BILL AS CLAIM FOR WASTED COSTS ORDER IS UPHELD SUCCESSFULLY

Andrew Crossley and his law firm ACS:Law have been issued with a wasted costs order, following its mass letter writing campaign regarding alleged copyright infringement of Media CAT's copyright material (*Media CAT Ltd v Adams & Ors* [2011] EWPC 10)

BACKGROUND

The original matter (*Media C.A.T. v Adams* [2011] EWPC 6 handed down on 8th February 2011) dealt with unlawful file-sharing and infringements of copyright material belonging to Media CAT. Media CAT, represented by ACS:Law and its principal Andrew Crossley issued proceedings against a number of individuals in November 2010, alleging that they had infringed copyright in certain pornographic films by means of illicit file-sharing. ACS:Law has sent out letters alleging infringement to thousands of individuals. The letters offered settlement out of court or, if this was not accepted, a possible court action. Under the retainer between Media CAT and ACS:Law, Mr Crossley would receive a contingency fee for work done, amounting to a 65 % share of any damages obtained from the defendants pursuant to the letter writing.

Several recipients of the letter responded by bringing a claim against Media CAT, asking for ACS:Law and Crossley to be joined to the proceedings. Media CAT and ACS:Law applied to have the cases discontinued, serving Notices of Discontinuance, but HHJ Birss QC, the judge hearing the case, refused to order discontinuance, as it would have meant that judicial scrutiny of the underlying copyright claims would be avoided.

In the same judgment, the judge had also directed Media CAT to join the actual owners of the copyright works to the proceedings by 22 February 2011.

However, Media CAT made no attempt to do so and, at a further hearing, HHJ Birss QC ordered that the action should be struck out and that Media CAT should pay the defendants' costs. He also ordered that the costs should be assessed on an indemnity basis and that the scale costs provisions applicable in the Patents County Court should not apply because the court considered that ACS:Law/Mr Crossley had behaved in a manner which amounted to an abuse of the court's process.

The defendants applied for wasted costs against ACS:Law/Mr Crossley and a costs order under s 51 of the Senior Courts Act 1981.

DECISION – WASTED COSTS

The issue of wasted costs was heard by the Patents County Court.

HHJ Birss QC noted that wasted cost applications are heard in two stages. First, the Court has to be satisfied that it has before it evidence which, if unanswered, would be likely to lead to a wasted costs order being made (*i.e.*, a merits test) and that wasted costs proceedings would be justified notwithstanding the costs involved (*i.e.*, a proportionality test). The second stage is an assessment of the costs wasted.

HHJ Birss QC said that an important point to remember was, as the Court of Appeal stated in the leading case on wasted costs (*Ridehalgh v Horsefield* [1994] Ch 205), simply pursuing a hopeless case was not enough to bring on a wasted costs order. It had to be shown that the legal representative in question had abused the court process. Further, the Court only has jurisdiction to make a wasted costs order when the impugned conduct caused a waste of costs and only to the extent of such wasted costs. In other words, establishing a causal link is essential.

Various categories of costs were raised by the Defendants as being wasted, but, applying the relevant tests, HHJ Birss QC only made a stage one wasted costs order in relation to revenue sharing arrangements and service of the Notices of Discontinuance.

DECISIONS – WHO TO PAY THE COSTS

Sections 51(1) and (3) of the Senior Courts Act 1981 provide that the costs are in the discretion of the court and that the court has full power to determine by whom and to what extent the costs are to be paid. Case law has established that this means that the court has the power to order a non-party to pay costs in an appropriate case. Here, the defendants submitted that Mr Crossley should bear the costs because, in effect, they were primarily aimed at advancing ACS:Law's own interests, as shown, for example, by the 65% share of revenue arrangement.

Under CPR Part 48, where the court is considering whether to make such a costs order, the person must be added as a party to the proceedings for the purposes of costs only. The question for HHJ Birss QC was, therefore, whether to add ACS:Law/Mr Crossley as a party to proceedings.

