

Hogan
Lovells

Intellectual Property, Media
& Technology

Quarterly Newsletter



SUMMER

2014

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EDITORIAL

Summer 2014 Edition

Please enjoy!

Our IP lawyers across the globe have once again put together the hot topics from the legal world which impact not only on our clients' businesses but reflect the overall development in the IP field. We forge the bridge from patents to trademarks, from designs to copyright touching upon legislative trends as well as court precedent in the US, in Europe and Asia. By doing so, we hope to have compiled a pleasant and informative read which gives you an overview of what might become of relevance also for your business today, tomorrow or at some point in future.

It is a great pleasure to inform you that Hogan Lovells will be able to assist you with an even wider geographic reach in future matters. Only recently, we were able to announce the combination with Mexican firm Barrera, Siqueiros y Torres Landa ("BSTL"). We are very pleased to welcome our new colleagues from Mexico City and Monterrey to the team.

We would also like to take the opportunity to mention that this edition will be the last one in this format. From October on, we will provide you with more direct access to even more up-to-date and concise information on current legal developments around the globe. In less than three months' time, we will launch our on-line newsletter. We very much look forward to this advancement and are eager to receive your feedback once you have had the chance to test our new format.

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MEXICO – Expansion of our IP Global Practice

HOGAN LOVELLS - BSTL

Effective as of 1 August 2014, Hogan Lovells' Intellectual Property global practice is expanded as a result of the integration with the prestigious Mexican law firm Barrera Siqueiros y Torres Landa (BSTL). The combined firm will be known in Mexico as Hogan Lovells BSTL.

We are new, but not that new at all.

Talking about Hogan Lovells BSTL's IP practice is talking about 35+ years of experience in IP. BSTL, a sixty-six year old firm, is one of the leading law firms in Mexico, providing clients with personalized legal advice and services within a broad range of matters.

Since 1979, our IP practice area has represented numerous clients, representation that varies depending on their needs, which could be from the filing and prosecution of their trademarks, slogans, trade names, copyrighted works and patents to IP litigation, enforcement, anti-counterfeiting and border measures, to drafting, negotiating and implementing agreements for companies engaged in a variety of business and industry.

A wide range of clients in different industries have entrusted us with the handling of their trademark portfolios in Mexico and for some of them we are responsible for the administration of their portfolios beyond Mexico, mainly in Central and South America, where we have strong relations with other firms in each jurisdiction.

We also handle anti-counterfeiting issues to protect genuine goods in a variety of industries from sports products to stationery, printer cartridges and shaving razors as well as for services such as restaurants, including franchises.

We have implemented training for clients as well as experts from the Attorney General's Office in order to identify copycat or counterfeit goods. We also work closely with customs authorities in investigating and taking action against importers of counterfeit goods into Mexico.

Our team regularly participates, as lecturers and attendees, in associations and discussion forums related to new legislation and possible changes to applicable regulations, keeping on the forefront of relevant legal developments for the benefit of our clients.

Our IP Team in Mexico is led by partner Bernardo Herreiras Franco, who can rely on strong support from four associates, four paralegals and an assistant.

We are very excited about this integration and the opportunities that it opens – to the Mexican part of the practice, to the global IP practice, and most importantly, to our clients, who will be even better served on a global level.



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Asia - Japan

New Trademark Law in Japan

Amendment of the Trademark Act in Japan, May 14, 2014

TRADEMARKS & DOMAIN NAMES

The latest amendment of the Trademark Act in Japan ("Amendment") was announced on May 14, 2014. The Amendment will likely enter into force on April 1, 2015, with the exception of the changes relating to the regional collective marks, which took effect on August 1, 2014.

There are two important changes in the Amendment. First, following the global trend in trademark laws, the amendments would allow new trademarks to be composed of sounds, colours, holograms, motions, or positions ("New Trademarks"). Second, there are three new groups, including non-profit organizations (NPO), that can hold regional collective marks.

1. New Trademarks

Under the present law in Japan, registrations of trademarks are limited to characters, figures, signs and three-dimensional shapes, any combination thereof, or any combination thereof with colours. The New Trademarks introduced by the Amendment are sound marks, colour per se marks, hologram marks, motion marks, and position marks. Additionally, although touch marks, texture marks, taste marks, olfactory marks or combinations of New Trademarks (i.e. multimedia marks) have not been added so far, the new law delegates the power to add such marks to the Japanese administrative authority, the Ministry of Economy, Trade and Industries ("METI"). Therefore, no further amendments to the Trademark Act would be required to add these additional types of new trademarks. The New Trademarks could be registered in Japan through the Madrid System as well.

Sounds: Sound marks are trademarks composed of musical sounds and non-musical sounds. While sounds are currently protectable only by the Copyright Act in Japan, the Amendment could offer an additional form of protection, in particular for a brief sound clip. A data file is required to file a sound mark application.

Colours: Colour per se marks are trademarks composed only of colours, without delineated contours. Prima facie, a single colour is protectable under the Amendment, however, it may be difficult to show a single colour is sufficiently distinctive for registration.

Holograms, Motions, and Positions: Under Japanese law, partial designs and designs for movable elements are already protected under the Design Act. The Amendment has added new protection for non-static objects or pictures used as trademarks. The rules for registration of these types of marks have been left for METI to decide.

2. Regional Collective Trademarks: A regional collective trademark is a mark that combines a regional name with specific product names. Generally, this type of mark could not be registered due to a lack of distinctiveness. Currently, to bypass the distinctiveness requirement, holders are limited to associations with membership established by a special Act that cannot refuse the enrolment of any person who is eligible to become a member and that does not impose any conditions on prospective members that are greater than those imposed on existing members.

As a means of more promptly and properly protecting regional brands, the list of prospective holders of regional collective trademarks has been expanded. The Amendment would allow (i) NPOs, (ii) chambers of commerce and industry (CCI), (iii) societies of commerce and industry, and (iv) similar foreign juridical persons, as parties who are able to register a regional collective trademark in Japan.

For reference, JPO has published an English brochure titled "Regional Brands in JAPAN." (Please see www.jpo.go.jp/sesaku_e/pdf/regional_brands/regional2014.pdf) which includes 528 examples of regional collective trademarks that were registered from April 2006 to May 2014.



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Europe – EU

Use requirements for re-filed marks - not so simple after all

Decision of Second Board of Appeal of 13 February 2014 in case R-1260/2013-2 Kabelplus AG v Groupe Canal + and Canal + France, SA

TRADEMARKS & DOMAIN NAMES

In view of a recent OHIM Board of Appeal decision, opponents relying on "re-filed marks" which are not subject to the use requirement should be aware that they may nevertheless be required to prove use.

A re-filed mark is a mark filed by a proprietor who owns a prior mark for the same sign for identical or highly similar goods and services and where the filing is made with the intention of artificially prolonging the non-use grace period. In opposition proceedings before OHIM, proof of use normally cannot be required when the re-filed marks are not technically subject to the use requirement for the purposes of the opposition proceedings. The recent decision, however, applies the requirement to prove use. It has not been appealed.

Previous Board of Appeal decisions

Two previous decisions by the Boards of Appeal dealt with the same issue and came to diverging results.

In *NAVIGO* (Case R 2185/2010-2 of 11 November 2011) the Second Board of Appeal held that the opponent had no obligation to prove use as the earlier mark had not been registered for more than five years. This was despite the fact that the opponent had two nearly identical prior trade mark registrations for the same goods in the relevant classes.

In stark contrast in *PATHFINDER* (Case R-1785/2008-4 of 15 November 2011), the Fourth Board of Appeal held that the opponent must furnish proof of use even though the mark relied on was not subject to use. The Board held on the evidence that the sole purpose of filing the earlier mark was to artificially prolong the grace period.

The diverging outcomes of these two decisions could have been explained by the differing circumstances in each case. In *NAVIGO*, one of the prior marks, *NAVI'GO*, was not entirely identical and the other prior mark was acquired only after the mark used in the opposition was filed. In *PATHFINDER*, however, the opponent confirmed that it had abandoned its previous trademarks because the marks "could have been attacked" by third parties and had also offered to sell the re-filed mark to the applicant for EUR 30,000. No

such explanation, however, applies to the recent decision.

The recent CANAL+ decision

The applicant sought to register the CTM KABELPLUS for inter alia telecommunication services in class 38. The opponent filed an opposition based on earlier registrations for CANAL+, CANAL PLUS and PLUS, none registered for more than five years. The applicant nevertheless requested proof of use of the marks but the request was denied by the Opposition Division. The Second Board of Appeal reversed their earlier practice and upheld the request holding that the majority of the marks relied on were identical re-filings of prior registrations.

The Board did not consider whether there was any evidence of an obvious attempt to prolong the grace period by the opponent. In fact, the identified corresponding prior rights had become subject to use many years before the "re-filed marks" were applied for. Furthermore, and as the Board acknowledged, while all the marks at issue covered telecommunication services in class 38, there were significant differences in the specifications between the original and the "re-filed" marks.

Legal significance

There is a certain risk – or, seen from the applicant's perspective, a chance – that proof of use may be required for any marks held to be re-filings, should the other OHIM Boards of Appeal decide to follow the precedents set by the Fourth and Second Boards



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Europe – EU

If a mark is generic in the eyes of the consumer, it may be invalid
European Court of Justice, judgment of 6 March 2014, no. C 409/12, Backaldrin - *KORNSPITZ*

TRADEMARKS & DOMAIN NAMES

A trade mark registration may be held invalid if, in the consumers' eyes, it has become a common name in the trade, regardless of the perception of those in trade.

In a reference for preliminary ruling from the Austrian Oberster Patent- und Markensenat (which hears appeals from decisions of the Austrian Trade Mark Office), the European Court of Justice (CJEU) had a second opportunity for clarifying the meaning of Article 12(2)(a) Directive 2008/95/EC dealing with revocation of a trade mark that has become generic. In its first judgment on this issue, rendered almost ten years ago (29 April 2004, C 371/02 *Björnekulla - BOSTONGURKA*), the Court had held that a mark was liable to revocation if it had become generic not only in the eyes of the consumers but also those of all those in the trade who dealt with the product commercially – even though it pointed out that the perception of consumers or end users played a decisive role.

This new judgment concerned the trademark *KORNSPITZ* registered for goods in Class 30. Under that trade mark, Backaldrin produces a baking mix which it supplies primarily to bakers, who turn it into a bread roll which is oblong in shape and pointed at both ends (see image).



