

ELZABURU

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**IP International
Law firm**

ANNUAL REVIEW

ELZABURU

2011



EUROPEAN CASE-LAW
INTELLECTUAL AND INDUSTRIAL PROPERTY

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FOREWORD

As our Firm's Executive President, it gives me great pride and satisfaction to present our clients, colleagues and friends with Elzaburu's Annual Review of the most relevant decisions of 2011 in our specialist area. Our Firm has always been particularly fond of scientific, academic and educational activities. The enforcement of intellectual property rights does not merely involve providing our clients with excellent service; we are also committed to sharing the teachings, uncertainties and concerns deriving from our profession and from court decisions with the rest of society.

In this first Annual Review, our Firm's European vocation has prevailed over all else. In that sense, the decisions that have been selected touch on issues that transcend strictly national boundaries and come from similarly European-oriented authorities, such as the Court of Justice of the European Union (CJEU), the Spanish Community Trademark and Design Court and the Boards of Appeal of the European Patent Office. As an exception, we have included a judgment from the Spanish Supreme Court and another from a Commercial Court, given that they decisively affect the protection of European patents in Spain.

Each review has an identical format (background, findings and brief remarks) based on the need to ensure that they can be read swiftly and that practical and helpful conclusions of general interest can be drawn. We trust that the layout of the Review, which has been ordered in terms of subject matter (trademarks, copyright, patents, designs, unfair competition and advertising, counterfeiting and geographical indications) will help to guide the reader and so facilitate consultation.

It only remains for me to thank our contributors for their work and dedication and congratulate our Editorial Committee on the initiative. I certainly hope that everyone enjoys and benefits from this Annual Review.

Alberto de Elzaburu
Executive President of ELZABURU S.L.P.

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TRADEMARKS

1. The filling of packaging on the instructions of another company does not constitute third-party trademark infringement. Judgment handed down by the CJEU on 15 December 2011, Red Bull (C-119/10).

1. *Background.* The company Smart Drinks, Ltd. (Smart Drinks) instructed Frinsdranken Industrie Winters BV (Winters) to fill cans with fizzy drink. The empty cans had previously been supplied to Winters by Smart Drinks and bore various distinctive signs, some of which were similar to the well-known energy drink trademark RED BULL.

Red Bull GmbH (Red Bull) filed proceedings with the Dutch courts against Winters for infringement of its RED BULL trademark. The issue of whether the filling of packaging supplied by a third party bearing a certain sign constitutes use of that sign within the meaning of Article 5.1 of the First Trademark Directive was referred to the Court of Justice of the European Union, which held that that it does not.



2. *Findings.* The Court of Justice of the European Union exempts Winters from liability for any infringement of Red Bull's trademarks. It holds that Winters merely executed a technical part of the production process of the final product, without having the slightest interest in the product's trade dress or in the signs affixed to the packaging. In that regard, the Court refers to the findings laid down in the judgment of 23 March 2010, Google France and Google (C-236/08

& C-238/08), in which it was affirmed that creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses that sign within the meaning of Directive 89/104.

As an additional factor to support the finding that Winters had not infringed any trademark rights, the judgment adds that the necessary identity or similarity between the goods covered by the RED BULL trademark registrations (which identify a drink) and the services rendered by the company in question, consisting of the filling of packaging, is lacking.

3. *Remarks.* Red Bull and the European Commission had expressed their concerns to the Court of Justice of the European Union that trademark rights could be infringed through the strategy of dividing the production process into several stages, and entrusting those stages to different service providers. The judgment expressly rejects this argument on the grounds that the protection conferred on the trademark owner is guaranteed by means of the possibility of holding the party contracting those successive services in order to obtain the final product to which the infringing sign is affixed liable for the acts of infringement. In view of this doctrine, it will therefore be necessary for the trademark owner to design an adequate strategy to be followed so that defensive action can be instituted against the party that is truly liable for the trademark infringement.

Carlos Morán Medina

2. The surface appearance of the glass of a bottle may be registered as a Community trademark. Judgment of the CJEU of 20 October 2011, Freixenet (C-344/10 P & C-345/10 P).

1. *Background.* The company Freixenet filed applications with the Office for Harmonization in the Internal Market (OHIM) for trademark registrations consisting of the image of a glass bottle described as a “frosted black matt bottle” and the image of another bottle described as a “white polished bottle which, when filled with sparkling wine, takes on a golden matt appearance similar to a frosted bottle”. In its applications Freixenet declared that it did not wish to obtain protection for the shape of the packaging, but rather for the specific appearance of its surface.

The OHIM refused the trademark applications on the grounds that they were devoid of distinctive character for the purposes of Article 7.1 b) of the “Community Trademark Regulation” (Regulation 40/94). This decision was confirmed by the OHIM’s Board of Appeal and later by the General Court. Freixenet filed a cassation appeal with the Court of Justice of the European Union (CJEU).



2. *Findings.* The CJEU began by reviewing its own case-law on the distinctive character of trademarks within the meaning of Article 7.1 b) of Regulation 40/94, particularly with respect to three-dimensional trademarks. According to that case-law, since average consumers are not in the habit of making assumptions about the origin of products on the basis of their shape or the shape of their packaging in the absence of any graphic or word element, only a mark which departs significantly from the norm or customs of the sector and thereby fulfils its essential function of indicating origin is not devoid of any distinctive character.

The CJEU holds that this case-law also applies to the trademarks sought by Freixenet, even though they do not claim the shape of the packaging, but rather the specific appearance of its surface. It concludes that the General Court had erred in not having based its assessment of the case on the aforementioned doctrine.

The judgment states that instead of checking whether the trademarks that had been applied for departed significantly from the norm or customs of the sector,

the General Court merely made the general observation that the colour and polish of the glass of the bottle could not function as a trademark unless used in relation to a word element. According to the CJEU, this appraisal means that all trademarks consisting of the shape of the packaging of the product itself, without a word component, would automatically be excluded from the protection conferred by a Community trademark.

As a result, the CJEU set aside the judgment of the General Court and annulled the decisions of the OHIM which refused to grant registration to Freixenet's marks.

3. *Remarks.* This judgment by the CJEU is certainly good news for drinks producers, given that it confirms the possibility of registering a particular feature or characteristic of a bottle as a Community trademark without the need for it to be accompanied by a word element, provided, of course, that it is sufficiently distinctive, in which respect it will be necessary to ensure that it “departs significantly from the norm or customs of the sector”. **Carlos Morán Medina**

3. Possible exceptions to the prohibition on registering identical trademarks designating the same goods. Judgment of the CJEU of 22 September 2011, Budějovický Budvar (C-482/09).

1. *Background.* The company Budějovický Budvar, národní podnik (“Budvar”) had been marketing a beer under the BUDWEISER trademark in the United Kingdom since 1973. Anheuser-Busch Inc. (“Anheuser-Busch”) had also been marketing beer in that country under the BUDWEISER trademark since 1974. Both companies had registered the trademark by court decision of the same date, although Anheuser-Busch's application had been filed several years before Budvar's application.

The day before the five-year period following the grant of Budvar's trademark application had come to end, Anheuser-Busch filed a petition seeking its invalidity, invoking the priority of its own trademark application. The UK Court of Appeal referred a number of issues relating to interpretation of the rules on limitation in consequence of acquiescence and the prohibition on registering identical marks designating identical goods to the Court of Justice of the European Union (CJEU).

2. *Findings.* On establishing that the concept of “acquiescence”, within the meaning of Article 9(1) of the First Council Directive (89/104) on trademarks, is a concept of European Union law, the CJEU held that this concept implies that the acquiescing party remained inactive in a situation that it could have challenged. Therefore, in cases in which the proprietor of an earlier trademark was not in any position to oppose the use of a later mark, limitation in consequence of acquiescence, as laid down in Article 9 of Directive 89/104, shall not apply.

The judgment goes on to state that under the aforementioned Article, four requisites must be met in order for the period of limitation in consequence of acquiescence to start to run: firstly, the later mark must have been registered; mere use of that mark will not suffice; secondly, the application for registration of the later mark must have been made in good faith; thirdly, the later mark must have been used by its proprietor in the Member State in which it was registered; and fourthly, the proprietor of the earlier trademark must have been aware that the later mark had been registered and used after its registration.

Finally, with respect to the prohibition on registering identical marks designating the same goods or services laid down in Article 4.1 a) of Directive 89/104, the CJEU begins by stating that in accordance with its earlier case-law, it is not necessary to demonstrate that there is a likelihood of confusion among consumers in order for this to apply.

The CJEU nevertheless holds that the use of the later trademark must always have, or be liable to have, an adverse effect on the essential function of the trademark, which is to guarantee to consumers the origin of the goods. This requirement is not met in situations such as the case in question, in which there has been a long period of honest, concurrent use of two identical trademarks designating identical goods.

3. *Remarks.* Despite the fact that it might initially seem otherwise, the prohibition on registration, and the ensuing prohibition on use, of two identical marks designating identical goods or services does not automatically apply in all cases. There could be cases, for instance that of the BUDWEISER trademark in the United Kingdom, in which the particular circumstances might lead the courts to allow the coexistence of the trademarks on the register. Analysis of such cases

must then include an examination as to how the trademarks are actually used in the marketplace, not only from the standpoint of trademark law, but also from other perspectives such as unfair competition. **Carlos Morán Medina**

4. The selection and use of a reputed trademark as a keyword with “due cause” does not constitute infringement of the rights of the trademark holder. Judgment of the CJEU of 22 September 2011, Interflora (C-323/09).