The standard HHJ Birss QC adopted was whether there was a good arguable case that ACS:Law/Mr Crossley would be liable for a third party costs order or not. HHJ Birss QC found that there was a good arguable case that ACS:Law/Mr Crossley would be liable for the costs of the case and he thus added them as a party to the action for that purpose.

COMMUNITY DESIGN

PEPSICO V GRUPO PROMER MON GRAPHIC SA: ADVOCATE GENERAL ANALYSES “DESIGNER’S DEGREE OF FREEDOM” AND “INFORMED USER”

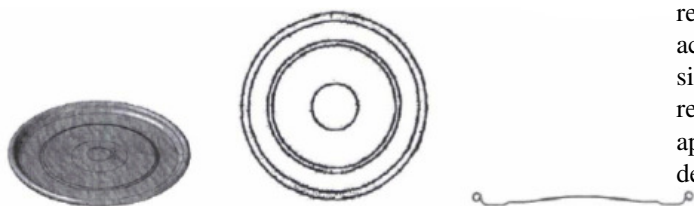
In *PepsiCo v Grupo Promer Mon Graphic SA* C-281/10 P, Advocate General Mengozzi (AG) offered his analysis of the key but nebulous concepts of “degree of freedom of the designer” and “informed user” under the Community Design Regulation (6/2002/EC) (CDR).

BACKGROUND

Grupo Promer had registered a Community design in respect of goods described as “metal plate[s] for games”, represented below.



PepsiCo applied to register the design shown below in respect of goods identified as “promotional items for games”.



Both designs related to small collectable children's toys called "pogs". Promer applied to declare PepsiCo's design invalid. The Cancellation Division of the Office for Harmonization in the Internal Market (OHIM) agreed. The Third Board of Appeal, however, overturned the decision on the basis that Promer's design produced a different overall impression on the informed user. Promer appealed to the EU General Court.

The General Court overturned the Board's decision, ruling that even though the designer's freedom was severely restricted, the differences between the two designs were too insignificant to create a different overall impression. Further, it found that certain aspects of the design, namely the circular shape in the centre of the pog, could have been developed freely by PepsiCo.

PepsiCo appealed to the Court of Justice of the European Union (CJEU).

OPINION

Designer's Degree of Freedom

PepsiCo claimed that the General Court had failed to take into account the constraints on the designer's creative freedom. The AG's interpretation was that constraints that were dictated exclusively by function, such as the fact that pogs cannot have sharp edges, were to be considered over and above standard features that the market expected but are not necessary technically, such as that pogs should have a circular central part, as PepsiCo had argued.

The Informed User

PepsiCo argued that the General Court had wrongly interpreted the notion of the "informed user" by using the view point of the "average consumer" who only compared the designs superficially. The AG confirmed that although neither the CDR nor case law defined the informed user, he considered that the General Court correctly characterised the informed user as "particularly observant", with "has some awareness of the state of the prior art, that is to say, the previous designs relating to the product in question".

The Comparison

The AG then turned to the question of the type of comparison that the informed user may make between the designs at issue. PepsiCo argued that the General Court's review was too focused on the physical goods rather than the designs as

registered. The AG disagreed and considered it proper "to take account of the actual goods characterised by a specific design" since the relevant public "do not usually ever see the registrations of the designs, but only their 'practical application', that is to say, the goods characterised by those designs".

The type of comparison that the informed user was able to make between the designs (direct or indirect) was not to be rigidly defined. Instead it required a case by case assessment, based on the circumstances and the features of the goods to which the designs related.

COMMENT

This being the first case under the CDR to reach the CJEU, uncertainty remains around the definition of the "informed user". Nonetheless, it can be inferred that he would appear to be more attentive than the average consumer, but not an expert.

As for the designer's degree of freedom, it will be interesting to see whether the CJEU agrees with the AG's comments that features that are exclusively dictated by the function of the design are more important than features that the market simply expects.