Scisetti Alfio / Shutterstock.com

<http://www.shutterstock.com/gallery-771994p1.html>

While bakers know that '*KORNSPITZ*' is a registered trademark, consumers buying those bread rolls were found to perceive it as the common name for those products because bakers do not generally inform them that Kornspitz is a trademark. This common perception may have been aided by the fact that "Korn" translates to "grain" and "spitz" to "pointed".

The Court concluded that in such a case, the mark '*KORNSPITZ*' did not fulfil its essential function to guarantee the origin of the goods in question. As

Backaldrin had not taken measures to make bakers inform consumers that Kornspitz was a trademark, the mark had therefore become liable to revocation in relation to the finished products, namely, the bread rolls.

With respect to the *Björnekulla* judgment, the Court emphasized that it had held there that the consumers' perception played a decisive role, and then merely stated that the fact that the sellers (i.e. the bakers) were aware of the existence of the trademark *KORNSPITZ* could not, on its own, preclude the loss of distinctive character and revocation of the mark. This means for brand owners that they have to be even more watchful. Where there is a risk that a mark runs the risk of becoming generic in the EU due to inappropriate usage in the marketplace, brand owners are best advised to take all possible steps to stop and reverse this development, including campaigns targeting end consumers.



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Europe – France

New Weapons for the Protection of Geographical Indications and Local Authorities in France

Law No. 2014-344 of 17 March 2014 relating to consumer protection

TRADEMARKS & DOMAIN NAMES

Introducing various measures relating to French consumer law, Law No. 2014-344 ("Hamon law") enlarges the existing protection of geographical indications applicable for agricultural products and foodstuffs to industrial products and enhances the protection of the names of local authorities.

In France, the protection of geographical indications was previously strictly limited to agricultural products and foodstuffs, leaving aside industrial products, the quality of which is related to a specific know-how linked to their geographical origin.

However, the Laguiole case regarding the high-quality traditional pocket-knife originally produced in southern France, where the trade mark Laguiole was registered without difficulty by a third party before it flooded the French market with poor quality knives, highlighted the risk related to this lack of protection.

This year's Hamon law has bolstered the legal arsenal for the protection of industrial property with the introduction of nine new provisions added to the French Intellectual Property Code ("IPC"). Indeed, it now ensures the protection of industrial products where their quality, reputation or any other characteristic is linked to their geographical origin, such as Limoges porcelain or Calais lace.

Requirements for protection

The new article L. 711-4 (d) of the IPC provides that the geographical indication of an industrial product bars the registration of both a trade mark and a designation of origin covering the indication.

The requirements differ from those for the protection of agricultural products. The application for registration of geographical indications of industrial products must be filed with the French Industrial Property Office ("INPI"). Applications for registration of designations of origin of agricultural products, in turn, continue to be handled by the National Institute of Origin and Quality ("INAO").

A geographical indication covering an industrial product now constitutes a ground for opposition against the registration of a trade mark whereas a designation of origin or a geographical indication of agricultural or foodstuffs products can only be invoked in invalidity proceedings.

Strengthening the protection of the name of local authorities

The new system also allows local authorities or institutions ensuring cooperation among local subdivisions to ask the INPI to alert them in the event a third party files a trade mark application including their names.

To date, local authorities only had the possibility to file observations against the application of a disputed trade mark. From now on, they are entitled to file oppositions or invalidity proceedings as outlined above against trade mark applications where the sign covered by the application reproduces their name, image, reputation or a geographical indication containing the name of the local authority. This clearly broadens the group of potential opponents since article L. 712-4 of the IPC previously provided that oppositions were only open to trade mark owners or exclusive licensees.

The implementation of this new kind of protection by local authorities and the courts remains to be seen.



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Europe – Spain

No trademark protection in Spain for an orange square

Spanish Supreme Court confirms lower court's ruling on lack of distinctiveness (Judgment of 2 December 2013 on cassation appeal 4301/2012)

TRADEMARKS & DOMAIN NAMES

The Spanish Supreme Court endorsed a high threshold for showing distinctiveness of trademarks consisting of basic geometrical figures in a single color and made reference to the criteria for registrability of color marks.

Background: The case concerned the protection in Spain of International Registration (IR) 908.137 of Orange Personal Communications Limited ("Orange") in classes 9, 38 and 42 for the following sign, described as being "composed of a square coloured orange (pantone 151)":



A competitor (Jazz Telecom, S.A.U. - "Jazztel") filed an opposition for lack of distinctiveness which was granted at first instance but reversed on appeal, and the IR mark was granted protection in Spain in 2008. The Appeal Unit relied on the fact that protection was granted for the mark as a whole (i.e. for a square in orange pantone 151) rather than for only any of its elements individually or for a layout different to the one that had been claimed. It considered that there were no concerns from the perspective of free competition as there was no limitation on the number of the possible forms or figures.

Proceedings before the Superior Court of Justice of Madrid

However, the Superior Court of Justice of Madrid revoked this decision in 2012 following an appeal by Jazztel and ruled that the mark was not distinctive. It considered that the color at issue was an "orange usual in the market" which must be kept free for use by all economic operators, that it was irrelevant that the color appeared inside a simple square, and that the relevant feature was not the geometrical figure but the color orange. Whilst acknowledging that the registration of marks protecting colors per se was in principle possible (although on a rather exceptional basis), it considered that the requirements for distinctiveness were not met in the case at hand. Although the applicant had submitted a consumer survey of 2008 showing a consumer recognition of the sign amounting to 49% and, out of those, a percentage of 80% associating the sign with

Orange, the Court considered the results of this survey as rather weak and concluded that the mark lacked the necessary degree of distinctiveness to be registrable.

Decision of the Spanish Supreme Court

The Supreme Court dismissed Orange's cassation appeal. In respect of the evaluation by the lower instance of the proof submitted for showing acquired distinctiveness, it found that the respective considerations were "unequivocal" and that its factual appreciation, which it considered "solid", had to prevail at the cassation stage.

It further rejected Orange's argument that the lower court had "denaturalized" the sign by essentially treating it as a color mark rather than as a device mark and applying the standards for registrability accordingly. The Supreme Court held that where the forms associated to colors consist – as in the case at hand – of banal, trivial or elementary geometrical figures, so that in the sign as a whole, the visual impression of the color predominates rather than its geometric contours, the lack of distinctiveness of the color per se extends to the sign as a whole. Thereby, the Supreme Court effectively equated the standards for evaluating the distinctiveness of such signs to those for color marks. It also relied on a similar finding of the General Court of the European Union concerning the rejection of a Community trademark application for a green square (case T-282/09) and the fact that the OHIM had rejected a CTM application by Orange for the same orange square.

It remains to be seen how the practice and jurisprudence in Spain in respect of such types of marks will develop further.



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ASIA – China

Patentability of Second Medical Use Inventions

Supreme People's Court of China, Cubist Pharmaceuticals Inc. v. Patent Reexamination Board of SIPO, No. 75, November 19, 2013

PATENTS & TRADE SECRETS

China's Supreme People's Court has confirmed the patentability of second medical use inventions. The decision sheds further light on the drafting and the interpretation of second medical use claims in China.

Cubist Pharmaceuticals Inc., a U.S. biopharmaceutical company, owns Chinese patent ZL 99812498.2 entitled "Methods for Administration of Antibiotics" ("498 patent"). Its independent claim 1 adopts the Swiss-type claim form, claiming "use of daptomycin for the preparation of a medicament for use in treatment of bacterial infection of human patients in need thereof and without skeletal muscle toxicity, wherein the dose for the said treatment is at 3 to 75 mg/kg of daptomycin, wherein the said dose is administered repeatedly, wherein said dosage interval is once every 24 hours to once every 48 hours".

An individual, Xiao Hong, petitioned the Patent Reexamination Board of the State Intellectual Property Office ("PRB") in June 2008 to have the 498 patent invalidated. The PRB held all claims of the patent were invalid because they lack novelty or inventiveness. This decision was upheld by both the Beijing No.1 Intermediate People's Court and the Beijing Higher People's Court. Cubist filed a request for retrial to China's Supreme People's Court ("SPC").

In the retrial judgment, the SPC affirmed the lower courts' decisions, but also confirmed that medical use inventions are protectable as method inventions. The SPC explained that when an improvement of the prior art lies in a new use of a known substance, the applicant should draft the patent claims as product-by-process claims. This is because under Article 25.3 of the Patent Law, methods for diagnosis or treatment of disease are not patentable. On the other hand, a product or its manufacturing process is patentable. Accordingly, the following factors are considered in assessing novelty of second medical use claims:

- Whether the distinguishing technical feature(s) can define drug manufacturing process; and
- Whether the claimed use differs substantively from the existing use.

With regard to the first factor, the SPC clarified that technical features solely related to drug administration cannot define the drug manufacturing process. "Drug manufacturing process" within the meaning of the Patent Law refers to activities of preparing a specific drug product with specific steps, processes, conditions, raw materials, etc. Normally raw materials, manufacturing procedure and conditions, form or composition of a drug product, and apparatus can define such process. Applying this factor to claim 1 of the 498 patent, the SPC found the dosage or interval of administration did not necessarily and directly affect the process.

As to the second factor, second medical use does not include improvement in adverse reactions, such as toxicity reactions and side effects. Applying this factor to claim 1 of the '498 patent, the SPC found that "skeletal muscle toxicity" is not a pre-existing symptom but rather a toxic reaction resulting from use of the drug. The patient group and the indications of daptomycin remain unchanged.

Conclusion

The determination of novelty and protection scope of a second medical use claim has been an issue of long debate. The SPC has for the first time clarified the nature of a second medical use claim. This case is of guiding significance to pharmaceutical companies that rely on second medical use inventions to extend the patent life of a drug product.



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Europe – EU

Council publishes its view on the draft Trade Secrets Directive

Opinion on the Draft Trade Secrets Directive issued by the EU Commission, 28 November 2013

PATENTS & TRADE SECRETS

On 26 May 2014 the EU Council adopted a slightly different approach to the Trade Secrets Directive than the Commission which has led to the Council proposing a number of significant changes to the draft.