1. *Background.* Interflora, the famous network of independent florists with whom clients may place orders in person, on the telephone or via the Internet, brought legal action in the United Kingdom against Marks & Spencer (one of the main retailers in the United Kingdom) for having selected the registered trademark INTERFLORA, as well as other variants, as a keyword, which meant that when the term “Interflora” was entered into the Google search engine, Marks & Spencer advertisements appeared under the heading “sponsored links”. The text of the advertisement did not, however, include the term “Interflora”, but it did contain references to M&S and <marksandspencer.com>. The High Court of Justice (England & Wales), Chancery Division, stayed the proceedings and referred a number of questions to the Court of Justice of the European Union (CJEU) for a preliminary ruling. All of the questions were aimed at elucidating the extent to which Marks & Spencer’s conduct might constitute infringement of Interflora’s trademark rights.



MARKS &
SPENCER

2. *Findings.* The CJEU first of all refers to the doctrine enshrined in the judgments of 23 March 2010 (joined cases C-236/08 to C-238/08 Google) and 25 March 2010 (case C-278/08 BergSpechte), and stresses that the sign selected by an advertiser as a keyword constitutes use in trade. The court confirms that the use of the mark is made in relation to the advertiser’s goods or services, even where the sign selected as a keyword does not appear in the advertisement itself, and in order for the trademark holder to be able to prevent such use, the existence of a double identity situation, as described in Article 5.1(a) of the “Trademark Directive”, will not suffice; rather, the use must have, or be liable to have, an adverse effect on the functions of the mark (the essential function of

guaranteeing the origin of the product to consumers and the advertising function), as well as the newly-coined trademark's "investment" function which, despite overlapping with the advertising function to a certain degree, refers to the measures taken by a trademark holder "to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty".

The second part of the judgment analyses the dispute from the standpoint of Article 5.1(b) of the "Trademark Directive" and from the perspective that the INTERFLORA trademark has a reputation. The court finds that the holder of a reputed trademark is entitled to prevent the use of its mark by third parties where that use takes unfair advantage of the distinctive character or the repute of the trademark or is detrimental to that distinctive character or repute. Based on case-law arising from the judgments handed down in cases C-408/01 Adidas and C-487/07 L'Oréal, the court holds that the selection of a sign identical or similar to a reputed trademark as a keyword within the context of an Internet referencing service does not necessarily contribute to a reduction in the sign's distinctive character and its becoming a generic term.

In the final part of the judgment, the CJEU states that a trademark with a reputation selected within the context of an Internet referencing service by a party other than the trademark holder can be construed as having been used with due cause and within the scope of healthy and fair competition where the sponsored link advertisement proposes an alternative to the goods or services of the trademark holder without offering a mere imitation of the trademark holder's goods or services, without causing dilution or tarnishment, and without adversely affecting the functions of the trademark in question.

3. *Remarks.* This judgment once again tackles the boundaries of legality in the use of third-party trademarks as keywords, although it introduces two new aspects in respect of previous judgments. On the one hand, it refers to the trademark's "investment" function and, on the other hand, it tackles the dispute from the standpoint of a trademark with a reputation. The court once again defends the principle of free competition, but provides the national courts with a series of guidelines and tools so that they can resolve any disputes arising between trademark holders (including holders of reputed trademarks) and those who select those marks as keywords based on the wording of the sponsored link and its content. **Luis Baz**

5. Community trademark, application filed in bad faith, trademark infringement, *ficta confessio*. Judgment of the Community Trademark Court of 22 July 2011.

1. *Background.* The US company Calvin Klein Trademark Trust, which owns an extensive family of trademarks containing the famous CK sign, files action against the Spanish trademark CINTURONES CK KEBDANA, owned by Manssur Daïrek Attoumi. The action, which was based on a Community trademark belonging to the plaintiff, was aimed at securing a declaration of invalidity against the defendant's national trademark registration, a declaration of infringement and the pertinent compensation for damages. The Community Trademark Court dismissed the defendant's appeal against the judgment accepting the plaintiff's claims.



2. *Findings.* The judgment firstly examines the issue of the defendant's bad faith when applying for the trademark application as a ground for invalidity. On the basis of the well-known character and prestige of the plaintiff's CK trademark, the court categorically affirms that "*the defendant was plainly aware, and ought to have been aware, of the existence of the plaintiff's trademark due to the fact that it is admittedly well known, and so a trademark application in which the letters "CK" are prominent can have no purpose other than to take advantage of the reputed and prestigious character of the earlier mark, which renders this conduct reprehensible*". The court also accepts the action for infringement on the grounds that the mark used by the defendant in trade is not the same as the mark that has been protected. Therefore, the defendant's conduct would not be protected by the *ius utendi* that trademark registrations confer on their owners. Lastly, the judgment approves the amount of compensation set "*reasonably*" by the Community Trademark Court, since not only has the defendant breached his obligation to cooperate with the courts, but also his obligation to keep ordered accounts records.

3. *Remarks.* Demonstrating to the courts that a defendant has applied for a trademark in bad faith as a ground for invalidity is often a difficult and uncertain task, so much so that the Community Trademark Court was reluctant to accept the well-known character of the plaintiff's mark when the defendant's trademark application was filed as the only proof of bad faith, unless it was accompanied by other demonstrated circumstances. In light of this judgment, the court would appear to be adopting more flexible criteria, which will facilitate the protection of well-known trademarks against the fraudulent registrations often obtained by third parties. **Francisco Marín**

6. Liability of electronic marketplace operators in the infringement of third-party trademarks. Judgment of the CJEU of 12 July 2011, L'Oréal and others (C-324/09).

1. *Background.* The company L'Oréal sued the online auction and product sales operator eBay for infringement of its trademarks "L'Oréal", "Amor Amor" and "Lancôme". This infringement had occurred through the sale of counterfeit L'Oréal products, L'Oréal samples and products intended for countries outside the European Economic Area (EEA) by third parties on eBay. L'Oréal also held eBay responsible for this infringement and considered that it had not taken sufficient measures to prevent the sale of the infringing products.



2. *Findings.* The Court of Justice of the European Union (CJEU) examines several issues concerning the online sale of products that infringe trademark rights. It firstly states that EU trademark legislation applies to the offering for sale and advertising of products located in third countries when they are targeted at EU consumers, as was the case here. Moreover, when those products had not been marketed previously within the EEA, the trademark rights would not have been exhausted.

The judgment recognised L'Oréal's right to prevent eBay from using its trademarks to advertise itself through search engines such as Google. Nevertheless, this entitlement is generally limited to cases in which such advertising does not enable Internet users to correctly determine whether the trademarked goods being sold on this online marketplace come from their proprietor or from a third party.

The judgment also clarifies that operators of online marketplaces such as eBay are not "using" third-party trademarks, within the meaning of the "First Trademark Directive" (Directive 89/104) and the "Community Trademark Regulation" (Regulation no. 40/94), merely by allowing third parties to offer goods bearing those trademarks for sale on their websites. In such cases, the liability of the online marketplace operator is determined by the provisions of the "Directive on Electronic Commerce" (Directive 2000/31), Article 14 of which lays down an exemption from liability where the operator is not actually aware that the activity is illegal. Nevertheless, the operator of the electronic marketplace cannot rely on that exception when it renders services consisting of optimising the presentation of the offers for sale or promoting them, given that in that case it is playing an active role that gives it knowledge of, or control over, the data relating to those offers for sale.

However, the judgment goes on to state that even if the operator has not played an active role, it cannot avail itself of this exception either if it has been aware of facts or circumstances from which the illegal activity is apparent (for example, if it has been notified by the trademark holder) and has failed to act expeditiously to remove the offer in question from its website or block access to it.

The final question examined by the CJEU refers to the measures which may be taken by the national authorities against operators of electronic marketplaces under Article 11 of the Directive on the enforcement of intellectual property rights (Directive 2004/48). The judgment concludes that the authorities may: firstly, oblige the operator to prevent a seller that has infringed trademark rights from committing further infringement by suspending their account; and secondly, ordering the operator to take measures aimed at facilitating the identification of its customer-sellers.

3. *Remarks.* This CJEU judgment, as a whole, seems to be positive for trademark holders, given that it clears up a number of significant doubts concerning the relationship between exclusive trademark rights and the conduct of the operators of electronic commerce, which is becoming more and more widespread. In any event, the CJEU makes sure to place certain limitations on the right holders' ability to act, regarding which it indicates, inter alia, that electronic marketplace operators cannot be subjected to a general and permanent ban on offering the sale of goods bearing certain trademarks. IP right holders will therefore have to continue protecting their rights on a day-by-day basis by means of precise and effective legal action. **Carlos Morán Medina**

7. The prohibition against infringement of a Community trademark ordered by a Community Trademark Court may be extended to all of the European Union Member States. Judgment of the CJEU of 12 April 2011, DHL Express France (C-235/09).

1. *Background.* The company Chronopost sued its competitor DHL in the French Community trademark courts due to infringement of its French and Community WEBSHIPPING trademarks. At the appeal stage, DHL was found to have infringed both trademarks and was prohibited, subject to a periodic penalty payment in the event of infringement of the prohibition, from continuing to use the signs WEBSHIPPING and WEB SHIPPING in order to designate an express mail management service accessible via the Internet.

At the cassation appeal stage, Chronopost alleged that the Appeal Court had infringed Article 98 of the "Community Trademark Regulation" (Regulation no. 40/94) on not having extended the prohibition to the entire area of the European Union. The French Cour de Cassation (Court of Cassation) referred this issue to the Court of Justice of the European Union (CJEU) for a preliminary ruling.



2. *Findings.* The CJEU first of all states that under Article 94 of Regulation 40/94, the Community trademark court in the Member State in which the defendant is domiciled has jurisdiction to rule on acts of infringement that have

been committed or threatened in any Member State. The judgment goes on to highlight that a Community trademark has a unitary character, and that the objective enshrined in Article 98 of Regulation 40/94 is to protect the right conferred by the Community trademark in a uniform manner throughout the whole of the European Union. It therefore concludes that the prohibition against further acts of infringement or threatened infringement ordered by a Community trademark court must, in principle, be extended to the whole of the European Union.

Lastly, the CJEU states that the cross-border effect of that prohibition is supported by the provisions of Regulation 44/2001, according to which the Member States are obliged to recognise and enforce decisions that are enforceable in other EU Member States.