CONFIDENTIALITY

Super-Injunctions made by United Kingdom Courts

On 20 May 2011, the Report by the Committee on Super-Injunctions (the Committee)—"Super-Injunctions, Anonymised Injunctions and Open Justice"—was published. The Report examines procedural issues surrounding super-injunctions and anonymised injunctions and considers how the courts should approach them.

BACKGROUND

The Committee on Super-Injunctions was established in response to concerns in the United Kingdom about the perceived growth of super-injunctions and anonymised proceedings, in particular, concerns about the balance between privacy rights and freedom of speech. The Committee considered and reported on: 1) the practice and procedure governing interim injunctions that restrict freedom of speech, 2) the use of specialist judges to determine applications for super-injunctions, 3) super-injunctions and the media reporting of Parliamentary proceedings, and 4) the collection of data about super-injunctions and anonymised injunctions and the communication of information concerning the same to Parliament and the public.

PRIVACY, CONFIDENTIALITY AND THE PRINCIPLE OF OPEN JUSTICE

The Report notes that open justice (open court proceedings) is a fundamental constitutional principle. Whilst statutes require

certain types of proceedings to be kept secret, derogations from open justice can occur only where strictly necessary for the administration of justice.

A general right to respect for privacy was only recognised in 2000, following the coming into force of the 1998 Human Rights Act. However, the growth of super-injunctions, which derogate from open justice, has led to concerns that a privacy law is being introduced “through the back door” by the judiciary.

In defence of the courts, the Committee notes that where a legal right is created or extended, injunctive relief can properly be used to protect that right; the increase in the number of privacy injunctions since 2000 is thus largely a product of the developing substantive law. However, the Committee noted that “There was justifiable concern that super-injunctions were being applied for and granted far too readily”.

SUPER-INJUNCTIONS AND ANONYMISED INJUNCTIONS

Unfortunately, confusion has arisen because many anonymity injunctions have been wrongly labelled super-injunctions. The Report defines a super-injunction as “...an interim injunction which restrains a person from: (i) publishing information which concerns the applicant and is said to be confidential or private; and ii) publicising or informing others of the existence of the order and the proceedings (the ‘super’ element of the order)”; and an anonymised injunction as “...an interim injunction which restrains a person from publishing information which concerns the applicant and is said to be confidential or private where the names of either or both of the parties to the proceedings are not stated.” Anonymised injunctions derogate less from open justice, as the proceedings and judgments remain public. Super-injunctions, however, threaten a form of permanent secret justice unless kept in check.

The Report concludes that: i) as anonymised injunctions and super-injunctions derogate from open justice, they should only be granted for short periods; ii) a super-injunction should never become permanent; and iii) it can only be justified in exceptional circumstances where it is strictly necessary to secure the proper administration of justice.

REPORTING ON PARLIAMENTARY PROCEEDINGS WHERE ORDERS ARE DISCLOSED

Addressing concerns about the media reporting information disclosed by Members of Parliament in breach of these injunctions, the Report notes that parliamentary freedom of speech is “of the highest constitutional importance”. As such, “no super-injunction, or any other court order, could conceivably restrict or prohibit Parliamentary debate or proceedings”, because it would be unconstitutional. But *media reporting* of Parliamentary proceedings is different. Whilst statute protects the publication of parliamentary materials and Hansard (and, so long as it is in good faith, summaries of Hansard), general media reporting of Parliamentary

proceedings is not protected. Rather, the common law determines whether there is any protection from contempt proceedings. To date, unfettered reporting of Parliamentary proceedings in apparent breach of a court order has not been established as a clear right. The Report concludes that it is a matter of substantive policy whether Parliament wishes to clarify the law in this area.

COMMENT

The Report offers timely clarification of an issue that has generated considerable public comment and has at times been inaccurate. It also provides much-needed guidance for potential claimants and defendants, usually media organisations.

DATA PROTECTION

UK Cookie Compliance: As Easy as 1, 2, 3....?