While the **definition of “trade secret”** remains unchanged, the Council has redefined the criteria that could lead to the “acquisition, use or disclosure” of a trade secret without the holder’s consent being considered “unlawful”. In the Commission’s draft, “intention” or at least “gross negligence” in carrying out those activities was necessary. The Council has eliminated these subjective elements and has proposed that any acquisition will be unlawful if it is carried out by unauthorised access or copying or otherwise considered “contrary to honest commercial practices”. Likewise, any use or disclosure will be unlawful if carried out by a person who has acquired the secret unlawfully or is in breach of a confidentiality agreement (or other duty to limit disclosure or use of the trade secret). Should the proposed changes be approved by the European Parliament, trade secret holders will benefit, no longer having to demonstrate an infringer’s state of mind in order to bring a successful claim.

Many Member States deal with trade secret misuse under the criminal law and that will not be changed by the introduction of the Directive. The original draft did refer to some criminal law concepts, not included in this draft which deals **only** with the **civil law**.

Another important change concerns the **limitation period**. In the Commission’s draft, proceedings had to be brought not more than two years after the date on which the claimant became aware, or had reason to become aware, of the misuse, an extremely short time for cases where finding evidence of misuse (as opposed to suspicion) can take many months. In contrast, the Council’s draft leaves Member States free to provide for a period of “up to six years” (now in line with other IP rights) and to decide both the time from which the limitation period starts to run and the possible reasons for its suspension (Article 7).

The introduction of measures to preserve confidentiality during legal proceedings has been welcomed (disclosure risk often deterring claimants from bringing cases at all), but the scope of the draft Directive was quite broad in places. It now provides that a secrecy regime will only be established in relation to information

that the judge has “identified as confidential” further to “a duly reasoned application by an interested party”. Article 8 also provides that, if a secrecy regime is established, the confidentiality obligations “shall remain in force after the legal proceedings have ended”, unless such information becomes generally known or a final decision determines that it does not meet the requirements to be a trade secret.

The Council also rephrased the Articles that imposed on national judges a requirement to examine certain factors when considering the grant of interim and final remedies such as injunctions. Such factors included the value of the trade secret, the measures taken to protect it, the defendant’s conduct, the impact of the misuse and the interests of, not only the parties, but also third parties and the public generally. In the Council’s draft, judges are only required to take into account the specific circumstances of the case and to consider the factors listed in the Commission’s draft “where appropriate”.

The Council further suggested that Member States could limit **employees’ liability** for damages in cases where they are found responsible for trade secret misuse but have acted without intent. In the Commission’s draft employees were only mentioned in the recitals. Given that many trade secret cases do involve employees this is a major change to the proposed legislation.

The Council will now start negotiations with the European Parliament, whose view on the draft Directive should be issued in a few months.



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Europe - EU

"Pay for Delay" – Commission imposes serious fines for anticompetitive effects of settlements in patent litigation

PATENTS & TRADE SECRETS

Settlement agreements in patent disputes can, under certain circumstances, give rise to concerns under antitrust law and lead to significant fines imposed by the European Commission. Especially "pay for delay" and "pay for restriction" clauses are under close scrutiny of the Commission and may be considered to violate Article 101 TFEU.

It is not unusual in patent litigation that parties settle out of court. Depending on the perceived chances of success, there are basically two options for the patentee: (1) He receives compensation for past uses of his protective right by the potential infringer who also agrees to cease and desist from infringing actions in the future. (2) He grants a (limited) royalty bearing or even free license under the patent to his adversary.

Precluding the patentee's adversary from a specific market (where the patent is in force) or imposing restrictions when granting licenses have been considered less problematic from an antitrust law point of view; the "anti-competitive" effects associated therewith are inherent to the nature of the exclusive right. Also, the grant of even a limited license only serves to improve competition as a new competitor can enter the market.

However, interpretation of the circumstances under which such settlement agreements are considered a violation of Article 101 TFEU is becoming increasingly strict. Especially clauses in settlement agreements with which the patentee agrees to payments to his licensee (and potential competitor) either in exchange for ongoing exclusivity ("pay for delay") or for restrictions that limit the entry or expansion on the market of the licensee ("pay for restriction") might lead to significant fines.

In the case at hand, the Commission imposed fines in the amount of EUR 427.7 million on pharmaceutical company Servier and five generic companies i.a. for anti-competitive clauses in settlements of patent disputes regarding Servier's blood pressure medicament Perindopril.

Perindopril, its pharmaceutical compound protection having expired in 2003, was protected by various secondary patents (process and form), the validity of which in at least five cases was challenged by generic companies.

In each of the cases, Servier settled, allegedly negotiating continued market exclusivity in exchange for a share of Servier's profits made with Perindopril. Several tens of millions of EUR were alleged to have been paid under the respective settlement arrangements. In another case, a license for seven national markets was said to have been granted to a generic company in exchange for that competitor not entering the remaining European countries.

The Commission held that each of the settlements was an anti-competitive agreement prohibited by Article 101 TFEU. Vice-President Almunia said that "competitors cannot agree to share markets or market rents instead of competing, even when these agreements are in the form of patent settlements." Servier announced their intention to appeal the decision at the General Court.

The Decision is in line with recent decision practice of the Commission¹ and defines how the principles set out in the new TTBER and corresponding Guidelines on Technology Transfer Agreements² will be applied by the Commission. Until the EU courts will decide on these issues, clauses that limit market entry of competing products against a value transfer from patentee to licensee (and potential competitor) in a settlement agreement should be subject to close scrutiny.



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¹ cf. Decisions dated 19.6.13, COMP/39226, IP/13/463 – *Lundbeck* and Decision dated 10.12.13, COMP/39685, IP/13/1233 – *Fentanyl*

² Reg. 316/2014/EC, effective as of 01.05.14, OJ L 93, 21.03.12, p. 17 and OJ C 89, 28.3.14, p. 3

Europe – France

Invention Outside the Scope of Employment, Fair Price and Time-Bar

Court of Appeal of Paris, Section 5-2, 21 February 2014, Mr Dussoulier / Moulages Plastiques Du Midi

PATENTS & TRADE SECRETS

The employer using its right to request assignment of the invention conceived by an employee outside the scope of his employment agreement has to pay a fair price for the invention. This obligation is subject to a five-year limitation under Article L. 110-4 of the French Code of Commerce, given that the employer is a merchant or business entity within the meaning of the French Code of Commerce.

In the case at stake, an employee participated in the conception of four patentable devices. Between April 1997 and January 2000, his employer, a corporation, filed patent applications covering the inventions.

The contractually agreed task of the employee was not to develop technical devices such as those covered by the patents. Consequently, his inventions are inventions conceived outside the scope of his employment contract.

In June 2011, after he was dismissed, the employee-inventor filed a complaint before the Court of Paris against his former employer-applicant, seeking the payment of the fair price for his inventions, in line with Article L.611-7 of the French Code of Intellectual Property.

The Court found the action time-barred and the inventor appealed the judgment. The inventor held that the thirty years Statute of limitation of section 2262 of the Civil Code as in force on the date of filing of the complaint, should apply, thus keeping his action admissible.

Rejecting this theory, the Court of Appeal decides that the action is barred under the limitation contained in Article L.110-4-I of the French Commerce Code. Pursuant to this Article as amended by the Law No. 2008-561 of 17 June 2008, "the obligations arising in connection with trade between traders or between traders and non-traders extinguish within five years if they are not subject to shorter extinction".

According to the Court, if the employer is a merchant (this is the case in France for companies and

organizations seeking profits), the ability of the employer to implement its right of assignment of the invention subject to the payment of a fair price, is governed by the (now five years) time-bar under Article L. 110-4 of the French Commerce Code, to the exclusion of the civil law limitation of thirty years.

As to the starting point of the limitation, the Court decides that "the time for the employee-inventor to claim a fair price starts to run when the employer is assigned the invention, in the present case the date of filing of the patent application in the name of the employer."

This decision should ease the situation of companies which were assigned inventions conceived outside the scope of the employment agreement of their employees: these companies are not at risk of a payment action for thirty years but rather for a more reasonable time of five years.

However, employees will likely attempt to recover a fair price when they deem it appropriate and possibly in a thirty-year period of time, based on the idea that the above decision is not yet settled case law.

A confirmation of the above from a higher Court (Appellate or Supreme Court) would consequently be welcome.



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Europe - Germany

German Patent Law – Recent Amendments of Patent Prosecution and Opposition Proceedings for German National Patents

PATENTS & TRADE SECRETS

In order to optimize the prosecution and opposition proceedings for German national patents before the German Patent and Trademark Office (GPTO), the German Patent Act was amended with effect as of 1 April 2014.

Goal of New Rules

Each year, approximately 60,000 patent applications are filed with the GPTO and over 120,000 national patents are currently in force. The new rules serve the aim to make the prosecution and opposition proceedings for these national patents and patent applications more transparent, efficient and flexible. Further, they shall adjust them to the respective proceedings before the European Patent Office (EPO). Besides, the adapted proceedings are intended to be more user-friendly.

Patent Opposition (New Deadline)

One of the most important amendments is the extension of the period for filing oppositions from (previously) three to (now) nine months (Sec. 59 para 1 Patent Act). The extended opposition period applies to all German national patents published after 1 January 2014. It now corresponds to the opposition period for European Patents (Art. 99 EPC) and gives potential opponents more time to decide on their opposition and to carry out the required research and assessments.

Patent Prosecution

Online File Inspection

To simplify electronic communication, users can now inspect prosecution files of published patent applications online via the web portal "DPMAregister" (cf. Sec. 31 para. 3a, 3b, Sec. 32 para 1 Patent Act). Should the requested file not be publicly available yet, the file can be requested (anonymously) through a link. Additional information about online file inspection is provided on:

<https://register.dpma.de/register/htdocs/prod/en/hilfe/akteneinsicht/index.html>.

Preliminary Validity Assessment

In future, the search report will encompass a preliminary assessment regarding the validity of the patent application (Sec. 43 para. 1 PatG). This provides a better basis for the applicant to decide on the continuance of the prosecution proceedings. The search fee was increased by 50 Euro to 300 Euro.

Translations into German

If a patent application is filed (fully or partly) in a language other than German with the GPTO, the applicant has to provide a German translation thereof. The standard period for providing such translations is three months from the filing date (Sec. 35a para 1 Patent Act). The amendments now provide a special provision for applications in English or French language, extending the general period of three months to twelve months from the filing date (Sec. 35a para 2 Patent Act).

Mentioning of Inventor

From now on, a national German patent will not be granted unless the inventors are explicitly mentioned in the application (Sec. 37 Patent Act). It is no longer possible to mention the inventors after the patent has been granted.