In the request for the preliminary ruling, the French court also raised the issue of whether a coercive measure, such as a fine, ordered by a Community trademark court so as to ensure compliance with a prohibition against further infringement of a Community trademark, may have effect in other Member States.

In its reply to this question, the CJEU refers to Council Regulation 44/2001, according to which the courts of those other Member States must recognise and enforce said measure pursuant to the rules and procedures laid down by their national law. The CJEU adds that where the national law of the Member State in which the recognition and enforcement is sought does not provide for a coercive measure similar to that ordered by the Community trademark court, the courts of that State must attain the objective pursued by the measure by having recourse to the relevant provisions of its national law which are such as to ensure that the prohibition originally issued is complied with in an equivalent manner.

3. *Remarks.* We are dealing with a singularly important decision in cases in which a Community trademark is being simultaneously or successively infringed in several EU Member States, and such cases are growing in number. The cost and effort that the trademark holder is spared as a result of instituting the legal action before the most appropriate Community trademark court, and subsequently enforcing the decision in other territories, will make it necessary to take extreme care when planning the strategy to be followed before filing legal action against the infringer. **Carlos Morán Medina**

8. Joinder of actions for trademark infringement, unfair competition and a petition for invalidity on grounds of bad faith. Judgment of the Community Trademark Court of 28 January 2011.

1. Background. The Italian company Candis, S.R.L. (“Candis”) files action against its ex-agent, the Spanish company Revestimientos Osaka, S.A. (“Osaka”), on grounds of trademark infringement and acts of unfair competition, in addition to claiming invalidity of a trademark applied for in bad faith. Compensation for the damages deriving from the infringement of the earlier trademark and the acts of unfair competition was also claimed. The court dismisses the appeal filed by Osaka in its entirety and partially accepts Candis’ opposition, revoking the lower court’s judgment in respect of compensation, the amount of which was increased by adding the sum referring to unfair competition to the compensation deriving from trademark infringement.

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2. Findings. The judgment firstly finds that the defendant had filed the application for its national trademark ANTIGUAS TIERRAS FLORENTINAS in bad faith since, as the plaintiff’s ex-agent, the defendant ought to have been aware of the plaintiff’s Community trademark registration. The court moreover holds that since the mark in question had been registered as a Community trademark, the registration of its Spanish translation as a national trademark was entirely unnecessary, which demonstrates that Osaka’s sole intention was to guarantee that it could continue using the trademark (used by Candis in Spain) in the event that their business relationship broke down, and it was thus free-riding on the well-known character of the plaintiff’s mark.

Secondly, with respect to the acts of unfair competition, the court holds that the defendant had committed acts of confusion, given that following the breakdown in the working partnership, it continued to use the characteristic trade dress of the containers that it distributed for Candis in order to market its own products. This hinders the marketing of the plaintiff’s products in Spain due to the confusion

arising as to their business origin. The court also finds that Osaka had likewise committed disparaging acts on sending its clients a circular containing false information that was detrimental to the plaintiff.

Lastly, the court accepts the plaintiff's damages claim as a result of the acts of confusion committed by the defendant. The court holds that since they were unlawful acts affecting various rights (the *ius prohibendi* of the trademark holder and the correct functioning of the market) and occurring through different types of conduct (use of an earlier trademark and use of virtually identical packaging), such damages are not included in the compensation for trademark infringement. The court agrees to raise the initial compensation of 44,400.45 Euros to a total of 66,00.68 Euros.

3. *Remarks.* This judgment highlights the fact that the problems normally involved in demonstrating bad faith at the time of filing a trademark application are lessened when there has been a cooperation agreement between the parties. What is particularly relevant is the Community Trademark Court's findings on compensation. In that regard, the court holds that in cases where the acts prompting the trademark infringement and unfair competition are different, the compensation should reflect the damages sustained as a result of both types of conduct. **Ana Sanz**

9. Obstruction of action for infringement of a Community trademark registration by a national trademark. Judgment handed down by the Spanish Community Trademark Court on 26 January 2011.

1. *Background.* The company A, S.L., which owns a number of Community trademark registrations for the term ÁREAS, files an infringement action against a company that had registered an ÁREAS composite Spanish trademark and was using it in the marketplace. The action sought to obtain a declaration of infringement and a declaration of invalidity of the Spanish trademark registration, as well as the corresponding rulings ordering the cessation of use of the infringing trademark and the removal of the defendant's advertising material from the marketplace. The proceedings went to appeal, and the court, on partially accepting the appeal, revoked the declaration of infringement but upheld the invalidity of the trademark and the cessation order.



2. *Findings.* Although the judgment examines the issue of confusing similarity between trademarks at length, the primary point of interest of the invalidity action filed against the defendant's Spanish trademark lies in the rulings on the cessation action. The court rejects the possibility of accepting an action for infringement of a Community trademark where the defendant's conduct is covered by a valid Spanish trademark registration, even if that trademark registration had been declared invalid within the context of those same proceedings. The reason for this decision is that Spanish law is governed by the old principle *qui iure suo utitur, neminem laedit*, and Article 34.1 of the Spanish Trademark Act confers on the owner of a trademark registration the exclusive right to use it in trade.

There are three important provisos to the court's refusal to issue a declaration of Community trademark infringement when the defendant is the owner of a national trademark registration: firstly, the judgment acknowledges that an action for infringement can only be accepted where the defendant "*had used a sign that did not correspond with the one registered as a national trademark*"; secondly, the court points out that the dismissal of action seeking a declaration of infringement does not imply that the traditional consequences of infringement, such as cessation of use of the trademark that has been declared invalid, cannot have effect. Not only is invalidity backdated (the trademark registration was never valid), but it also applies to the future (an obligation to refrain from using the trademark and to remove the goods that it identifies from the marketplace). The judgment indicates that this cessation would be necessary "*in order to ensure the full effectiveness of the declaration of invalidity, since acts or de facto situations that may give rise to infringement of the plaintiff's trademark, since they are no longer covered by any rights, will have to be prevented*". Lastly, the judgment confirms that in cases of trademark invalidity, it would be possible to claim damages only where bad faith on the part of the owner of the invalidated trademark registration has been invoked and demonstrated.

3. *Remarks.* This judgment touches on a vein of case-law followed by the Community Trademark Court in respect of which a Community trademark cannot be held to have been infringed when the defendant is the owner of a national trademark. This does not prevent a petition for invalidity from being filed at the same time as the action for infringement. In the court's view, the *ius utendi* deriving from the registration obstructs the issuance of a declaration of infringement of the Community trademark. The uncertainties and reservations underlying this vein of case-law have been submitted to the Spanish Supreme Court, but they continue to be mere legal technicalities: in practice, what matters is that the rulings on cessation prevail even where the action seeking a declaration of infringement has been dismissed. The judgment therefore calls for particular care to be taken when instituting legal action in a case of this nature.

Antonio Castán

Notes

COPYRIGHT, THE INFORMATION SOCIETY, THE INTERNET

10. Photographic work and copyright. Use by newspaper publishers for the purpose of quotation. Court jurisdiction. Judgment of the CJEU of 1 December 2011, Painer (C-145/10).

1. *Background.* Ms. Painer, a freelance photographer, sues five newspaper publishers over the publication in their newspapers and on their websites of photographs of a ten-year old girl taken by the plaintiff. The photographs were used following the kidnapping of the girl in question, when they accompanied the search notice by the competent authorities. The name of the photographer was omitted. A number of the newspapers also published a computer-created photo-fit of the kidnapped girl based on the photographs prompting the dispute. The publishers, who were domiciled in Austria and Germany, were sued in Vienna, and the Viennese court made a reference for a preliminary ruling.

2. *Findings.* The judgment tackles various issues of a procedural and substantive nature regarding copyright protection of photographs and the possibility of suing companies domiciled in different countries together in one Member State.

As regards jurisdiction, the court holds that where there is a number of defendants, the possibility of bringing action in the court of the city in which any one of them is domiciled (Article 6.1 of Regulation 44/2001) is in the interests of “*minimising the possibility of concurrent proceedings and to ensure that irreconcilable judgments resulting from separate proceedings will not be given*”. This provision must nevertheless be interpreted in a restrictive manner, insofar as it constitutes an exception to the principle whereby persons domiciled in one Member State shall be subject to the courts of that State. In order to determine whether the judgments are irreconcilable, the court warns that “*the fact that defendants against whom a copyright holder alleges substantially identical infringements of his copyright did or did not act independently may be relevant*”. However, the fact that the complaints filed against several defendants for substantially identical copyright infringements are based on “*national legal grounds which vary according to the Member States concerned*”, does not preclude the application of this exception where the national court holds “*that*

there is a risk of irreconcilable judgments if those actions are determined separately”.

As regards the merits of the case, the court enters into whether realistic photographs, particularly portrait photographs, enjoy copyright protection. The judgment refers to doctrine according to which copyright only applies to the work, for instance a photograph, when it is original in the sense of its being “*an intellectual creation of the author, reflecting his personality*”. The court acknowledges that the author of a portrait photograph may “*stamp the work created with his ‘personal touch’*”, and concludes that “*a portrait photograph can be protected by copyright if, which it is for the national court to determine in each case, such photograph is an intellectual creation of the author reflecting his personality and expressing his free and creative choices in the production of that photograph*”.

