



Newsnotes

Recent developments in Brands & IP law
Issue 3 - October 2016



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Lewis Silkin LLP Newsnotes

These Newsnotes were produced by Lewis Silkin's Brands & IP group, widely recognised as leading legal advisers to brands, advertising & marketing agencies as well as companies across a wide range of sectors.

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ANTI-COUNTERFEITING

Brand owners gain another tool in the war against counterfeits

Brand owners will welcome a ruling from the CJEU over the summer that an operator of a physical marketplace can be an 'intermediary' for the purposes of Article 11 of the IP Enforcement Directive. This means that national courts may order injunctions against operators of physical marketplaces whose services are being used by third parties (such as stall holders) to infringe IP rights.

Tommy Hilfiger (and others), found various stalls at a large market in Prague had been selling counterfeit goods. They sought an injunction against the market operator to refrain from:

- entering into or extending contracts with market traders who were selling counterfeit goods; and
- entering into or extending contracts with market traders that did not contain an obligation on the market trader to refrain from infringing IP rights.

The ruling

The Court held the distinction between an online operator and an offline operator of services is irrelevant in determining whether or not an operator is an intermediary. Whilst the conditions that had to be satisfied to obtain an injunction was a matter for national law, the Court provided a helpful reminder that injunctions must be: equitable and proportionate; not excessively expensive; not a barrier to legitimate trade; and not require a general and permanent oversight of intermediaries' customers.

What next?

The judgment makes sense given the purpose of the IP Enforcement Directive was to achieve a high, equivalent and homogeneous level of protection for IP across the EU. It is good news for brand owners who have difficulty in tackling physical sales of counterfeit goods in large markets. However, it will be interesting to see what steps the English courts will be prepared to order an operator of a physical marketplace to take to avoid its services being used to infringe third party IP rights.

TRADE MARKS

IPO doesn't see anything wrong with Specsavers' trade mark

Specsavers has managed to get its application to register "should've" (as in, "should've gone to Specsavers") past the examination stage at the UK's Intellectual Property Office (IPO). If the application successfully navigates the opposition stage, it will be registered, thereby limiting the ability of third parties to use the word "should've" in relation to the goods and services for which the mark is registered.

Applicants seeking to register commonplace or everyday words can face difficulties in obtaining trade mark protection. Understandably, trade mark registries are reluctant to grant the powerful monopoly rights that come with a trade mark registration in respect of such words. So it's not uncommon to reject such applications on the basis that the marks are not sufficiently 'distinctive' or fail to identify the applicant as the source of the goods or services.

Whether the tide is turning remains to be seen. The 'should've' application is a timely reminder to brands that have associated certain words with themselves or their services, may be able to protect against the use of those words by competitors. Carlsberg has registered "probably", Orange has registered "the future's bright", Nestle has registered "have a break" and now Specsavers is seeking to register "should've". What could you register?

SHAPES

Can you tell what it is yet?

Those looking to register shapes as trade marks have had a tough time of it recently. Attempts to register the shape of a Kit Kat, various bottles and a toothbrush have all recently failed in the UK and EU.

The test for the registrability of shapes as trade marks is the same as for any other mark, at least in theory. But in practice shapes have been more difficult to get through to registration - and if registration is achieved – to protect. So brands seeking to register shapes as trade marks have faced an uphill battle, and that hill appears to be getting steeper.

Perhaps the most difficult hurdle to overcome is that a shape must 'depart from the norms and customs of the sector', i.e. the particular shape of, for example, a bottle must differ significantly from others on the market. Or, in a case before the EU General Court recently, the shape of a toothbrush. The court decided that the shape of a toothbrush designed so as to minimise the possibility of it being used as a weapon in hospital and prison settings did not depart significantly from the norms of the sector. The court agreed with the EUIPO that the shape was immediately recognisable as a toothbrush and therefore shouldn't be registered – despite the fact that a straw poll at Lewis Silkin HQ thought it looked more like a brush for animals or shoes. If this is the new test, it is difficult to imagine many shapes of products qualifying for registration if someone can immediately recognise what it is.

But all is not lost: If the shape has acquired distinctiveness through use (and advertising), it may have become sufficiently distinctive in the minds of consumers to warrant the grant of a trade mark. And there are always registered designs...

SHARE PURCHASE AGREEMENTS

Karen Millen - lessons from an SPA

Karen Millen, founder of the Karen Millen fashion brand has lost a High Court challenge to use her own name for homeware in the US and China.

In 2004, Karen sold her shares in the Karen Millen business to an Icelandic consortium. The share purchase agreement ("SPA") contained a number of restrictive covenants as to her future conduct.

In 2011, Karen was ready to start her next fashion business under the name "Karen" and announced the plan in the press. This led to a lengthy dispute with the consortium that was settled in 2015. That settlement prevented Karen from using KAREN or KAREN MILLEN but it only covered the UK and the EU, not the rest of the world.

Whilst negotiating the settlement, on-going disputes in relation to the US and China had already arisen and court action was underway in which Karen sought a number of negative declarations from the court including that use of her name for homeware in the US would not breach the SPA.

The dispute centred on the interpretation and enforceability of the SPA. Whilst the Court found in Karen's favour on some points, the key finding was that Karen could not use her own name in China and America for use on homeware items. In his judgment, Richard Meade QC also made a number of potentially useful comments in relation to the similarity between clothing and homeware businesses which may assist brand owners in future.

Founders of eponymous brands should think carefully when negotiating the sale of their business to ensure they are not unduly restricted in the future, particularly in the global market place.