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Europe - Spain

The deciding factor: court-appointed experts

The weight of the reports issued by court-appointed experts in Spanish proceedings

PATENTS & TRADE SECRETS

In view of their limited resources and technical knowledge in certain areas, Spanish courts rely heavily on opinions issued by "independent" experts and bodies such as the Spanish Patents and Trademark Office ("PTO")

In the absence of patent courts, experts play a significant role in patent infringement and revocation proceedings (both exclusively heard by civil courts) in Spain. In fact, typically in proceedings involving pharmaceutical patents, it is not uncommon for the parties to file more than one expert report each to support their positions. If the proceedings involve infringement and validity claims, the judge may end up having to consider eight different and often contradictory reports. Faced with this situation, some judges feel compelled to appoint their own expert in a search for technical knowledge and independence. The so-called "independent" experts are appointed by courts from lists provided by professional associations. Individuals holding corresponding university degrees can be included in those lists. Depending on the technical field and the relevant professional association, additional conditions may be required (for instance, having a specialization degree or accredited professional experience, or overcoming a selection process).

A recent example for this situation is a recent order issued by a commercial court in Madrid. The Supreme Court had confirmed the patentee's right for a compensation consisting of the royalty the defendants would have had to pay for the legal exploitation of the patent, and the case had moved down to the first instance court for the compensation to be fixed.

Both parties conducted their own assessment of damages for which they used accounting experts. In total, they filed eight different expert reports concluding that the royalty due to the plaintiff was between € 40,000-€ 400,000 –according to the defendant's experts- and € 83 million -according to the plaintiff's experts. The judge decided to appoint an "independent" expert who concluded that the defendant had to pay the plaintiff € 20 million.

The judge stated in its order that the parties' reports lacked credibility. He declared that he was "forced" to apply the valuation methods and assessment conducted by the court-appointed expert who "as a result of having been appointed independently and in light of his impartiality, objectivity and grounds of his conclusions deserves a greater credibility".

Under Spanish law the judge is free to assess the evidence put forward by the parties. This means that expert evidence is not given any specific weight, nor are court-appointed experts necessarily given more credit than parties' experts. In practice, however, as happened in the Madrid case reported, courts rely substantially on the conclusions reached by court-appointed experts due to their presumed impartiality and objectivity.

In the search for "objectivity", at the request of Spanish judges, the legislator is planning to introduce a provision in the new Patents Act –currently in the form of a Draft, approved by the Council of Ministers in April 2014- allowing the court in patent revocation proceedings to request the Spanish PTO to produce a report on the issues on which the parties' expert reports are in contradiction in proceedings where the validity of a patent is at stake. The parties may also request the court to do so.

Whilst someone not involved in the case may provide a fresh look, there is also the risk – when the matter involves complex technical issues as is usually the case in pharmaceutical or technology patent disputes – that he does not possess the degree of knowledge in the relevant field that the parties' experts, usually chosen amongst highly qualified, well-known and reputed professionals in their sector, would typically have. In any event, the desire for "independence" appears to be here to stay.



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U.S. The Defend Trade Secrets Act Attempts to Unify United States Trade Secret Law

PATENTS & TRADE SECRETS

If enacted, the Defend Trade Secrets Act (DTSA) could be the most important change to U.S. trade secret law in decades.

Why have U.S. legislators proposed a bill concerning trade secret law?

Democratic Senator Christopher Coons of Delaware introduced the Defend Trade Secrets Act of 2014 (S. 2267) this past April. The bill is cosponsored by Republican Senator Orrin Hatch of Utah. The proposed bill would create a federal private cause of action for trade secret misappropriation.

Trade secret claims presently are governed by state law. Forty-eight states have adopted some variation of the Uniform Trade Secrets Act (UTSA), with New York and Massachusetts being the exceptions. Many states have modified the UTSA and apply its provisions differently. These variations can create inconsistencies in how states define and protect trade secrets. For example, states have different definitions for “trade secret” and “misappropriation” and different statutes of limitations.

Proponents of the DTSA argue that it can unify U.S. trade secret law by providing universal definitions and standards, and a common body of precedent. These changes could lead to greater predictability, stronger nationwide enforcement, and reduced costs and confusion as compared to navigating each state’s specific trade secret laws. The DTSA also could provide access to the advantages of the federal court system such as prompt nationwide service of process. Critics argue that the DTSA would not add uniformity to the trade secret landscape since plaintiffs still could pursue actions under individual state trade secret laws.

What are the key provisions of the DTSA?

Definitions. The DTSA defines “misappropriation” as the acquisition of a trade secret by a person who knows or has reason to know the trade secret was acquired by improper means or the disclosure or use of a trade secret without express or implied consent. “Improper means” includes: theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means, but does not include reverse engineering or independent derivation.

Preservation of Evidence. The DTSA would permit courts to issue *ex parte* orders to preserve evidence, through, for example, copies of electronic storage media containing trade secrets, and seizure of

computers and other property used to commit a trade secret violation.

Remedies. The DTSA provides for both injunctive and monetary remedies. A court may grant an injunction to prevent actual or threatened misappropriation, to require affirmative actions be taken to protect trade secrets, and, in exceptional circumstances where an injunction is inequitable, to condition ongoing use upon payment of a royalty. The DTSA also allows an award of damages for actual loss caused by the misappropriation, plus damages for any unjust enrichment that is not addressed in computing damages for actual loss. Alternatively, in lieu of damages measured by other methods, damages measured by a reasonable royalty may be awarded. Further, the DTSA would permit an award of treble damages and reasonable attorneys’ fees for willful or malicious misappropriation, or reasonable attorneys’ fees for a bad faith claim of misappropriation.

Statute of Limitations. The bill sets a 5-year statute of limitations from the date the alleged misappropriation is, or should have been, discovered. A continuing misappropriation constitutes a single claim of misappropriation.

Preemption. The DTSA will not preempt state law, preserving for plaintiffs the freedom to pursue claims under state trade secret laws.

Will the DTSA become law?

It is too early to determine whether the DTSA will become law. The act currently enjoys bipartisan support in the U.S. Senate, and a companion bill was recently introduced in the House of Representatives.



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U.S.

U.S. Supreme Court Rejects the Federal Circuit's Standard for Inducement of Patent Infringement

U.S. Supreme Court, Decision of 2 June 2014, No. 12-786, *Limelight Networks, Inc. v. Akamai Techs., Inc.*

PATENTS & TRADE SECRETS

Rejecting the Federal Circuit's fractured en banc decision, the U.S. Supreme Court held that a defendant is not liable for inducing patent infringement under 35 U.S.C. § 271(b) when no direct infringement has occurred under § 271(a).

Akamai and Limelight operate content-delivery networks (CDNs), which store content (e.g., pictures, movies) on servers in different geographic locations. The patent-in-suit claims a method of delivering electronic data using a CDN. The method includes a step of "tagging" or designating which media should be stored on servers in the CDN. Akamai sued Limelight for infringement. Limelight performed many of the steps in the patented method but its customers performed the "tagging" step. Nevertheless, Akamai obtained a jury award of more than \$40 million in damages.

After trial, the District Court overturned the verdict in light of the Federal Circuit's decision in *Muniauction Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), where direct infringement of a method claim was held to require a single entity either to perform, or direct or control others to perform, all of the steps of a patented method. The District Court reasoned that *Muniauction* precluded liability for direct infringement because the step of tagging was not attributable to Limelight directly or vicariously. A three-judge panel of the Federal Circuit affirmed.

After rehearing the case *en banc*, however, the Federal Circuit reversed. It held that while liability for direct infringement under 35 U.S.C. § 271(a) requires all steps to be performed by a single entity, for induced infringement "it is not necessary to prove that all the steps were committed by a single entity" — only that all of the steps were performed. In other words, liability for inducement could exist even if liability for direct infringement did not.

On June 2, 2014, the Supreme Court unanimously reversed. The Court found that Limelight could not be liable for inducement because there was no underlying direct infringement. Limelight neither performed all of the steps of the patented method nor directed or controlled its customers to perform the "tagging" step.

The Supreme Court acknowledged that its holding permits "would-be infringer[s] to evade liability by

dividing performance of a method patent's steps with another whom the defendant neither directs nor controls," but pointed to *Muniauction's* definition of direct infringement as the source of the problem. The opinion invited the Federal Circuit to reconsider *Muniauction* on remand.

Thus, for the moment, the "divided infringement" defense to induced infringement persists. Unless the Federal Circuit revisits *Muniauction* (which it very well may on remand), establishing inducement liability will remain a challenge where multiple actors perform only some steps of a patented process.



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U.S.

The U.S. Supreme Court Sinks The Federal Circuit's Indefiniteness Standard In *Nautilus Nautilus, Inc. v. Biosig Instruments, Inc.*

U.S. Supreme Court, Decision of 2 June, 2014, No. 13-369,
Nautilus, Inc. v. Biosig Instruments, Inc.

PATENTS & TRADE SECRETS

The Supreme Court's unanimous decision lowered the standard for finding a patent claim indefinite under 35 U.S.C. § 112 ¶ 2.

Previously, the Federal Circuit would find a claim term indefinite "only when it is 'not amenable to construction' or [is] 'insolubly ambiguous.'" *BioSig Instruments, Inc. v. Nautilus, Inc.*, 715 F.3d 891, 899 (Fed. Cir. 2013) (quoting *Datamize LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347 (Fed. Cir. 2005)). The Supreme Court has now rejected that approach for not reflecting the level of precision required by 35 U.S.C. § 112 ¶ 2, holding instead that "a patent is invalid for indefiniteness if its claims. . . fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention."

At issue was U.S. Patent No. 5,337,753 concerning a heart-rate monitor used with exercise equipment. Prior heart monitors were viewed as inaccurate because they could not distinguish between electrical signals associated with heartbeats and electrical signals from other muscles. The patent claimed a way to solve that problem by mounting both "common" and "live" electrodes with a "spaced relationship" on a bar held by the user.

The District Court granted summary judgment of indefiniteness on the claim term "spaced relationship," finding that the intrinsic evidence did not inform the term's scope. The Federal Circuit reversed and *Nautilus* appealed to the Supreme Court. On appeal, *Nautilus* argued that there was indefiniteness if individuals could reasonably interpret the claim's scope differently. *Biosig* argued that the claim was indefinite only if it did not provide reasonable notice of its scope.