The judgment goes on to tackle the various limitations that had been invoked in order to justify the use of the photographs without the author’s consent. In that regard, the court rejects the argument that newspaper publishers may “*use, of their own volition, a work protected by copyright by invoking an objective of public security*” in the name of freedom of the press. As regards quotation, the judgment expresses surprise at the fact that neither of the parties to the proceedings questions whether a photographic work can be held to be included within its scope of application, and makes no reference to the grounds for that hypothesis or “*whether the contested photographs were in fact used for the purpose of quotation*”. The issue appears to be limited to determining whether the failure to mention the name of the author in a photograph initially made available to the public by a third party (the national security authorities) renders this quotation rule inapplicable. Despite considering that indicating the name of the author is a fundamental obligation, the judgment concludes by stating that in the event that the author’s name had not been indicated when the work was initially used in a lawful manner, any subsequent use of the photographs by the press certainly calls for an indication of their source “*but not necessarily the name of their author*”. As far as the court is concerned, “*it is not for the press to establish the reasons for that failure, it is impossible for the press, in such a situation, to identify and/or indicate the author’s name and, therefore, it must be regarded as exempt from the obligation of principle to indicate the author’s name*”.

3. *Remarks.* This judgment once again touches on the tension that regularly arises between IP and other interests that are also worthy of consideration. On this occasion, the rights of a photographer clash with the media's interest in disseminating a photograph of a kidnapped girl who the pertinent authorities want to find. The court appears to give something to each side: it recognises photographic portraits as being intellectual creations provided that certain conditions are met, but somehow justifies the use of those works by newspaper publishers with no reference to the author's name. With respect to jurisdiction, the judgment leaves the door *ajar* to the possibility of suing defendants domiciled in several Member States in the courts of one Member State for the same IP offence. **Antonio Castán**

11. Internet service providers are not obliged to monitor the information transmitted on their networks. Judgment of the CJEU of 24 November 2011, Scarlet (C-70/10).

1. *Background.* At the request of SABAM (Belgian society of authors, composers and publishers), the Tribunal de Première Instance de Bruxelles ordered Scarlet Extended S.A. (an Internet service provider – ISP) to put an end to the copyright infringement committed by its clients by preventing them from sending or receiving, in any way, P2P files containing unauthorised works. Scarlet appealed this decision at the Cour D'Appel de Bruxelles, claiming not only that it was impossible for it to comply with the aforementioned order, but also that it was contrary to EU legislation concerning copyright and information society services. The Cour D'Appel de Bruxelles stayed the proceedings and referred two questions to the Court of Justice of the European Union (CJEU) for a preliminary ruling. The questions were aimed at ascertaining whether the installation of a system for filtering and blocking electronic communications in order to prevent P2P exchanges that infringe copyright complied with EU law.

2. *Findings.* The CJEU first of all holds that the national courts must take whatever measures are necessary in order to bring an end to the infringement and prevent it from occurring in the future. Nevertheless, such measures must respect the limitation provided under Article 15.1 of the Directive on electronic commerce, which prohibits national authorities from adopting measures that would require an ISP to carry out general monitoring of the information that it

transmits on its network, including the obligation “*to actively monitor [...] in order to prevent any future infringement of intellectual property rights*”.

The CJEU, in citing the judgment handed down in case C-324/09 L’Oreal, holds that this general monitoring obligation would not only be unfair and disproportionate, as stated in Directive 2004/48 on the enforcement of intellectual property rights, but it could prove excessively costly. The judgment goes on to state that the court order requiring the ISP to install a filtering system would not respect “*the requirement that a fair balance be struck between the right to intellectual property, on the one hand (which protects copyright holders), and the freedom to conduct business, the right to protection of personal data and the freedom to receive or impart information, on the other*” (rights which protect operators and end users, respectively).

3. *Remarks.* The judgment, which has seen its underlying doctrine confirmed in the recent CJEU judgment of 16 February 2012 in the case Netlog, C-360/10, points out that *far-reaching* measures which are directed against an ISP in order to combat copyright infringement, and which consist of the ISP’s actively monitoring the P2P traffic of all of its clients and users as a preventive step, at its own expense and for an unlimited period, do not comply with EU legislation. This now raises the double-layered question of whether other measures of a lesser scope may be taken against these operators, and whether all of the European rules and initiatives aimed at combating online copyright infringement respect these *rules of play*. **Luis Baz**

12. Adverse effect on personality rights. Jurisdiction in respect of the publication of information on the Internet. Judgment by the Court of Justice of the European Union (Grand Chamber) of 25 October 2011, eDate Advertising (C-509/09 y C-161/10).

1. *Background.* The court joined together two references for a preliminary ruling concerning identical cases involving the publication of certain information on digital newspapers accessible throughout the whole of the European Union. The plaintiffs each filed action for infringement of personality rights in the courts of the countries in which they resided, not in the courts in the Member State in which the digital publication was domiciled, to which the defendants objected.

2. *Findings.* The court, when interpreting Article 5(3) of the Regulation, in particular the expression “*the place where the harmful event occurred or may occur*”, first of all turns to seated case-law, according to which the special jurisdiction rule of Article 5(3) is based on the existence of a particularly close connection between the dispute and the court of the place in which the harmful event has occurred, which would justify that court’s jurisdiction on grounds of the sound administration of justice and adequate conduct of the proceedings.

Based on the judgment of 7 March 1995 in the Shevill case (C-68/93), the court indicates that the expression “*the place where the harmful event occurred*” refers simultaneously to the place where the damage occurred and the place of the event giving rise to it. According to the aforementioned Shevill judgment, when dealing with a defamatory publication distributed in several Member States, the victim may bring action either before the courts of the place in which the publisher of the defamatory publication is established in order to claim redress for all of the harm caused by the defamation, or before the courts of each of the states in which the publication was distributed, though in this case only to claim damages for the harm caused in the State of the court hearing the claim.

The court reinterprets the aforementioned doctrine by indicating that due to the widespread distribution of content placed online, it is very difficult to quantify that distribution with certainty and accuracy or assess the damage caused exclusively in one Member State. It also states that the difficulties in applying the criterion relating to the occurrence of damage within the context of the Internet contrasts with the serious nature of the harm which may be suffered, which could be more serious than the harm produced in respect of traditional publications.

The court therefore adapts connecting criteria to online publications, stating that the victim may certainly bring action in a single forum in respect of all of the damage caused. However, expanding upon the one forum criterion, it holds that since the impact which material placed online is liable to have on an individual’s personality rights might best be assessed by the court of the place where the alleged victim has his centre of interests, the attribution of jurisdiction to that court corresponds to the objective of the sound administration of justice. It considers that the jurisdiction of the court of the place where the victim has his centre of interests is in accordance with the aim of predictability of the rules

governing jurisdiction, given that the publisher of the harmful content is in a position to know the centres of interest of the persons who are the subject of that content. Moreover, in line with the Shevill and others judgment, the court confirms the criterion of the jurisdiction of the courts of each Member State for material placed online that is accessible in that Member State, but with the claim being limited to the damage caused in that Member State.

With respect to the interpretation of the Directive, the judgment states that its objective is to contribute to the proper functioning of the internal market and avoid the legal obstacles that may be caused by divergences in legislation and the ensuing legal uncertainty as regards the national rules applicable.

However, the Directive is not intended to achieve harmonisation of substantive rules, but defines a “coordinated field” that allows the service provider to be, in principle, subject to the law of the Member State in which it is established. Said law includes the private law field, and respect for the substantive law requirements in force in the Member State in which the service provider is established is required. The judgment concludes that Article 3 of the Directive must be interpreted bearing in mind Article 1(4) thereof, according to which the Directive does not establish additional rules on private international law relating to conflicts of laws.

In view of the above, and of the fact that the Directive must be interpreted in such a way as to guarantee the free movement of information society services, the court finds that this could be affected if the service provider were subject to stricter requirements laid down by the law of countries other than the service provider’s place of establishment. The Directive must therefore be interpreted in the sense that the information society service provider is not subject to stricter requirements than those provided for by the substantive law in force in the Member State in which that service provider is established.

3. *Remarks.* This is a landmark judgment in respect of how cases of online infringement of personality rights are dealt with. It could be said that it strikes an appropriate balance between the free movement of services and respect for personality rights. On the one hand, it establishes jurisdiction rules that entitle the injured party to bring action seeking injunctive relief and compensation for damages. Added to the traditional criteria of the defendant’s domicile and the

place where the harmful event occurred is the criterion of the plaintiff's centre of interests, which is more advantageous than the domicile criterion. Nevertheless, in order to protect the free movement of services, the court grants the service provider the benefit of only being subject to his own substantive law, which confers sufficient certainty with respect to the legal system applicable to the provision of those services.

This balanced solution will facilitate compliance with the legislation concerning personality rights, even in the absence of harmonisation of this subject matter within the European Union Member States, and will guarantee respect for the interests of the parties in conflict. **Javier Fernández-Lasquetty**

13. The prohibition on the import of Greek decoding devices into the United Kingdom impinges on the freedom to provide services laid down in the Treaty on the Functioning of the European Union and cannot be justified in light of the objective of protecting intellectual property rights. Sporting events are not classifiable as works. Judgment of the CJEU of 4 October 2011, Premier League (C-403/08).

1. *Background.* Football Association Premier League (FAPL) is the entity responsible for running the English football league (Premier League) and holds the television broadcasting rights for this league. Its marketing policy in respect of those rights is based on the grant of exclusive licences to broadcast Premier League matches live within a set territory (normally a Member State).

Certain UK establishments and citizens were importing Greek decoder cards, i.e., cards from the exclusive licensee of the Premier League's broadcasting rights in Greece (Nova), and using them in the United Kingdom. The price of those cards was lower than the price charged by BSkyB, the UK licensee of the rights in the Premier League.

FAPL considered that this conduct undermined the exclusivity of the television broadcasting rights in the Premier League matches, and so filed legal proceedings in the UK courts, which made a reference for a preliminary ruling to the Court of Justice of the European Union (CJEU). The numerous questions that the High Court of Justice referred to the CJEU were aimed at determining whether the clauses of an exclusive licence agreement prohibiting broadcasters

from supplying decoding devices giving access to the signal carrying the sporting events covered by the licence outside the licensed territory are compatible with European legislation.