The Information Commissioner’s Office (ICO) has published guidance on the use of cookie technology to assist companies in complying with the new cookie regime that came into force on 26 May 2011. The advice is useful, but is vague on the practical and technological measures that would enable website operators to be compliant with the new law.

BACKGROUND

The Privacy and Electronic Communications (EC Directive) (Amendment) Regulations 2011 implemented, as of 26 May 2011, the various amendments that have been made to the European Electronic Communications Framework. These include amendments to the law on the use of cookies.

The new law requires UK businesses and organisations running websites in the United Kingdom to, in most cases, get informed consent from visitors to their websites in order to store and retrieve information on users’ computers *via* cookies or similar technologies. Until now, website operators were only required to give users the opportunity of opting out of the use of cookies.

The ICO’s advice is no doubt useful, but is vague on the most important aspect of the new requirements: the practical and technological measures that website operators need to take in order to comply with the new law. The document itself states that it is only “a starting point for getting compliant rather than a definitive guide”. The ICO says the advice will be supplemented by additional content as innovative ways to acquire users’ consent are developed over time. In the meantime, the ICO has said that organisations running websites aimed at UK consumers will be given up to 12 months to “get their house in order” before enforcement begins.

THREE SIMPLE STEPS

The ICO advises taking three steps in order to assess and comply with the new regime: check, assess and decide.

1. *Check* what type of cookies and similar technologies are being used and how they are being used. This might involve a comprehensive audit of the website concerned to assess which cookies might be “strictly necessary” and therefore not require consent.
2. *Assess* how intrusive the use of cookies is. Since the aim of the new legislation is to improve internet users’ privacy, the more intrusive the use of cookies is, the more priority must be given to considering how to change that use. Essentially, this involves assessing the impact the use of cookies has on the privacy of the internet user. Some use of cookies will have no impact and might even assist users in keeping their data safe; other uses will be simply to assess what links are used most frequently or which pages get fewest hits. However, some use might, for example, involve creating detailed profiles of an individual’s browsing activity, which would be considered quite intrusive and would therefore need meaningful consent.
3. *Decide* what solution to obtain consent would be best in the circumstances. Information about cookies needs to be provided to users before placing a cookie for the first time. Once consent is gained at that point, website operators will not need to get consent each time the same person uses the same cookie for the same purpose in the future.

It is the third step that is causing website operators the most concern. The Advice gives some assistance by setting out a few options for obtaining consent, including the use of standard terms and conditions, pop-up check boxes, or general browser settings. However, it is clear that the user experience and the type of cookies involved means there is not one simple solution. The method for obtaining consent will vary and will depend on how the cookies are used and how intrusive they are. The less intrusive the cookie, the lower the risk and the need for obtaining specific and active consent.

COMMENT

The key point to be gleaned from the ICO’s advice is that website operators must be upfront with their users as to how the website operates. Consent must be gained by giving users specific information about what they are agreeing to and providing them with a way to show their acceptance. Any attempt to gain consent that relies on users’ ignorance about what they are agreeing to is unlikely to be compliant. Further, it is clear that the more directly the use of the cookie or similar technology relates to the user’s personal information, the more

carefully the website operator needs to think about how to get meaningful consent.

In light of the 12 month grace period, operators now have time to consider the issues carefully and start thinking creatively about how they will obtain consent.

INTELLECTUAL PROPERTY

THE EUROPEAN COMMISSION RELEASES A NEW STRATEGY ON INTELLECTUAL PROPERTY RIGHTS

Due to the growing importance of online activities, the European Commission considers that the existing mix of European and national rules on intellectual property rights (IPRs) need to be modernised. As a result, on 24 May 2010, the Commission set out its blueprint for IP rights to boost creativity and innovation within Europe.

BACKGROUND

The European Commission released a Communication to the European Parliament and other institutions entitled “A Single Market for Intellectual Property Rights.” The Commission sees an integrated single market for IPRs as “one of the most concrete ways to release the potential of European inventors and creators and empower them to turn ideas into high quality jobs and economic growth”.