COURT FEES

Pay to play

Over the last few years, the Ministry of Justice has sought to fill the gap in its funding through repeated increases to court fees. Most fees are now 5% of the amount claimed, up to the maximum, which has jumped from £1,920 to a whopping £10,000. Added to this, is the fee of £528 for 'non-monetary relief' which includes the injunction routinely sought in IP cases.

Added to the large increase in fees is the uncertainty over what fee is actually payable in IP cases specifically, where it can often be impossible to assess the value of the claim at the outset. A recent decision suggests that in a pure IP infringement case, claimants may be able to avoid paying the monetary court fee at the outset, as what they are really asking the court to award at that stage is an inquiry into what is payable rather than a cash sum. The correct fee could then be paid after the trial on liability, if the case gets that far.

The full effect of this is yet to be seen and, while it remains unclear, many claimants will opt to pay the full court fee for fear of being prevented from issuing the claim or of having their claim stayed or delayed. However, all of this has led to suggestions that, due to the difficulty in assessing the value of an IP claim at an early stage, the fees for IP claims should be dealt with differently. One solution might be to introduce a fixed court fee for issuing an IP infringement claim with 'top up' fees payable after a finding of liability. That would avoid the uncertainty we currently have at the outset of disputes between the parties as to whether the correct fee has been paid.

E-COMMERCE DIRECTIVE

Pretty fly for wi-fi

Those who provide access to free wi-fi networks will be breathing a sigh of relief after the CJEU's judgment this September that providers of such networks can benefit from protection under the E-Commerce Directive.

In a reference from the German national court the CJEU has considered the ambit of the injunction that might be imposed to prevent copyright infringement using a free wi-fi network such as those commonly now accessible in, amongst other places, cafes, shops and shopping centres. In this case, Sony took action in respect of music illegally downloaded over a Munich shop's free connection. Could the wi-fi provider have primary liability for the acts of users of its wi-fi and, if so, what remedies could be sought against the provider?

No, says the CJEU, as long as the provider has not initiated the transmission complained of; has not selected the recipient of the transmission; and has not modified the transmission. In those circumstances, the provider will be an 'intermediary' and cannot be held liable for infringing activity carried out on the network and rights owners cannot claim for damages from the intermediary. However, the court held that an injunction ordering the network to be secured with a wi-fi password may be appropriate. Not only that, but the user could be required to reveal their identity as part of the log on process to ensure they could not act anonymously. The court gave a reminder that when considering the ambit of any injunction against an intermediary, the court must seek to balance the competing interests of rights owners, users and the business interests of providers of intermediary services.

Businesses providing free wi-fi will welcome the judgment, though they may wish to take proactive steps to secure their networks to avoid being the subject of any similar injunction themselves.

HYPERLINKS

Hyperlinks – the saga continues

The CJEU has issued another judgment on copyright infringement and hyperlinking; this time in relation to linking to unauthorised content.

The defendant had posted hyperlinks to other websites featuring pictures of a scantily clad Britt Dekker. The pictures had originally been taken for Playboy but ended up on a website without Playboy's consent.

The CJEU was asked by the referring court (in the Netherlands) to rule on whether or not the posting of a hyperlink to another website (that was freely available to the public) containing copyright material that had been made available without the consent of the copyright owner constituted a 'communication to the public' and therefore infringed the owner's rights.

In an attempt to avoid breaking the internet whilst still protecting rights owners, the CJEU ruled that:

- Posting a link to third party content made freely available on the internet with its owner's consent will not infringe the owner's copyright;
- If the third party content is on the internet without the owner's consent and the person providing the link knows or ought to know that the material they are linking to is infringing then this may be an infringement of the owner's copyright;
- There is a presumption that when the posting of the link is carried out for profit, the person providing the link knew the content was there illegally (and so the link may be an infringement of the owner's copyright); and
- Once the rights holder has notified the poster that the link leads to unauthorised content, the poster will be on notice and infringing copyright if they fail to remove the link.

In a creative but welcome interpretation of the law, the Court appears to have effectively introduced a takedown procedure for hyperlinks. Doubtless there will be further referrals on this issue.

BREXIT

And finally...Brexit

Speculation about Brexit's impact on intellectual property rights caused the UKIPO to release its guidance note "IP and Brexit: The Facts" in August. The guide is short and essentially says that for now it is business as usual because we are still in the EU. The extent of the impact will depend upon the type of Brexit negotiated. Theresa May has announced that a 'unique' deal for the UK is required. We can only hope that is achieved and that it takes accounts of the needs of rights owners.

What won't change (much)?

Patents and copyright are likely to see the least change – at least initially. Patents will continue to be obtained via the European Patent Office and the UK IPO. Divergence on copyright law may occur over time as disputes are resolved before the courts. But any change is likely to be slow and copyright will still be subject to international treaties.

What probably will change?

Once the UK is out, it is unlikely to be part of the Unitary Patent Court or the European Trade Mark and registered design regimes. This could mean increased costs for rights owners who will likely need to apply for national registrations in the UK in addition to any registrations they hold in European territories. EU brands owners will need EU-wide rights to continue use of EU customs notices to prevent infringing goods entering the EU and will have to make additional records at the UK border control.

What we hope won't change

Currently, legal representatives of countries in the EEA can appear before the European courts and the EUIPO (though non-EU member EEA states cannot appear before the EUIPO on community design matters). We hope any Brexit deal will include the right for UK lawyers and attorneys to continue to represent their clients before the EUIPO and European courts.

What can you do now?

Review national filing strategies, territories and definitions in existing/new IP licences and agreements. Watch this space!

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