2. *Findings.* The CJEU firstly states that the prohibition on the import, sale and use of foreign decoding devices that allow access to satellite transmissions from another Member State constitutes a restriction on the freedom to provide services in the internal market. The court does not find that this restriction can be justified in light of the objective of protecting intellectual property rights for two reasons: firstly, because sporting events do not have the degree of originality necessary for them to be classifiable as works, although the court does recognise that match broadcasts can include protected works such as anthems or pre-recorded sequences; and secondly, because even if there were an intellectual property right eligible for protection, the prohibition on use of decoders from another Member State in order to protect the territorial exclusivity of the licences would go beyond what was necessary in order to guarantee adequate remuneration for the holders of the rights in question.

Secondly, the judgment sets out the reasons why the clauses of an exclusive licence agreement between a right holder and a broadcaster which oblige the latter not to supply decoders that grant access to the licensed broadcast outside the territory covered by that licence agreement constitute a restriction on free competition, which is prohibited by the Treaty on the Functioning of the European Union (TFEU).

In short, the TFEU holds that the prohibition on importing decoders of Greek origin into the United Kingdom impinges on the freedom to provide services laid down in the TFEU and cannot be justified in light of the objective of protecting intellectual property rights.

3. *Remarks.* As is becoming typical lately, the “Premier League” judgment has sown the seeds of future uncertainty for IP right holders who find themselves in situations similar to this one, given the ambiguity in respect of its potential consequences. On the one hand, the court expressly acknowledges the legality of granting exclusive licences that are territorially limited to one State and does not question the possibility of limiting those licences on the basis of language. On the other hand, the judgment rejects the possibility of imposing absolute territorial protection against private viewing in other Member States, although it does recognise the need for the public broadcast of such transmissions to be authorised by the right holder. **Francisco Marín**

14. The party responsible for paying fair compensation for private copying and payment of same in the case of sales made on the Internet. Judgment of the CJEU of 16 June 2011, Stichting (C-462/09).

1. *Background.* The Netherlands introduced into their domestic law the exception of copying for private use, according to which the manufacturer or importer of the media for reproduction are responsible for payment.

Opus Supplies Deutschland GmbH (OPUS) is a German company that markets blank reproduction media on the Internet, mainly on Dutch websites. The goods are sent to the Netherlands from Germany. Stichting de ThuisKopie, a Dutch body responsible for collecting fair compensation for private copying, sued OPUS before the Dutch courts due to non-payment of said compensation. At both first and second instance the courts accepted OPUS’ argument according to which the Dutch purchasers, i.e., individual consumers, should be classed as importers and should thus be responsible for paying the levy.

The Supreme Court of the Netherlands made a reference for a preliminary ruling to the Court of Justice of the European (CJEU) as to whether the solution to the litigation given by the lower courts complied with Directive 2001/29, since that would be tantamount to admitting that, in practice, the levy cannot be recovered, given that the purchaser is unlikely to be identified.

2. *Findings.* The CJEU holds that the Directive does not explicitly regulate the issue of who is eligible to pay such compensation. In that regard, the Member States enjoy an ample degree of discretion, although they must ensure –

as stated in the Padawan judgment– a “fair balance” between the beneficiaries of the fair compensation and the users of the protected service.

In the first of its findings, the court holds that although the final user must be regarded as the person responsible for paying the compensation, since this is the person who carries out, on a private basis, the reproduction of a protected work, the Member States, in view of the problems in identifying those private users, have the possibility of establishing a “*private copying levy*” chargeable to the persons who place at the disposal of the final user the digital reproduction equipment, devices and media, provided that *they “are able to pass on the amount of that levy in the price paid by the final user for that service”*.

In its second finding, the court refers to what happens in the case of distance selling when the purchaser and the seller reside in different Member States. Based on the assumption that the harm is caused to the right holder within the territory of the Member State in which the final users reside, the court concludes that if that Member State has introduced the private copying exception, it must ensure the payment of fair compensation, regardless of the Member State in which the commercial seller resides, and the courts of that Member State must interpret national law pursuant to the obligation to achieve that result.

3. *Remarks.* This judgment echoes the findings of the Padawan judgment and confirms that the compensation system also applies to online sales of levied media and equipment. The judgment nevertheless contains a further nuance: remuneration for private copying cannot be demanded from companies making the levied products available when they are unable to recover the amount of the levy in the sales price. Defining the cases and situations in which it is not possible to recover the levy will not be an easy task. The national courts will have the final say. **Luis Baz**

Notes

PATENTS

15. Conditions for obtaining supplementary protection certificates (“SPCs”). Judgment of the CJEU of 24 November 2011, Medeva (C-322/10).

1. *Background.* The company Medeva BV (“Medeva”) filed five SPC applications with the UK Patent Office in order to obtain supplementary protection for vaccines against multiple diseases. In order to support these applications, Medeva: (i) invoked a European patent for the method of preparing a vaccine against whooping cough consisting of a combination of two active ingredients, namely, pertactin and filamentous haemagglutinin; and (ii) submitted marketing authorisations (MAs) granted by the authorities of various Member States for different medicinal products that contained those two active ingredients alongside other active ingredients. The *Patent Office*, and subsequently the *Patents Court*, refused to grant the SPC applications on the grounds that: (i) more active ingredients were specified in the SPC applications than were identified in the wording of the claims of the basic patent; and (ii) in one of the cases, the MAs submitted in support of the SPC applications referred to medicinal products which, besides the active ingredients identified in those applications, also contained other components. The Court of Appeal of England and Wales decided to stay the proceedings and request a preliminary ruling from the Court of Justice of the European Union (CJEU) on the interpretation of Article 3.a) and b) of Council Regulation (EC) no. 469/2009.

2. *Findings.* The CJEU first of all examines whether Article 3.a) of the Council Regulation authorises the issuance of a SPC where there is no correspondence between the active ingredients that are the subject matter of the SPC application and the active ingredients specified in the wording of the claims of the basic patent. The court’s response is unequivocal: a SPC cannot be granted for active ingredients which are not *specified* in the wording of the claims of the basic patent. The court adds that if the patent claims a composition of two active ingredients but does not make any claim in relation to one of those active ingredients individually, a SPC cannot be granted on the basis of such a patent for the one active ingredient considered in isolation. Secondly, the CJEU analyses whether Article 3.b) of the Council Regulation opposes the grant of a SPC where the medicinal product for which the MA is submitted contains the

active ingredients *specified* in the basic patent together with other active ingredients. The court's response is likewise clear on this question: a SPC can be granted to protect an active ingredient or combination of active ingredients marketed in a medicinal product alongside another active ingredient or other active ingredients. The court nevertheless finds that pursuant to Article 3.c) of the Regulation, only one SPC may be issued for each basic patent.

3. *Remarks.* The CJEU's judgment is hugely relevant because it clarifies a controversial rule that has been applied and interpreted in a heterogeneous manner by the Patent and Trademark Offices of the different Member States. Two aspects of the judgment are particularly noteworthy: Firstly, the court proposes a semantic, logical and systematic interpretation of Article 3.a) of the Council Regulation in comparison with the more ambiguous criteria of the *protective effect of the basic patent* proposed by the United Kingdom and Medeva. Although there is no doubt that this interpretational guideline produces legal certainty, it is not clear how the court's requirement that the active ingredients be *specified* in the wording of the claims of the basic patent should be construed, particularly in respect of whether the *specification* in the basic patent of a generic kind or category of active ingredient will cover the specific compound that the medicinal product contains, or whether it will be necessary for that compound to be explicitly mentioned in the patent claim.

Secondly, the court has opted for a flexible interpretation of the notion of product in the sense of Article 3.b) of the Regulation. On adopting that angle, the court is supporting the innovative pharmaceutical sector's practice of marketing medicinal products in multitherapeutic combinations and as multipurpose vaccines, thus echoing the market situation. **Enrique Armijo Chávarri**

16. Decision G 2/10 of 30 August 2011 of the Enlarged Board of Appeal (EBA) of the EPO.

1. *Background.* This decision refers to the possibility of excluding part of the subject matter of a claim by means of a disclaimer in order to salvage the prior disclosure of part of the claim in the prior art, or to circumvent any other patentability requirement, all in accordance with EPO practice. According to the case-law enshrined in decision T4/80, issued in the early days of the EPO, if certain subject matter was disclosed in an application as an embodiment of the

invention, it could be excluded from the scope of protection. Later, in Decision G 1/03, the EBA ruled on the possibility of excluding subject matter that was not disclosed in the application as filed (*undisclosed disclaimers*) from a claim, stating that this was possible, but under very strict conditions. The Technical Boards of Appeal have subsequently issued contradictory decisions on the issue of whether or not disclaimers are admissible when the subject matter to be excluded has been disclosed in the application in positive terms as an embodiment of the invention. This decision by the EBA serves to clarify this issue.

2. *Findings.* The decision begins by analysing whether the provisions of decision G 1/03 would apply in this situation, and arrives at the conclusion that they would not, given that decision G 1/03 clearly had to be restricted to undisclosed disclaimers, which is not the case here. The decision goes on to look at whether a disclaimer is admissible due to the mere fact that the subject matter that it contains had been disclosed as an embodiment of the invention. The EBA concludes that this in itself does not constitute grounds for disallowing the disclaimer, given that the applicant is considerably free to choose whether to leave certain embodiments of the invention outside the scope of the claim. Finally, the decision refers to the admissibility of this kind of disclaimer and finds that it is necessary to determine whether the subject matter remaining in the claim after the introduction of the disclaimer is directly and unambiguously disclosed, be it implicitly or explicitly, in the application as filed. If this is the case, the disclaimer is admissible; if not, it will not be allowed.