The Communication puts forward the reforms that the Commission considers as necessary for the governance of IP rights in Europe in an increasingly online society.

DETAIL OF THE BLUEPRINT

Patents

The key points that the Communication addresses are the creation of unitary patent protection and a unified patent litigation system.

Trade Marks

The Commission considers that the current registration needs to be more effective, consistent, and streamlined. With that in mind it intends to present proposals later in the year to modernise the system at national and EU levels.

Copyright

Although the substantive scope of copyright law has largely been harmonised across the European Union, rights are still licensed on a national basis. Accordingly, the Commission wants to streamline rules on copyright licensing and revenue distribution, which it describes as “one of the most important challenges that must be addressed”. Accordingly, the Commission will be submitting a proposal to create a legal framework for the efficient multi-territorial collective management of copyright.

Orphan Works

The Commission wants to create European digital libraries that preserve and disseminate Europe's rich cultural and intellectual heritage. To facilitate this, it has proposed a new Directive on orphan works. Further, it is working towards concluding a Memorandum of Understanding amongst libraries, publishers, authors and collecting societies to facilitate licensing solutions to digitise and make available out-of-commerce books.

IP Right Violation and Enforcement

The Commission has tabled a Regulation to reinforce the European Observatory on Counterfeiting and Piracy. This is said to allow the Observatory to benefit from the IP expertise of The Office for Harmonization in the Internal Market. The Commission also proposed to revise the IP Right Enforcement Directive and adapt it to the challenges of the digital environment.

COMMENT

While the Commission is looking to update legislation on IPR to take account of technological developments, the more contentious part of the proposed reforms is the desire to create a single market where certain rights are still organised on a national basis. Indeed, a review of the proposal shows that the Commission sees the fragmentation of IPR across the Community as having negative implications for Europe's growth, job creation and competitiveness and so is likely to press for an ever more harmonised rights system within Europe.

E-COMMERCE

Rights Holders, Internet Platforms and Anti-Counterfeiting Organisations Sign Memorandum of Understanding

Various stakeholders in the field of e-commerce have reached a non-binding agreement to cooperate in the fight against the sale of counterfeit goods online.

BACKGROUND

On 4 May 2011, participants in a European Commission Stakeholders' Dialogue signed a non-binding Memorandum of Understanding (MoU) on the sale of counterfeit goods over the internet. The purpose is to encourage collaboration between interested parties in the reduction of the sale of counterfeits *via* e-commerce platforms.

Signatories to the MoU include anti-counterfeiting organisations, leading rights holders and internet platforms, *i.e.*, providers of e-commerce trading.

THE MEMORANDUM

The MoU provides that the signatory companies will commit themselves to undertake certain measures to combat counterfeit

sales, whilst the trade associations will further promote the MoU amongst their members.

The document includes a moratorium on litigation, whereby the signatories state that they are willing to cooperate and assist each other to reduce internet counterfeit sales and agree not to initiate any new litigation against each other concerning matters covered by the MoU.

The MoU describes notice and take-down procedures as "indispensable" in the fight against the sale of counterfeit goods over the internet. It states that rights holders should have the ability to notify internet platforms of sellers engaged in such sales. Internet platforms agree to take such information into consideration as part of their preventive measures.

Under the agreement, internet platforms commit to take appropriate, commercially reasonable and technically feasible measures to identify and/or prevent the sale of counterfeit goods. Rights owners agree to take commercially reasonable and available steps to monitor sales on internet platform websites.

Further, internet platforms commit to adopt, publish and enforce IP right policies, which should be communicated clearly, indicated on their websites, and reflected in the contracts they conclude with their sellers. They also commit to disclose, upon request by rights holders, relevant information including the identity and contact details of alleged infringers, insofar as permitted by applicable data protection laws.

As for repeat infringers, internet platforms commit to implement and enforce deterrent repeat infringer policies, which will include the suspension or restriction of accounts or sellers. They also commit to using their best efforts to prevent re-registration of permanently suspended sellers.