In its decision, the Supreme Court acknowledged the competing concerns between allowing broad claim language and the precision required by § 112 ¶ 2 to provide the public clear notice of the patentee's property right. The "definiteness" of claim language is still to be evaluated from the perspective of one skilled in the art at the time of the filing of the patent application, in view of the patent's specification and

prosecution history. However, § 112 ¶ 2 "mandates clarity, while recognizing that absolute precision is unattainable."

Applying that mandate, the Court held that a patent claim is indefinite if it fails to inform, with reasonable certainty, those skilled in the art about the scope of the invention. Without a requirement for reasonable certainty, the Court noted, "applicants face powerful incentives to inject ambiguity into their claims." The Court declined to apply the new "reasonable certainty" standard to determine whether "spaced relationship" rendered the claim indefinite but, instead, vacated the Federal Circuit's judgment and remanded for further proceedings.

Under the old standard, a defendant asserting indefiniteness often could only argue that a claim term was not amenable to any construction, leaving only the plaintiff's construction before the court. Under the new standard, the defendant has the option to proffer a construction different from that of the plaintiff and argue that if the court finds both constructions valid, the claim language lacks "reasonable certainty" and is, therefore, indefinite. We expect an uptick in the use of the indefiniteness defense and new guidelines from the Federal Circuit for applying the "reasonable certainty" test.



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U.S.

U.S. Supreme Court Affirms That Certain Computer-Implemented Abstract Ideas Are Ineligible For Patent Protection

U.S. Supreme Court, Decision of 19 June 2014, No. 13-298, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*

PATENTS & TRADE SECRETS

The U.S. Supreme Court held that (1) patent claims directed to the abstract idea of mitigating “settlement risk” were not patentable where they merely required generic computer implementation, and (2) the recitation of generic computer components in the claims does not transform an abstract idea into patentable subject matter.

Alice Corp. owns the patents-in-suit, which claim a computerized method for mitigating settlement risk in financial exchanges using an intermediary. The patents include claims directed to this method, a computer system to carry out the method, and a computer-readable medium with program code for performing the method. CLS Bank operates a network that facilitates currency transactions. In 2007, CLS Bank filed suit against Alice Corp. seeking a declaratory judgment that the patents-in-suit were invalid or not infringed. Alice Corp. counterclaimed alleging infringement.

The District Court, ruling on cross-motions for summary judgment, held that all claims were patent ineligible under 35 U.S.C. § 101 because they were directed to the abstract idea of using an intermediary to facilitate the simultaneous exchange of obligations to minimize risk. A divided Federal Circuit panel reversed. An *en banc* Federal Circuit then vacated the panel decision, and affirmed the District Court in a decision composed of seven different opinions.

On June 19, 2014, the Supreme Court unanimously affirmed and held all claims patent-ineligible under § 101. Applying the reasoning from its earlier opinion in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012), the Court reiterated a two-step procedure for determining whether claims potentially encompassing abstract ideas are patentable subject matter. A determination is first made as to whether the claim is directed to an abstract idea. If so, the court must determine whether the claim contains an “inventive concept” sufficient to “transform the nature of the claim” into a patent-eligible application.

Analyzing the method claims at issue, the Court found they were drawn to the abstract idea of intermediated

settlement, but concluded that they failed “to transform that abstract idea into a patent-eligible invention” because they merely required “generic computer implementation.” The Court added that “[s]tating an abstract idea while adding the words ‘apply it with a computer’” cannot impart patent eligibility. Correspondingly, the Court ruled that the method claims were not patent-eligible under § 101.

The Court also found that the system and media claims were ineligible for largely the same reasons, as they added nothing of substance to the underlying abstract idea. Notably, Alice Corp. urged that its system claims included “specific” computer hardware, but the Court found that such hardware did not offer a “meaningful limitation”; it was “purely functional and generic” and was included in “nearly every computer.”

Alice Corp. will have consequences in any field where the underlying invention implements a business process using general computer components, such as in finance. For patent applicants, it may not be enough to simply recite structural computer elements in the claims to avoid a rejection under § 101. Rather, the Court’s concern appears to be whether the claims go further to recite an inventive concept not previously known.



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Europe - EU

European Copyright Law – How to deal with reproductions stemming from illegal sources.

CJEU, 10 April 2014, ACI Adam BV and Others v Stichting de ThuisKopie and Stichting Onderhandeligen ThuisKopie vergoeding, C-435/12

COPYRIGHT & CONTENT

On 10 April 2014, the Court of Justice of the European Union (CJEU) rendered a well-recognised decision on copies of copyright protected works stemming from unlawful sources. The judges ruled that such a copy may not be seen as a legitimate reproduction for private use within the meaning of the copyright directive 2001/29/EC.

The Underlying Case

The CJEU's decision was rendered in the context of a lawsuit that is currently pending before the Dutch Supreme Court (Hoge Rad). Manufactures and importers of digital storage devices sued the Dutch copyright clearing agency, the so-called Stichting de ThuisKopie, and challenged the method the agency used for calculating its private copying and reprography levies. Specifically, the plaintiffs opposed copies being considered in calculations which were made on the basis of illegal sources. The Dutch Supreme Court referred the question whether those copies may indeed be taken into account when calculating the levies due by manufactures/importers of storage devices to the CJEU for further clarification.

The Decision

In its decision, the CJEU first emphasizes that the Members States have some discretion whether or not they implement into national law the exceptions and limitations set out in Article 5 of the Copyright Directive 2001/29/EC. However, if the national legislator takes the decision to implement a specific limitation, such implementation has to be done in a coherent way mirroring the overall goal of a harmonized copyright within the European Union. According to the judges, the functioning of the Internal Market would be jeopardized if reproductions for private use were deemed lawful for the sake of calculating copyright levies in spite of them stemming from illegal sources. Allowing this understanding would foster the circulation of counterfeit works within the Internal Market. Rather than accepting such a consequence, the CJEU seeks to strengthen the

position of the rightful copyright owners by taking out of consideration such reproductions when it comes to calculating copyright levies.

One particular argument being highlighted by the judges is the fact that an illegal course of action, i.e. unlawful reproduction of copyright-protected works, may not entail an increase in product prices due to higher copyright levies.

Commentary

The reasoning of the CJEU is sound. At least, there are good grounds to disregard reproductions stemming from illegal sources when it comes to calculating private copying and reprography levies. However, such notion inevitably leads to the question of how to separate copies made from legal sources from those made from illegal sources. The copy as such hardly ever shows how it was reproduced in this respect. It is the circumstances of the copy's creation that may give an indication but a copyright clearing agency, consumers and others will often be unaware of such circumstances. This is particularly true as digital copies tend to have a long history of travelling through the Internet and the trail inevitably vanishes. Thus, the CJEU's decision is surely to be appreciated. However, the judges still owe us guidance on how to spot lawful copies and to distinguish them from illegal ones.



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Europe – EU

European Copyright Law – CJEU requires Internet Service Provider to block website holding illegal content

ECJ, 27 March 2014, UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH, C-3143/12

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Most recently, the Court of Justice of the European Union (CJEU) rendered a decision on whether an internet service provider (ISP) may be asked to refuse its customers access to a website holding illegal content. On 27 March 2014, the judges ruled that the Copyright Directive 2001/29/EC does not prevent national courts from granting respective injunctions (Case Ref.: C-314/12).

The Underlying Case

Through the website kino.to, Internet users were able to watch, by way of download or streaming, blockbusters and other movies. However, the provider of this service had not obtained adequate rights to provide such service. As the rights holders could not get hold of the content providers directly, they approached the Austrian ISP and requested it to block the website. The court of first instance granted an injunction. In second instance, the appeal court ruled that one may ask an ISP to prohibit access to illegal content but that it falls within the discretion of the ISP how to achieve this goal.

The case eventually went up to the Austrian Supreme Court (Oberster Gerichtshof), who stayed the proceedings in order to place a number of questions regarding the interpretation of the Copyright Directive 2001/29/EC with the CJEU. Those were primarily concerned with the role of an ISP as an intermediate between user and provider of illegal content in general, and the question of what the ISP can actually be asked to do about any illegal content it is granting access to.

The Decision

As a starting point, the CJEU states that in the relevant case, it was common knowledge that the protected subject-matter was made available to users of a website without the consent of the rights holders.

The judges mention that Article 8(3) of Directive 2001/29/EC provides for the possibility for rights holders to apply for an injunction also against intermediaries

whose services are used by a third party to infringe copyrights. Given that the ISP is an inevitable actor in any transmission of an infringement over the Internet, the CJEU comes to the conclusion that an ISP may very well be confronted with an injunction requesting it to refrain from granting such access.

Further, the court rules that the rights holder is not required to prove actual use of the illegal website. Rather, it is sufficient that the ISP's customers could have reached the illegal content as the Copyright Directive is also of preventive character.

Regarding the question of what exactly can be asked of the ISP, the CJEU emphasizes the importance of the Charter of Fundamental Rights of the European Union. Not only do the ISP's rights under this charter need to be taken into consideration, but also the customers' position and the freedom of information are to be evaluated.

Against this background, the judges rule that an ISP may very well be requested to block access to a certain website. The means how to accomplish such effect comes under its discretion. However, the ISP is required to take all reasonable action in this respect, and needs to make sure that its customers' rights in the context of freedom of information are not interfered with.

What is remarkable in this context is the fact that the CJEU requires the Member States to safeguard that the Internet user has a chance to actively participate in the respective court proceedings in order to argue their case. This is truly a challenge for most of the Member States as such third party participation is by no means standard in national rules on court procedure.



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Europe - Spain

Madrid Court of Appeals upholds legality of P2P sharing software

Music majors³ v. P. Soto⁴. Madrid Court of Appeals judgment No. 103/2014, of 31 March 2014

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The Madrid Court of Appeals has confirmed the first instance judgment dismissing the music majors' claims, and declared the defendants not liable for the activities carried out via their P2P software.

A commercial court in Madrid decided in November 2011 to set aside the music majors' claims for copyright infringement and unfair competition against the creator of two new P2P (Peer-to-Peer) platforms and the companies behind the software to run them. The plaintiffs sought more than € 13 million in damages and the immediate shutdown of the defendants' activities.

The court concluded then that the P2P technologies commercialized by the defendants are neutral tools allowing users to freely share files and content with no intervention. The music files legally or illegally shared by the users of the platforms are not provided by the defendants and thus there would be no causal link between the defendants and the users who share protected files in violation of the plaintiff's copyrights.