3. *Remarks.* Although this decision does not serve as definitive guidance for future cases at the EPO, it nevertheless goes some way towards clarifying the issue. It is, however, necessary to analyse each case on an individual basis. Broadly speaking, this decision suggests that there should be no problem in excluding a specific embodiment of an invention, or a small group of embodiments, from the scope of a claim, given that the subject matter that remains in the claim could still consist of other embodiments of the invention which may be held to be directly and unambiguously disclosed, be it implicitly or explicitly, in the application as filed. Nevertheless, if the subject matter to be excluded from the claim is so broad that what remains in the claim could be held to constitute a selection in respect of the original invention, and thus a selection that had novelty over the invention, or if intermediate generalisations are created

which are not disclosed directly and unambiguously in the application as filed, then the EPO may disallow the disclaimer. **Francisco Javier Saez**

17. European patent, product claims, infringement by equivalents and TRIPS. Judgment of the Spanish Supreme Court of 10 May 2011.

1. *Background.* Certain Spanish generics laboratories file an invalidity action and action in jactitation against the national portion of Eli Lilly & Co. Ltd.'s European patent relating to olanzapine. The lawsuit refers to a pharmaceutical patent that had been filed for Spain with a product claim prior to 7 October 1992, the date on which the Spanish *reservation* to the European Patent Convention (EPC) expired. The plaintiffs held that the patent in question, insofar as it contained a product claim, ought to have been considered partially void. The plaintiffs also sought to secure a declaration of non-infringement of the patent's process claims in relation to a method of manufacturing olanzapine in which the reaction occurred in two steps instead of one. The Supreme Court rejects the cassation appeal and confirms the previous judgment in which both the invalidity and jactitation actions were dismissed.

2. *Findings.* The Ruling begins by analysing the action in jactitation and tackling the distinction between literal infringement and infringement by equivalents. The court states that following the 2000 Protocol on the Interpretation of the EPC, use of the doctrine of equivalents in order to assess patent infringement has become an undisputed reality. In that regard, the Ruling confirms the test applied by the lower court in order to verify the equivalence on the basis of three questions: whether the method employed by the infringer alters the functioning of the patented process; whether the method involves an inventive step; and whether the method had not been expressly excluded from the scope of the patent by the applicant. In the court's view, the addition of the methyl group, in one or two steps, does not stop them from being equivalent variants of the same patented process. The Ruling also examines *prosecution history estoppel*, but holds that the applicant of the patent had not expressly or unequivocally waived that other process in the patent.

As regards the validity issue, the court acknowledges that the patent in question was unable to have effect in Spain due to the fact that it had been applied for whilst the famous *reservation* was in force. The Ruling nevertheless points out

that this situation changed entirely upon ratification of the WTO Treaty and the TRIPS Agreement in 1994. On the one hand, Article 27.1 declared any invention, “whether products or processes”, as patentable under the non-discrimination principle; and on the other hand, Article 70.2 provides that the Agreement gives rise to obligations in respect of “all subject matter existing at the date of application of this Agreement for the Member in question, and which is protected in that Member on the said date”. The court considers this provision to constitute an exception to the general rule of non-retroactivity of TRIPS. The Ruling accepts the conclusions drawn by the WTO’s Appellate Body in its decision of 18 September 2000 in the dispute between Canada and the United States, and acknowledges that the existing “subject matter” provided under Article 70.2 TRIPS refers to inventions that were protected by patents and that had not ceased to exist at the date of application of TRIPS. The olanzapine patent, despite having been applied for prior to 7 October 1992 with a product claim, is valid by direct application of TRIPS.

3. *Remarks.* Few cases in patent law have aroused as much expectation as the clash between the innovative industry and generic laboratories in respect of the retroactivity of TRIPS for pharmaceutical product patents. This dispute has given rise to a string of civil and contentious-administrative suits that have battered the Spanish pharmaceutical industry for years. Although the Supreme Court Ruling has not cleared up all of the underlying mysteries and uncertainties of the subject, it certainly constitutes a landmark decision that should help in returning the necessary stability to the sector. However, due to the interests at stake, the expansive ripples of the dispute might continue to spread for quite some time. If that were not enough, the Ruling examines the doctrine of equivalents for the first time and from an analytical perspective, which renders it a key precedent in the future defence of European patents in Spain. **Antonio Castán**

18. Amendment of the claims of a European patent during legal proceedings. Article 138.3 of the European Patent Convention. Decision by Granada Commercial Court No. 1 of 6 July 2011.

1. *Background.* The owners of two European patents which protect combinations of certain pharmaceutical substances, filed an infringement action against a pharmaceutical company that had obtained marketing authorisation for

a generic drug. In order to overcome the objections raised by the other party in a counterclaim, the plaintiffs filed two new sets of claims within the Spanish proceedings, which limited the patents' scope of protection. This was possible pursuant to the new wording of Article 138.3 of the European Patent Convention (EPC), which came into force in Spain at the end of 2007, and which introduced the concept of limitation into Spanish patent legislation.

2. *Findings.* The decision first of all holds that the EPC, being an international treaty, is directly applicable in Spain. The court cites the judgment recently handed down by the Spanish Supreme Court on 10 May 2011, which adopts the same stance on the direct application of TRIPS (see report no. 17 of this Review). The court also notes that the term "if the national law so allows" was omitted from the new wording of Article 138.3 EPC.

The right to limit a patent in this manner is conferred exclusively on the owner, not on the licensees. Not only may a patent be limited at the request of the owner, but it may also be limited by the court of its own motion pursuant to Article 138.2 EPC, which allows the court to amend and limit claims in the case of partial revocation, regardless of whether or not the owner has opted for a limitation.

The fact that the limitation has a retrospective effect under Article 68 EPC alters the subject matter of the proceedings, given that the issues of infringement and invalidity must therefore be analysed on the basis of the amended text. The amended claims may be registered and published by the Spanish Patent and Trademark Office by means of a court order in accordance with Article 50 of the Implementing Regulation of the Spanish Patent Act.

The decision takes into account the procedural problems arising from the fact that the plaintiffs had filed for a limitation at a late stage of the proceedings when it was no longer possible to submit pleadings in the ordinary course of events pursuant to the Spanish Civil Procedure Act. In addition, the limitation could clash with the principle of *perpetuatio iurisdictionis* (the judge's duty to assess the facts as they stood at the time when the action was filed) and the prohibition of *mutatio libelli* (an alteration of the subject matter of the proceedings). The court nevertheless finds that the limitation must be allowed since Article 138.3 EPC does not establish any time limitations for using this defence.

In order to safeguard its right of defence, the defendant is granted a new period of 20 days in which to amend its pleadings on the issues of infringement and validity. A new preliminary hearing is also scheduled to allow evidence to be proposed.

Acceptance of the limitation under Article 138.3 EPC would in any case entail a declaration of the partial revocation of the original claims by final judgment pursuant to sub-section 2 of said Article.

3. *Remarks.* This decision is the first court ruling on the subject of patent limitation, which is an unfamiliar institution for Spanish law. It provides a practical and reasonable solution in the face of the many problems arising from the lack of more detailed provisions in domestic legislation. An alternative approach might have been to stay the proceedings in order to allow the limitation request to be filed before the EPO pursuant to Article 105a EPC. However, this solution could run into difficulties under Spanish procedural law, as the acquiescence of all parties is required in order to have the matter referred to an administrative body for a preliminary ruling pursuant to Article 42.3 of the Spanish Law on Civil Procedure.

The court rightly finds that a limitation implies an alteration in the subject matter of the proceedings, which must lead to what is effectively a repetition of the procedural phases of statement of defence, counterclaim and preliminary hearing. The ruling moreover strikes an appropriate balance between the basic principles of domestic procedural law and the need to give effect to an international treaty.

The decision does not provide the solution to all of the problems that might arise from the limitation provision. Under Spanish law, a revocation action may be brought against a European patent whilst opposition proceedings against that patent are still pending at the EPO, which can result in two contradictory rulings concerning the validity of the same patent. According to the reasoning expressed in this decision, it would also be lawful to request a limitation within the Spanish court proceedings during that same period, despite the prohibition laid down in Article 105a EPC in regard to proceedings before the EPO. The solution in both cases would be to include a similar provision in Spanish law to that contained in Article 81.2 of the German Patent Act, which prohibits the bringing of court proceedings challenging validity as long as opposition may still be filed or

opposition proceedings are pending. This is all the more so given the fact that the defendant may be joined to any existing opposition proceedings pursuant to Article 105.1.a EPC. **Colm Ahern**

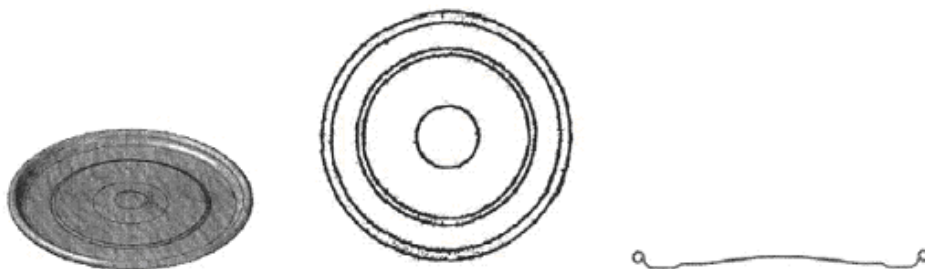
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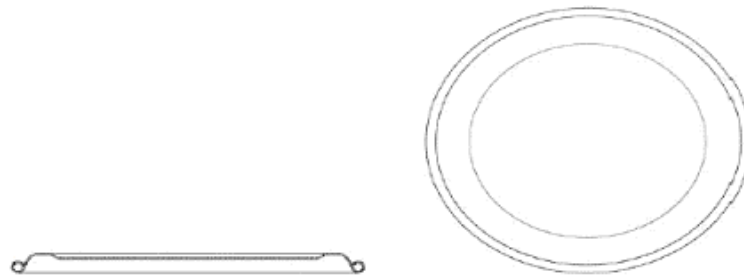
DESIGNS

19. Community design dispute. Judgment of the CJEU of 20 October 2011, Pepsico (C-281/10).

1. *Background.* The US company Pepsico Inc. (“Pepsico”) owned a Community design for “*promotional items for games*”, represented as follows:



The Spanish company Grupo Promer Mon Graphic, S.A. (“Grupo Promer”) filed an application for a declaration of invalidity against the aforementioned design on the basis of the following Community design for “*metal plate(s) for games*”:



The action was based on bad faith on Pepsico’s part; the lack of novelty of the contested design and infringement of Article 25.1.d) of Council Regulation (EC) No. 6/2002. The OHIM dismissed Grupo Promer’s action. The Spanish company filed an appeal with the General Court of Luxembourg (“GC”), which annulled the OHIM’s decision, accepting the third ground of the appeal. The GC found that there were similarities in the conflicting designs relating to elements that the designer was free to develop (central circular shape, raised edge, dimensions), which rendered them incompatible. Pepsico (supported by the

OHIM) then filed an appeal with the Court of Justice of the European Union (CJEU), which dismissed the appeal and confirmed the lower court's judgment.