All signatories commit to cooperating and assisting law enforcement authorities such as customs and border authorities, where appropriate.

There will be an assessment period of one year to review and measure progress. After the assessment period, signatories may extend the MoU indefinitely. The signatories will meet biannually to review the MoU and take further steps if necessary.

COMMENT

According to the Commission, "The MoU strikes a fair balance between the interests of the parties concerned and should be a good first pragmatic step to strengthen the fight against counterfeiting and piracy on the internet". Further, "The agreement on the MoU demonstrates that voluntary arrangements can, in certain circumstances, provide flexibility to adapt quickly to technological developments and deliver efficient solutions."

EU

Jurisdiction: Ruling on The Scope of Article 22(2) of the Brussels Regulation

The Court of Justice of the European Union (CJEU) has ruled on the scope of Article 22(2) of the Brussels Regulation.

BACKGROUND

Article 23 of the Brussels Regulation allows EU counter-parties to choose which Member State they wish to have jurisdiction over their disputes about particular legal relationships (such as contracts). However, Article 22(2) grants exclusive jurisdiction to the courts of the Member State in which a company has its seat to determine disputes about (amongst other things) the validity of decisions made by the company, irrespective of a jurisdiction clause agreed by parties.

In this case, the CJEU had to determine whether Article 22(2) extends to proceedings where a company or legal person defends a contract claim on the grounds that the decision to enter the contract itself breached its statutes and was thus void as being *ultra vires*. In short, can a company bring a breach of contract case back to its home seat in contradiction of the contract's jurisdiction clause if it makes an *ultra vires* defence?

In *Berliner Verkehrsbetriebe (BVG) v JP Morgan Chase Bank NA* (Case C-144/10) [2011] WLR (D) 188, BVG, which is based in Berlin, and New York-based JP Morgan entered into a swap contract, under which BVG agreed to pay JP Morgan if third parties defaulted, in exchange for a premium. The contract contained an English jurisdiction clause. The third parties defaulted, BVG did not pay, and JP Morgan's UK subsidiary sued BVG in the English High Court, which in principle had jurisdiction by virtue of the jurisdiction clause and Article 23.

BVG argued, amongst other things, that the swap contract was invalid because BVG had acted *ultra vires* in entering the transaction. BVG asked the English court to decline jurisdiction on the basis of Article 22(2). The English court would not decline jurisdiction and dismissed BVG's argument. After appeals, the English Supreme Court referred the question to the CJEU.

BVG also sued JP Morgan in Berlin, seeking, amongst other things, a declaration that the swap contract was void because it was made *ultra vires*. BVG argued that, even though the Berlin court was the second court seised, which would usually mean the court should decline jurisdiction in favour of the first court seised, pursuant to Article 27, the Berlin court had exclusive jurisdiction to hear the case under Article 22(2), which overrode the English court's Article 23 jurisdiction. The Berlin court disagreed and stayed the German proceedings. After a

series of appeals, the appellate court referred the question to the CJEU.

DECISION

The CJEU decided that Article 22(2) must not be interpreted as applying to proceedings where a company's defence to a contract claim is that the contract was entered into *ultra vires*.

It held that the Article 22(2) must be interpreted strictly. A broad reading would mean that actions against a company would almost always be heard by the courts of the company's seat, as the company could just tactically plead an *ultra vires* defence. If Article 22(2) was so interpreted, parties would be denied the chance to choose the forum for their dispute. This would both erode the general aims of the regulation to make highly predictable rules of jurisdiction and undermine legal certainty.

The Court stated that Article 22(2) was to give jurisdiction only in

...proceedings whose principal subject-matter comprises the validity of the constitution, the nullity or the dissolution of the company, legal person or association or the validity of the decisions of its organs.

COMMENT

This decision is highly significant and will likely be applauded, particularly by the financial services industry, which would otherwise risk having to litigate in counterparties' home seats notwithstanding jurisdiction clauses in derivatives contracts.

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