The music companies appealed the decision before the Madrid Court of Appeals which has now dismissed the appeal. According to the court, the defendants did not carry out any copyright infringing activities, either directly or indirectly, as the platforms did not require any intervention by the software developers after the user downloaded and used the P2P software applications. The court pointed out firstly that making technology with

different features available (among which is the possibility to share audio files) with no infringement of any copyright provision is a neutral behavior in line with the fundamental right established in the Constitution to conduct business freely. The mere possibility that users may choose to use such software to infringe copyrights does not trigger a direct liability of the software developer. Secondly, the court also dismissed the plaintiff's claims seeking a declaration of indirect liability. In its decision, it explicitly referred to concepts developed by US courts in similar cases, pointing out its inability to apply doctrines such as the "contributory or vicarious liability" given the lack of legal basis under the Spanish Copyright Act.

Finally, the court rejected also the plaintiffs' claims based on the liability regime of Internet service providers ("ISPs"). The judgment declared that the activities carried out by the defendants could be assimilated to those typically performed by ISPs under the e-Commerce Directive 2000/31/EC and the Information Society Services and e-Commerce Act 34/2002, of 11 July 2002, which transposed it (typically, access to the Internet, caching or hosting).

As mentioned, the appeal court refers extensively to the lack of legal regulation of indirect infringement under the copyright laws which would prevent it from considering it in the case at hand. However, this would no longer be a problem in the near future as the Government is currently drafting an amendment to the copyright law including an ex novo regulation of indirect infringement (see following article in this Newsletter). Time will tell if the outcome of this judgment would have been different should such amendment have been approved earlier.

³ The plaintiffs are some of the most important music majors, including Universal, Sony, EMI, Warner and PROMUSICAE, a trade group representing the Spanish recording industry.

⁴ The defendants are Pablo Soto, a software developer who created P2P platforms Blubster, Piolet and Manolito, and its businesses Optisoft, Piolet Networks and MP2P Technologies (involved in the development of the software). These platforms were developed using new P2P technologies which allow users who download the software to share files without further accessing the platforms' websites or servers.



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Europe - Spain

Draft proposal amending key aspects of the Spanish Copyright Act

Spanish Government pushes for approval of amendments, currently before Parliament, before the end of 2014

COPYRIGHT & CONTENT

Before the end of its current mandate, the Spanish Government wants to amend key aspects of the Copyright Act. Instead of proposing a full new act, in February this year, the Government brought a draft legislative proposal concerning amendments of select key aspects before the Parliament.

According to the proposal, the Spanish Government considers that the current Copyright Act, enacted in 1996 (although amended subsequently), is not suitable to provide protection to copyrights in an environment in permanent change. Since the required changes are urgent, the Government opted for proposing amendments to some key aspects of the current system. The main amendments, most of them related to the use of protected works on the Internet – are commented below.

Exceptions to copyrights

In the field of copyright levies and the private copying exception, the draft incorporates the amendments to the copyright levies regime produced after the CJEU's Padawan judgment of 2010. The Padawan judgment effectively led to the Spanish system of copyright levies being abolished. Since 1 January 2012, the compensation for private copying is paid out of the National State Budget. The system is now sanctioned in the proposal.

The draft diminishes the scope of the private copying exception. Copies of copyrighted works (a) made available by license; or (b) sold between consumers (C2C) are excluded from it and hence are considered infringements.

Moreover, it expands the scope of the quotation exception for educational or scientific research purposes to address emerging forms of e-learning. It authorizes (a) the public communication of textbooks excerpts and isolated visual artworks, provided that a link to the website where such content may be legally accessed is included, and (b) the reproduction of book chapters or journal articles by universities or research centres subject to fair compensation. It also acknowledges the right of news publishers and authors to be compensated for the exploitation of their contents by introducing a levy applicable to quotations made by news aggregators.

Secondary liability and copyright enforcement on the internet

The amendments in this field aim at providing room for a lawful online content offer:

Secondary liability: anyone who intentionally induces a third party to copyright infringement, cooperates with infringers, or has a direct interest in the infringement and direct power of control over the infringer will be held liable notwithstanding the safe harbours established for, inter alia, internet access providers and search engines.

Identification of IP addresses: as the identification of massive copyright infringers in P2P networks has proved to be unworkable under the procedural laws, the bill allows right-holders to launch preliminary proceedings for identifying Internet Service Providers or users which may be infringing on a large scale.

Administrative proceedings: at the request of the IP right-holder, the IP Commission will be empowered to order ISPs – including content linkers that infringe copyrights on a significant scale to take down unauthorized content or to shut down infringing services and to approve substantial fines (up to € 300,000) for repeated infringements.

Other amendments to the Copyright Act

The draft proposal introduces reinforced supervision measures and transparency obligations for copyright collecting societies in line with Directive 2014/26/EU.

Finally, the draft implements Directive 2011/77/EU on the term of protection of copyright and certain related rights, and Directive 2012/28/EU on certain permitted uses of orphan works.



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U.S. FTC Instructs Retailers To Reconsider Use of Social Media for Sweepstakes and Contests

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The Federal Trade Commission (“FTC”) recently clarified its position on sweepstakes and contests hosted on social media websites under its Guides Concerning the Use of Endorsements and Testimonials in Advertising (the “Guides”).

One common method of creating “buzz” around a brand is by launching a contest or sweepstakes on social media platforms, such as Twitter, Facebook or Pinterest, so that consumers will engage directly with the brand’s social media page in multiple virtual forums for the chance to win a prize.

Hosting a promotion on social media can be complicated, however, because adherence to specific terms and conditions governing the use of such sites is required, and each platform may take a different approach to how entries can be implemented, the ownership of content and the selection of a winner, among other issues. The challenge of structuring a multi-platform promotion multiplies as new sites (with new terms of use) become popular and existing sites update their terms, and because social media promotions must also comply with applicable rules relating to promotions outside of the digital world.

The FTC has recently imposed an additional layer of complexity by stating that contest entries posted on social media websites are “endorsements” subject to the Guides. Noncompliance with the Guides subjects retailers and marketers to risk of enforcement under Section 5 of the Federal Trade Commission Act (15 U.S.C. §45) which prohibits “unfair or deceptive acts or practices in or affecting commerce.”

Cole Haan’s Contest

In 2013, Cole Haan Inc. sponsored a contest in which participants were invited to create a Pinterest board entitled “Wandering Sole” and to pin five photos of Cole Haan® shoes to the board using the hash tag “#WanderingSole.” The best board would receive a prize.

On March 20, 2014, the FTC sent a letter to Cole Haan stating that the participants’ pins were “endorsements of the Cole Haan products” under the Guides such that the FTC Act required disclosure of the connection between

the participants in the contest and Cole Haan as the contest sponsor. The FTC was concerned that consumers could view participants’ pins as unsolicited consumer endorsements of Cole Haan’s products and not as social media posts induced by the chance to win a prize. Nevertheless, based on multiple factors, the FTC decided not to commence any enforcement action.

How should social media sweepstakes and contest entries appear going forward?

The FTC’s letter is an important wake-up call that the agency considers “entry into a contest is a form of material connection” and that participants’ posting content to social media as part of the contest “may constitute an endorsement” which necessitates disclosure of the “connection” between contest entrant and contest sponsor. The FTC did not offer instructions in its letter on where the disclosure should be posted, or how specific and detailed the disclosure must be. Accordingly, the Guides should be consulted, in particular 16 C.F.R. §255.5 which requires that “such connection must be fully disclosed.” Such disclosure could be accomplished in a number of ways. For example, the contest sponsor could require the hash tag to include additional language identifying the message as a contest entry. For sweepstakes in which participants “like” specific content in order to enter, an additional post disclosing that clicking “like” was required to enter the sweepstakes would be useful in demonstrating compliance with the Guides.

There will be no one-size-fits-all approach to disclosure for social media sites, and sponsors of social media promotions should consult carefully with counsel to ensure that their promotion stirs “buzz” among consumers and not in the halls of the FTC.



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U.S.

Seventh Circuit declines to extend copyright protection for characters further “rounded” over time

U.S. Court of Appeals for the Seventh Circuit, Decision of 16 June, 2014, No. 14-1128, *Klinger v. Conan Doyle Estate Ltd.*

COPYRIGHT & CONTENT

Copyright protection for the initial scope of a fictional character that increased in complexity over time in a series of subsequent works is not extended in time beyond the expiration of the initial copyright for that initial scope.

This case concerned whether an anthology of modern works could permissibly depict the Sherlock Holmes character without obtaining a license to the ten remaining copyrighted works in the Holmes “canon,” which included sixty stories and novels authored by Arthur Conan Doyle. The issue before the appellate court was whether the development of and alterations to a character over time should dictate a later expiration of the copyright in the original character, effectively extending the copyright in the character depicted in earlier works. In an opinion by Judge Richard Posner, the U.S. Court of Appeals for the Seventh Circuit affirmed the decision of the district court that granted summary judgment in favor of anthology editor Leslie Klinger and denied an extension of copyright protection.

The Appellant, the Conan Doyle Estate, had argued that “flat” characters, ones completely and finally described in the first works in which they appear, should be distinguished from “round” characters that evolved over time and do not become fully “rounded” until later works. “Round” characters such as Holmes and his sidekick Watson, appellant argued, cannot effectively be protected by copyright except in their complete form. The court rejected that line of argument as self-defeating because “in that case there would be no incremental originality to justify copyright protection of the ‘rounded characters’” at all.

Because the ten stories at issue were derivative from earlier stories, the court reasoned “only original elements added in the later stories remain protected” after the original copyright expired. In this case, the court concluded there was no conflict between the anthology works based on public domain features of the Holmes and Watson characters and the continuing copyrights on the last ten works by Arthur Conan Doyle. In so reasoning, the court cited *Silverman v. CBS, Inc.*, 870 F.2d 40 (2d Cir. 1989), which concerned the right to

copy the fictional characters Amos and Andy that appeared both in radio scripts for which copyright protection had expired as well as subsequent scripts that remained under copyright protection. In that case, the Second Circuit concluded that the characters had been “sufficiently delineated” in the early radio programs to have been placed in the public domain upon expiration of the early scripts’ copyrights.