2. *Findings.* Pepsico's cassation appeal centres on a single ground based on infringement of Article 25.1.d) of Council Regulation (EC) no. 6/2002. The ground was divided into five parts:

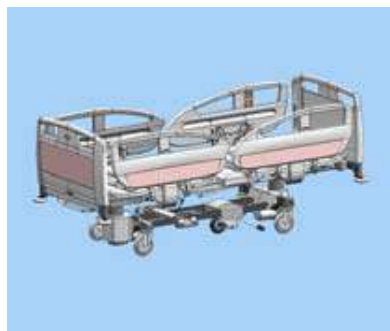
In the first part, Pepsico argued that the three similarities that the GC had observed between the conflicting designs were all due to the functions of the products at issue (*pogs, rappers and tazos*) and were therefore common to this product category. The CJEU rejected this pleading on the grounds that it related to findings of a factual nature made by the GC, which could not be reviewed by the CJEU in a cassation appeal. In the second part, Pepsico held that the GC applied criteria pertaining to trademark matters on denying that the designs in question produced a different overall impression on the *informed user*. The CJEU rejected this pleading and stated that the concept of the *informed user* used in design matters lay somewhere between that of the average consumer (applicable in trademark matters) and the sectoral expert (with detailed technical expertise). The court added that although said user would most likely compare the designs directly, there was always the possibility that the comparison would be based on an imperfect recollection. In the third part of its single ground, Pepsico argued that the GC had gone beyond its jurisdictional task laid down in the Council Regulation. The CJEU also rejected this pleading and confirmed that the GC had jurisdiction to conduct a full review of the appeal. In the fourth part of the ground, Pepsico held that the GC had erred on basing its assessment on samples of actual products submitted by the parties instead of on the general impression produced by the designs at issue. The CJEU likewise rejected this pleading on the grounds that the comparison of the actual goods was used only for illustrative purposes in order to confirm the conclusions already drawn. Lastly, in the fifth part of the ground, Pepsico alleged that the GC had substantially distorted the facts submitted by the parties. This pleading was also rejected on the grounds that Pepsico failed to demonstrate precisely which evidence it considered to have been distorted by the GC.

3. *Remarks.* This judgment by the CJEU is hugely relevant because it clarifies basic issues for determining the individual character of the *later* Community design when compared with prior designs. In particular, the CJEU

precisely defines the concepts of the *informed user*, the role that this party plays in a comparative appraisal and the guidelines to be borne in mind for analysing this requirement. The judgment has nevertheless been cut short, since it fails to rule on the main ground of Pepsico's appeal, namely, the effect that the designer's degree of freedom when creating the design has on the comparison of the designs. One might wonder whether the pretext that this issue is factual is convincing. **Enrique Armijo Chávarri**

20. Injunction order against a registered design for a hospital bed in the absence of a likelihood of confusion. Decision issued by the Spanish Community Trademark Court on 21 July 2011.

1. *Background.* The Czech company Linet Spol S.R.O., on the basis of a registered Community design, petitions for an injunction against a Spanish company responsible for marketing a hospital bed, the design of which produced the same overall impression on the informed user. The court accepts the appeal and orders that marketing of the product in question be ceased.



2. *Findings.* The significance of the decision is essentially limited to how assessment of the notion of *fumus boni iuris*, or the presumption of a sufficient legal basis, is broached. The injunction petition had initially been dismissed because despite the considerable similarities between the two beds, the court did not hold there to be a likelihood of confusion. To the contrary, the decision states that the industrial design “*is not aimed at preventing confusion among consumers*”, but rather it is to “*protect formal innovation or the products' appearance by making them more attractive*”. The court adds: “*We are not dealing with a distinctive sign whose essential function is to determine the business origin of a product or service in order to distinguish it from its competitors, but rather, we are dealing with an exclusive right in the outward*

appearance of all or part of a product or its ornamentation, regardless of whether the persons for whom the products are intended can differentiate between the business origin of the products”.

The decision likewise states that the designer’s degree of freedom is a factor to be taken into account when determining whether there has been infringement of a Community design, and that hospital beds are characterised by certain typical and common components. Nevertheless, in the case in hand, the registered design was set apart by means of the number, arrangement and specific forms of the end panels, side rails and defined windows, which are components that are also found in the infringing bed, over and above other differences that were not “*so noticeable*”.

The court holds that there is *periculum in mora* since there is the risk that the defendant “*will unlawfully take the market share that should belong to the claimant, which would sustain irreparable damages*”. The decision fixes a bond of 15,000 Euros for the enforcement of the injunction in view of the low number of sales that had been made.

3. *Remarks.* The right holder seldom appeals the dismissal of an injunction petition. There is a tendency to consider that it might take less time for a judgment to be delivered in the main proceedings than it would for the appeal to be resolved. On the other hand, perseverance occasionally pays off. It must be borne in mind that the injunction was dismissed on 22 December 2010, and just six months later the appeal was accepted and the injunction granted. This is certainly not a disproportionate delay. **Antonio Castán**

21. Injunction against the import of handbags imitating a registered design into Spain. Writ issued by the Spanish Community Trademark Court on 5 April 2011.

1. *Background.* Carolina Herrera Ltd. files a petition for an injunction based on its trademark and Community design rights in relation to the import into Spain of a Chinese shipment of 6,300 handbags that had been seized by Valencia Customs. The bags were decorated with CI motifs for which the importer had obtained a Community design registration. The court rejects the appeal filed against the writ accepting the injunction petition.



2. *Findings.* As in all injunction proceedings, the judgment examines whether the 3 requirements for accepting such a petition are met. Those requirements are: *periculum in mora*, *fumus boni iuris* and payment of a bond, in this case a principal bond and a bond in lieu of the injunction. The court puts forward interesting opinions and lines of reasoning on all of these points.

With respect to *periculum in mora*, the court rejects the argument that there is no risk on account of the different marketing channels used by the companies. According to the judgment, this premise is based on the risk that the plaintiff might suffer damages as a result of the time that it takes for the proceedings to run their course, and the need to put a halt to the active continuation of the damages. It adds: “*maintaining the situation deemed infringing constitutes an intolerable status quo in respect of the right which has, in principle, been infringed*”.

As regards *fumus boni iuris*, the court holds that the defendant’s ownership of a registered design cannot block injunctive relief, not because it is a later design, but because it could be considered as a hedging design, granted under a system that only checks or examines formal aspects.

Lastly, the judgment confirms the bond of 6,000 Euros for the claimant, dismissing the infringer’s request for 30,000 Euros. In that regard, the court not only takes into account the retail price of the seized material, but also “*the claimant’s solvency which, in view of the well-known character of their signs, demonstrably guarantees financial redress in the event that this ultimately proved appropriate*”.

The court rejects the defendant’s request for payment of a bond in lieu of enforcement of the injunction on the grounds that the substitution of injunctive

relief with a sum of money is not regulated by law in an imperative manner, “since there could be irreparable damages that would constitute one of the risks to be prevented by an injunction”.

3. *Remarks.* Injunctions are clearly one of the fundamental pillars of industrial property enforcement. Putting a stop to the infringing conduct during the considerable period of time in which the main proceedings are ongoing usually becomes a primary objective in order to safeguard rights. This Writ is significant in that it categorically discredits a number of the arguments that usually crop up time and again against injunction petitions. Of particular note is its rejection of *hedging* designs. The current system by which designs are granted – by mere deposit – could give rise to situations of defencelessness when those designs are deposited precisely for the purpose of circumventing others’ rights by creating an illusion of legality. **Antonio Castán**

Notes

COUNTERFEITING

22. Counterfeit goods in transit. Border measures. Judgment of the Court of Justice of the European Union of 1 December 2011, Philips, Nokia (C-446/09 and C-495/09).

1. *Background.* This judgment stems from two joined cases based on identical factual grounds. A shipment of shavers from China and a shipment of mobile telephones and mobile telephone accessories from Hong Kong were detained by the Belgian and United Kingdom Customs authorities, respectively. Customs had no proof that the goods were intended to be put on sale in the European Union, with Colombia being the final destination in the latter case. The petition for damages and the destruction of the goods made in the Belgian case and the decision by UK Customs that was contrary to the detention of the goods gave rise to references for a preliminary ruling.

2. *Findings.* The Court of Justice of the European Union (CJEU) finds that goods which are in transit or held in Customs warehousing (suspensive procedures) cannot be considered to have been “put on sale” in the European Union. Goods placed under a suspensive procedure cannot, merely by the fact of being so placed, infringe intellectual property rights applicable in the European Union. Therefore, the goods cannot be destroyed, nor can the operators concerned be penalised, on the grounds of a mere risk of fraud based on a legal fiction.

The judgment acknowledges that goods placed under a suspensive procedure infringe intellectual property rights where they are the subject of a commercial act directed at European Union consumers (the sale of goods to an EU client, an offer for sale or advertising targeted at EU consumers or documents or correspondence concerning the goods in question suggesting that there is liable to be a diversion of those goods to EU consumers).