In response to the Conan Doyle Estate’s argument that refusing to extend copyright protection would diminish incentives to further develop characters over time, the court noted the “two-edged-sword” of copyright protection: extending copyright protection based on iterations of characters over time would “reduce the incentive of subsequent authors to create derivative works (such as new versions of popular fictional characters like Holmes and Watson) by shrinking the public domain.” Moreover, the court noted, extending copyright protection could incentivize authors to reuse characters purely in order to extend copyright protection on those characters instead of creating new ones. Ultimately, the court preserved the copyright statute’s balance of incentives and refused the Estate’s creative argument for an extension of copyright term.



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Asia - China

China's Judiciary Increases IP Savvy

IP Enforcement

The Chinese courts have long been criticized as unpredictable, but recent trends show the judicial system is gaining expertise in IP, making litigation an easier option to take.

There has been an undeniable governmental and judicial focus on IP rights in China over the past decade. The vice president of the Supreme People's Court of China, Xi Xiaoming, noted that the overall trend is towards strengthening the judicial protection of IP rights, exemplified by recent developments that improve consistency, predictability and transparency in the adjudication of IP disputes.

Structural reform. From 2009 to 2012, civil IP cases on average are up 38% per year; administrative IP cases are up 33% per year and criminal IP cases are up 48% per year. This rise is expected to continue, and the Chinese courts are preparing for the tide of IP litigation. To improve the quality and consistency of adjudications in IP cases, China has established specialised IP tribunals at all four levels of People's Courts, from the Supreme People's Court (SPC) down to certain Primary People's Courts, comprised generally of judges trained in IP law. Another reform is the "three-in-one" adjudication system, unifying civil, administrative and criminal IP cases under a single IP tribunal. Before this, IP cases, even if related, were heard by the different judicial divisions. The new system should improve the efficiency and quality of IP adjudications and minimise inconsistencies caused by different tribunals hearing related matters.

Adjudication standards. The laws in China are notoriously ambiguous, and since China adheres to a civil law system, litigants cannot rely on prior court decisions to interpret the law. Nevertheless, IP litigation is becoming much less of a black hole as courts actively promulgate interpretations and guidelines aimed at clarifying and unifying the law. The SPC has been especially active, issuing a number of these related to IP. With specialised IP tribunals and meaningful court guidance, IP litigants in China are now working with a judiciary more experienced in IP cases and under clearer adjudication standards. This should result in better-reasoned decisions than those in the past.

Competent judiciary. While the challenges to conducting IP litigation in China cannot be underestimated, IP litigants today are dealing with a

more professional, knowledgeable and open-minded judiciary than before. Chinese courts are participating more frequently in international training and exchange programmes and are increasingly cognisant and accepting of international IP laws and standards. Also, many IP judges appear increasingly open-minded and willing to consider the parties' arguments; some IP judges will consider arguments citing foreign case law when deciding novel or unsettled IP issues. Having a more competent IP judiciary is increasingly important given the key role of innovation and IP in China, the magnitude of China's IP infringement problem, and the large volume of IP disputes to come.

Increasing transparency. IP stakeholders in China will be better informed of the legal landscape due to the growing transparency of the courts' decision-making process. The SPC website, China IPR Judgments & Decisions, listed nearly 50,000 judgments and orders between 2006 and 2013 and as of January 1 2014, the Provisions Concerning the Publication of Judgment and Ruling Documents on the Internet by People's Courts (最高人民法院关于人民法院在互联网公布裁判文书的规定) require all final judgments issued by the People's Courts to be published online within seven days of the effective date.

Conclusion. The trend towards a more specialised, predictable and transparent Chinese judiciary is generally welcomed. However, this may be a double-edged sword for business owners in China. Enhanced judicial protection of IP means more IP owners will seek to enforce their rights in court. Given the large volume of low-quality and hijacked IP in China this could also mean more business owners being forced to defend against dubious IP infringement claims. Only time will tell.



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Europe - EU

Filing for a third party's vintage trademark can be bad faith - General Court on SIMCA

Judgment of 8 May 2014 in Case T-327/12, Simca Europe Ltd. v. OHIM / GIE PSA Peugeot Citroën (SIMCA)

IP Enforcement

The General Court confirms that applying to register a once famous and now unused trademark can amount to bad faith where the unused earlier mark has residual goodwill/surviving reputation.

In 2007, Mr Joachim Wöhler applied to register "Simca" (word) as a CTM for "vehicles; apparatus for locomotion by land, air or water" in class 12. Peugeot Citroën filed an invalidity action against the CTM following its registration, on the basis that CTM had been filed in bad faith contrary to Article 52(1)(b) CTMR.

SIMCA was a well-known car brand created in 1934 and intensively used by Peugeot Citroën's predecessor Automobiles Peugeot, SA. Although Peugeot ceased marketing vehicles under the SIMCA brand in the late 1970s, and its trademark registrations were consequently unused at the time Mr Wöhler's CTM was filed, Peugeot Citroën argued that its rights to SIMCA had been maintained.



'Bocman1973 / Shutterstock.com'

<http://www.shutterstock.com/gallery-472024p1.html?cr=00&pl=edit-00>

Mr Wöhler was of course well aware of the SIMCA brand and its reputation, having worked for Peugeot Citroën over a period of 18 months. It also came to light that he had intentionally sought out a trademark which was either unused or not registered, under which to market electric bicycles, and later also "niche" motorized vehicles.

When Peugeot Citroën asked Mr Wöhler to surrender his CTM, he requested financial compensation. He later assigned the CTM to Simca Europe Ltd.

It was against this background that the bad faith invalidity action was upheld by the Board of Appeal, and the new owner Simca Europe Ltd. was found to be directly liable for the conduct of the former proprietor.

The General Court fully endorsed the Board of Appeal's assessment of the facts and its conclusion that the CTM had been filed in bad faith. In particular, the Court noted that the Board had not derogated from the Court

of Justice's guidelines in its judgment in Case C-527/07 Chocoladefabriken Lindt & Sprüngli in basing its decision on an overall assessment of all of the factors of the case.

Comment

The most interesting aspect of this judgment is that the General Court indirectly allowed for the enforcement of residual goodwill (or "surviving reputation") in a vintage trademark by way of a bad faith invalidity action.

Readers in many EU member states will not be surprised that Peugeot Citroën was able to rely on its residual goodwill in SIMCA to block a later identical trademark. In the UK, there have been several successful passing-off claims through which residual goodwill has been enforced. Also in Germany, rights to an unregistered trademark do not necessarily depend on current use; what matters is that there is still market recognition of the unregistered trademark at issue. Under the CTMR, in principle, a mark that is not used is not worth protecting, and Peugeot Citroën would not have been in a position to prevent registration or cancel the new Simca CTM based on earlier (unused) registrations. Equally, residual goodwill in a vintage trademark would not be sufficient to maintain a trademark registration in the context of a non-use cancellation action. It is promising to see a more open-minded approach on what constitutes a bad faith CTM filing – particularly when considering the existing body of restrictive Court of Justice and General Court case-law. While unused trademarks might not be worth protecting, the surviving reputation of a vintage trademark certainly is, and brand owners should be in a position to prevent third parties from benefitting from the existing effects of their considerable past investment and effort.



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Europe - EU

The case of the striped shirt - good news for holders of Community designs

CJEU, Judgment of 19 June 2014 in Case C-345/13, *Karen Miller Fashions v Dunnes Stores*

IP Enforcement

The assessment of whether a Community design has individual character must be based on whether or not the design produces a different overall impression to the prior art with reference to earlier designs taken individually, and not to a combination of features taken in isolation from several different designs.

Background

Karen Millen Fashions ("KMF"), a UK high street fashion retailer, designed and placed on the market a striped shirt (and other products). Representatives of Dunnes Stores ("Dunnes"), an Irish retail chain, bought and copied these garments to put them on sale in Dunnes' Irish stores. KMF brought proceedings before the Irish High Court to obtain damages and an injunction to stop Dunnes using its designs in which it claimed unregistered Community design rights under the Community Design Regulation ("CDR"). After the High Court found in KMF's favor, Dunnes appealed the decision to the Irish Supreme Court. Dunnes did not deny that it copied KMF's designs; it argued that the designs lack individual character. Having regard to Dunnes' arguments, the Irish Supreme Court stayed the proceedings to ask the CJEU whether the individual character of a design must be assessed by reference to one or more earlier designs taken individually or by reference to a combination of features taken in isolation and drawn from a number of earlier designs. Moreover, the Court asked where the burden of proof lies in establishing individual character in infringement proceedings involving unregistered Community designs.

Judgment

The CJEU clearly held that the assessment of whether the design at issue produces a different overall impression on the informed user, as compared to the prior art, should be conducted with reference to one or more "specific, individualized, defined and identified designs" previously made available to the public and not to a mishmash of features taken from numerous designs. Where the design is compared to the prior art indirectly and on the basis of an imperfect recollection, the comparison would not be based on a recollection of specific features from several different earlier designs but rather of specific designs. The CJEU noted that, although Art. 25(1) of the TRIPS Agreement provides for a combination of design features to be assessed,

this provision was optional and was not incorporated in the CDR.

With regard to the burden of proof in infringement proceedings, Dunnes argued that KMF should be required to prove that its unregistered Community designs are valid, including that there is no relevant prior art. The CJEU rejected this argument and pointed out that it is clear from both the title ("presumption of validity") and the wording ("indicates what constitutes the individual character") of Art. 85(2) CDR that the right holder need only indicate which features it considers give its design individual character. The reason for this requirement is that, in the absence of a registration, it is necessary for the right holder to indicate what it considers to be the protected features of its design. Requiring the right holder to prove the absence of relevant prior art in this context would not be compatible with the objective of simplicity and expeditiousness underpinning the idea of the protection of unregistered Community designs. Furthermore, it would render the defendant's ability to contest a design's validity by way of a counterclaim or plea obsolete.

Comment

Holders of Community designs will appreciate that the CJEU clarified that, when assessing the individual character of a Community design, the prior art is always a single product or design and not a mosaic of different elements from various designs. Especially for the fashion industry, this judgment will be a welcome clarification, given that it is common practice for that industry to use a combination of previous designs as a starting point for creating a new one



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Europe - France

France to strengthen its legal framework for the fight against counterfeiting

Law No. 2014-315 of 11 March 2014 to strengthen the fight against counterfeiting

IP Enforcement

France has recently adopted a new law to update and improve its legal framework for the fight against counterfeiting as reformed by the Law of 29 October 2007 implementing the IP Enforcement Directive.

France adopted the [Law No. 2014-315 of 11 March 2014 to strengthen the fight against counterfeiting](#).

This new law aims at significantly strengthening the French anti-counterfeiting legal framework, in particular following the [Law n°2007-1544 of 29 October 2007 on the fight against counterfeiting](#) (implementing [Directive 2004/48/CE of 29 April 2004 on the enforcement of intellectual property rights](#)) and at harmonizing the provisions applicable to the various intellectual property rights.

This new law encompasses, in particular, the following changes:

- **Civil remedies:** with regard to the allocation of damages, the Court shall now “*take into account separately*” (i) the negative economic consequences, (ii) the moral prejudice and (iii) the unfair profits made by the infringer (including the intellectual, material and advertising investments savings). This new wording, which specifically encompasses the profits made by the infringer, is intended to significantly increase the amount of damages allocated to victims of infringements in France, and to avoid counterfeiting remaining a profitable business even though the infringer has been convicted (punitive damages are subject to a general prohibition under French civil law)
- **Right of information:** the text now explicitly allows claims to be raised based on the right of information both during proceedings on the merits and during summary proceedings, and also refers to the “*alleged*” infringement, which should imply that a claim based on the right of information could also be raised before the Judge in charge of the proceedings.

- **Evidence:** the law harmonizes infringement seizure proceedings (*saisie-contrefaçon*) applicable to the various intellectual property rights. In addition, it states that the court shall have the possibility to order all other measures necessary to the investigation of the case, even when no prior infringement seizure has been performed.
- **Statutes of limitation:** the statutes of limitation for the actions provided for in the French Intellectual Property Code are aligned on a five-year period. Hence, the statute of limitation for initiating civil proceedings regarding the infringement of designs, trademarks and patents is extended from three to five years.
- **Infringing acts:** in addition to the acts of use, detention and importation, the law extends the monopoly of the owner of any intellectual property right to exportation and transshipment.
- **Customs actions:** customs actions are now extended to all intellectual property rights, including patents (which were beforehand outside the scope of domestic customs actions). Furthermore, the law aligns the French customs actions with the European customs actions as amended by [Regulation \(EU\) No 608/2013 of June 2013 concerning customs enforcement of intellectual property rights](#). Ahead of the adoption of the currently discussed [EU Trademark Package](#), the law extends customs actions to goods in transit.

The new law came into force on 13 March 2014.



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Europe - Germany

German courts can rule on English-language content on a website

German Federal Court of Justice, Decision of 12 December 2013, No. I ZR 131/12

IP Enforcement

In a claim based on an alleged illegal commercial practice according to the Act Against Unfair Competition ("UWG)" on the internet, the German Federal Court of Justice ("BGH") decided that German courts may have international jurisdiction even if the claim is directed against English language content of a website.

Background

The Irish airline Ryanair was in dispute with a large German online travel agency. In part the dispute concerned a press release published on the Ryanair website, in which Ryanair expressed its negative opinion of the travel agency ("overpriced", "unjustified premiums" and so on). The press release was published both in English (accessible via the English version of its website [.com/en]) and in German (accessible via the German version of its website [.com/de]). A drop-down-menu allowed visitors to choose between the different language versions of the website notwithstanding their actual location based on their IP address.

The travel agency considered the German and English version of the press release discrediting and denigrating according to Section 4 no.7 of the UWG and sued Ryanair.

The Higher Regional Court of Frankfurt am Main decided that the action brought by the travel agency was inadmissible insofar as it concerned the English version of the press release. It said that the place where the harmful event occurred according to Art. 5 no. 3 of Council Regulation (EC) no. 44/2001 ("Brussels I"), governing international jurisdiction in UWG-matters, had not been in Germany: Every user accessing the Ryanair website from Germany would be automatically led to its German version [.com/de], which showed that Ryanair had intended to inform its customers from Germany via the German version of the website only.

Decision of the BGH

On the travel agency's appeal, the BGH took a different view and affirmed the international jurisdiction of the

German courts also for the English version of the press release.

It held that the international jurisdiction of German courts in a case based on unfair competition resulting from internet content would depend on whether the website at issue was "intended to make an impact" on the German market.

The BGH found that such an "intended impact" was made also with regard to the English version of the press release. The drop-down-menu on Ryanair's website allowed users to choose their preferred language version, an option that, as experience had shown, would be put to use also by users in Germany who spoke better English than German. The fact that Ryanair gave its customers the freedom to switch from the German to the English version of the website showed that the English version (and the English press release) also had an "intended impact" in Germany.

Comments

Though the BGH likely had the specific background of this case in mind (especially that the press release concerned a company seated in and primarily targeted at the German market), its decision gives courts and parties a rather wide margin to argue for an international jurisdiction of German courts in unfair competition disputes regarding internet content. Especially considering that a drop-down-menu to choose a website's language is a standard feature on websites of companies operating internationally, this may open new opportunities for forum shopping in the EU.



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Europe - Netherlands

Dutch court orders disclosure of source code in China

Provisions Judge District Court of The Hague, judgment of 7 April 2014, ECLI:NL:RBDHA:2014:7073, Autodesk, Inc. v. ZWCAD Software Co., Ltd. et al

IP Enforcement

Autodesk's claim for a preliminary injunction against Chinese software developer ZWSoft was rejected due to lack of sufficient evidence, but the Provisions Judge granted Autodesk's claim for evidence preservation in China for later use.

Autodesk is a developer of Computer-Aided Design programs (CAD programs) which it brings on the market under the name AutoCAD. The source code of AutoCAD is protected by copyright. Besides, Autodesk treats its source code as a trade secret.

The Chinese company ZWSoft brought a CAD program on the market under the name ZWCAD+. This program could be purchased in the Netherlands through ZWSoft's website. According to ZWSoft, it had developed this program from scratch. Autodesk however took the view that this program was based on the source code of Autodesk's AutoCAD 2008 program and that ZWSoft infringed Autodesk's copyrights and violated its trade secrets. According to Autodesk, many functions of AutoCAD which did not provide a useful contribution to the working of the system for the user or which could even be qualified as mistakes were also found in the ZWCAD+ program. Autodesk initiated preliminary relief proceedings before the Provisions Judge of the District Court of The Hague claiming inter alia an injunction and an order that a copy of the source code of ZWCAD+ must be provided to a custodian in the Netherlands.

The Provisions Judge rejected Autodesk's claims for an injunction, as in the Judge's view Autodesk had not made it sufficiently plausible that ZWSoft (1) had obtained the source code of AutoCAD, and (2) had used parts of it in the source code of its ZWCAD+ program. The Judge noted that there was no direct evidence that parts of the source code of ZWCAD+ were identical to parts of the source code of AutoCAD. Autodesk did not have the source code of ZWCAD+ in its possession and could thus only make statements regarding similarities in the functionality of the programs. The Judge considered this to be problematic, as a similar functionality can be achieved with a different source code. He thereby followed SWSOft's core argument. ZWSoft stated that it intended to

develop a program that was functionally closely similar to AutoCAD because AutoCAD was the market standard for CAD programs, but that it did not use the source code of AutoCAD. Based on this, the Judge considered that there was insufficient evidence to warrant an injunction.

The Judge however granted the claim that ZWSoft must provide a copy of the source code of ZWCAD+ to a custodian. The Judge considered that the fact that there was insufficient evidence to warrant an injunction does not preclude the possibility of granting an order relating to the safeguarding of evidence for later use in proceedings on the merits. The threshold for granting an order for the safeguarding evidence was held to be lower than the threshold for an injunction. It is sufficient that the plaintiff puts forward specific facts and circumstances from which a reasonable suspicion of infringement can follow. As many of functions of AutoCAD which did not provide a useful contribution to the working of the system for the user or which could even be qualified as mistakes were also found in the ZWCAD+ program, the Judge considered that the threshold for granting the evidentiary measure was met.

ZWSoft defended itself by stating that Chinese laws would prevent it from bringing the source code of its program out of China. The Judge did not consider this to be adequate ground for disallowing evidence preservation altogether, but came up with the practical solution of ordering ZWSoft to provide its source code to a custodian in China. As a result, the evidence will be safeguarded and Autodesk may have an opportunity to use this evidence for further substantiating its claims in proceedings on the merits.

This decision shows that Judges in the Netherlands are willing to assist in evidence collection and to take practical measures, also where it concerns foreign entities and infringement cannot yet be established.



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Europe - UK

Law Commission recommends reform of threats law

Law Com No 346

IP Enforcement

On 15th April the Law Commission published its report on the law of groundless threats in the UK, covering patents, trademarks and both registered and unregistered design rights. The report recommends a series of measures to increase consistency between these different rights, and to clarify the law.

In the UK a party threatened with infringement proceedings can, in certain circumstances, claim damages or an injunction where it can show such threats are groundless. The complexity and uncertainty of the current law causes many headaches, and calls for some very carefully worded letters before action. The Law Commission's report follows a consultation which showed support for retaining the threats provisions, but also a need for reform.

Communication with primary actors

There has been a long-standing exception allowing threats to primary actors (e.g. those making or importing a product or those applying a trademark to goods) but only if the threat is strictly limited to those acts. Patent law was reformed in 2004 to protect communications to primary actors generally; the Law Commission recommends the same changes to trademark and design rights law.

Presently the law only permits threats against those actually committing primary acts of infringement, which does not reflect commercial reality. The report proposes extending the exception to those intending to commit such acts, although the threatener would have to provide objective evidence of intent.

Communication with secondary actors

The current law surrounding communication with secondary actors (e.g. those selling a patented product, or those selling goods with an infringing trademark) is particularly complex. Therefore, with the consultation responses urging greater clarity, a new safe harbour is proposed where:

1. Communication is made for a legitimate commercial purpose.

2. The information given does not go further than necessary.
3. There is reasonable belief in the truth of the statements made.

Some examples of legitimate commercial purposes are suggested, which include to:

- Identify the source of the infringement.
- Prevent an innocent infringement defence.

Permitted communication with secondary actors is likely to remain limited, and what may be communicated constrained to certain factual information, but rights holders may welcome a clearer statutory regime.

It remains to be seen if and how the proposals will be implemented, but they could bring welcome harmonisation between different intellectual property rights and a clearer legislative framework. However, threats will continue to be a complex area where the unwary can be easily caught out when threatening to bring infringement proceedings if such threat might (expressly or impliedly) include a threat of UK proceedings.



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