The Customs authorities may legitimately act where there are *indications* that the operators involved, even if they have not yet begun to direct the goods towards European Union consumers, are about to do so or are disguising their commercial intentions. Such indications arise where there is material to cause *suspicion* (in particular where the destination of the goods is not declared, where no

information is given as to the identity of the manufacturer, where there is a lack of cooperation with the Customs authorities or where documents are discovered suggesting that the goods are liable to be diverted to the European Union).

The CJEU adds that the suspicion must arise from the particular circumstances surrounding the case and that it cannot be general. The counterfeit goods may comply with the provisions in force in the country in which they were manufactured and in the country to which they are being transported. It is therefore essential to avoid hindering commercial operations between those countries. Nevertheless, where there are suspicions of infringement of intellectual property rights in the non-member State of destination, it is the European Union's duty to cooperate with that State in order to remove the goods in question from international trade (Article 69 TRIPS). However, the detention of the goods by Customs under Regulations 3295/94 and 1383/2003 would not appear to be the appropriate channel through which to proceed.

3. *Remarks.* This judgment has dealt a fresh blow to the pursuit in Europe of counterfeit goods destined for non-member States. The CJEU is adverse to regarding goods that are in transit or held in Customs warehousing as capable of infringing trademarks, within the meaning of the Regulation on border measures. Since the Regulation is relied upon in order to block the entry of counterfeit goods from other countries into the European Union, if the goods are not ultimately intended for sale within that territory, then there is no reason for them to be detained by Customs under the border measures procedure. Nevertheless, the CJEU does offer some hope to right holders in the form of the suspicion that the goods might access the European Union. It is difficult to predict what position each of the 27 Customs administrations of the European Union will adopt in relation to the kind of indications or evidence of future sale in the EU that will be required in order to detain counterfeit goods in transit. This will depend on the domestic laws of each country. In the case of Spain, regardless of the stance taken by our Customs administration, it seems clear that the goods in transit will be in national territory, will fall within the scope and boundaries of Spanish criminal jurisdiction and may therefore be detained and held by the courts just like any other piece of evidence in criminal proceedings. There are a number of judicial precedents to support this. **Juan José Caselles**

GEOGRAPHICAL INDICATIONS

23. Community trade mark – applicability of the regulation protecting geographical indications of spirit drinks protected at the Community level against trade marks registered prior to its entry into force – temporal and direct application. Judgment of the CJEU of 14 July 2011, Cognac (C-4/10).

1. *Background.* The Finnish company Gust. Ranin Oy applied for registration of two Finnish trade marks in Class 33 consisting of bottle labels which included the word COGNAC together with other terms resulting from the translation of that word into Finnish. One was filed in respect of “cognacs” and the other in respect of “liqueurs containing cognac”.



Following the registration of the marks, opposition was lodged against both by Bureau National Interprofessionnel du Cognac (BNIC), the French organization in charge of policing the geographical indication COGNAC. That geographical indication was registered as such in the European Union prior to the filing of the contested trade marks. In one case the opposition was upheld, whereupon the corresponding registration was cancelled, while in the other it was not. Each party appealed the decision adverse to its interests. BNIC’s appeal was dismissed, while that of Gust. Ranin Oy was upheld. The grant of both trade mark registrations was thus confirmed. BNIC then appealed to the Korkein hallinto-oikeus (Supreme Administrative Court), which referred certain questions to the Court of Justice (CJ) for a preliminary ruling.

2. *Findings.* The CJ analyses the subject of the protection of Community geographical indications for spirit drinks and, particularly, the question of the

applicability of the current Regulation (EC) No. 110/2008 to marks registered when the former Regulation (EEC) No. 1576/89 was in force.

It also gives consideration to the Trade Marks Directive (TMD) concerning the approximation of the laws of the Member States relating to trade marks and, specifically, to the grounds established therein for refusing or invalidating trade marks which may deceive the public, for instance as to the nature, quality or geographical origin of the goods or service, clarifying that Directive 89/104, in force at the time the applications at issue were filed, and the current Directive 2008/95, which has replaced the former, are identical in that regard. Lastly the Court examines the protection afforded to geographical indications under the TRIPS Agreement.

The CJ addresses the question of the bearing on the case of the regulations entering into play from the standpoint of the principles of legal certainty and the protection of legitimate expectations in relation to their direct and temporal application. It states that, although EU measures ought not, as a rule, to take effect from a point in time preceding their publication, except when, from their terms, objectives or general scheme, it may clearly be gathered that such effect should indeed be given to them and legitimate expectations are at the same time respected, Regulation No. 110/2008 is applicable to the assessment of the validity of a trade mark containing a geographical indication protected by that regulation, even though the mark may have been registered before the regulation came into force.

It is found that the use of a mark containing a geographical indication, or a term corresponding to that indication and its translation (bearing in mind that protected geographical indications may not be translated either on the label or in the presentation of a spirit drink), for a spirit drink which does not meet the relevant specifications constitutes a direct and improper commercial use of a geographical indication for goods comparable to the spirit drink registered under that indication but not actually covered thereby. The CJ also notes that registered geographical indications warrant protection against evocation, against their use with delocalizers (“like”, “type”, “style”, etc.) and against the use of indications which may give rise to a false impression as to the origin of the drinks or mislead the consumer as to their true origin.

The Court also states that Regulation No. 110/2008 should be applied independently of the rules transposing the TMD into the national legal order.

3. *Remarks.* The chief interest of this judgment perhaps lies in the fact that it dispels all doubt with respect to the applicability of the current regulation on geographical indications for spirit drinks to trade marks registered before that regulation entered into force, a circumstance which might well extend to other kinds of goods and to their respective regulations, and in that it highlights the prohibition on the translation of such geographical indications. It might be criticized in that the application of the concept of evocation to cases where the word COGNAC appears as such is perhaps somewhat inappropriate. Such cases might be more suitably placed in other categories of infringement. This is despite the fact that the concept itself is very correctly explained. **Miguel Ángel Medina**

24. Community trade mark – sign used in the course of trade of more than mere local significance as basis for opposition – geographical indications not registered at the Community level. Judgment of the CJEU of 29 March 2011, Bud (C-96/09).

1. *Background.* The U.S. company Anheuser-Busch (“AB”) appealed to the Court of Justice (CJ) against the judgment whereby the Court of First Instance (CFI) had upheld the appeal lodged by the Czech company Budejovický Budvar (“Budvar”) against the decisions given by the Second Board of Appeal of the Office for Harmonisation in the Internal Market (OHIM) which had resulted in the dismissal in their entirety of the oppositions filed by Budvar against four Community trade mark applications of AB for “BUD” (three figurative marks and one word mark) covering a broad range of services and goods, among them beer.



Budvar’s claims were based principally on its rights in the appellation of origin “bud” in France, Italy and Portugal under the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (the

Lisbon Agreement) and in Austria under a bilateral treaty between that country and the former Czechoslovak Socialist Republic.

As a result of the judgment of the CFI, the four oppositions were upheld and AB's four applications for "BUD" were consequently refused.

The arguments of the parties centred on the interpretation of article 8.4 of the Regulation on the Community trade mark (CTMR) relating to the scope for basing Community trade mark oppositions on signs used in the course of trade of more than mere local significance and, specifically, on the capacity of Budvar to invoke in this case its rights in "bud".

The CJ, at the petition of AB, set aside the judgment of the lower court in relation to three errors of law committed by the CFI in the interpretation of the aforementioned article but dismissed the remainder of the appeal. It referred the matter back to the General Court (GC) – the current name of the CFI – for evaluation of the plea made there by Budvar and delivery of judgment thereon, via an assessment of the probative value of the factual elements in the light of the correction of the three errors observed by the CJ.

2. *Findings.* The judgment begins with an analysis of the Lisbon Agreement, the bilateral treaty between Austria and the former Czechoslovak Socialist Republic and the CTMR.

On the basis of these the CJ addresses the main question around which the judgment revolves: the interpretation of the requirements for the application of article 8.4 CTMR and, more specifically, the proof of fulfilment of those requirements in the case of the invocation of a name protected as an appellation of origin in some Member States of the European Union under the Lisbon Agreement and an international bilateral treaty relating to the protection of geographical designations.

The CJ corrects in the following manner the three errors observed in the contested judgment. First, it points out that, in order to provide a basis for opposition the sign invoked must be used in a sufficiently significant manner in the course of trade and its geographical extent must not be merely local. That use must take place in a *substantial* part of the territory where the sign is protected

and account should be taken of its duration and intensity. Second, the evaluation of the use must be undertaken separately for each of the territories where the right invoked is protected. Third, the use must necessarily have taken place prior to the date of *filing* (not of publication) of the contested Community trade mark application.

3. *Remarks.* The extensive judgment, which runs to 221 paragraphs, represents one more chapter in the battle which the breweries AB and Budvar have long been waging world wide in connection with this trade mark.

The judgment of the CJ sheds light on some doubts as to how article 8.4 CTMR should be interpreted, although it will be necessary to await the judgment on the merits which the GC will now have to give. Furthermore, it is to be expected, in the light of events so far, that that judgment will be contested by the party whose claims are not upheld.

Following this case it will be interesting to see how case-law may develop in relation to the legal protection of those *appellations of origin* protected under the Lisbon Agreement in some Member States of the European Union, given the existence of specific Community regulations dealing extensively with *designations of origin* and *geographical indications*, and the extent to which they may be invoked as a basis for opposition in Community trade mark opposition proceedings. **Miguel Ángel Medina**

Notes

UNFAIR COMPETITION AND ADVERTISING

25. Directive on Television Broadcasting Activities – Surreptitious Advertising – Judgment Rendered by the CJEU on 9 June 2011, Alter Channel (C-52/10).

1. *Background.* The Greek television channel Alter Channel broadcast an interview-format programme in which the programme presenter spoke with a dentist about a dental treatment in a series of sequences. During the programme the message "IT WILL CHANGE YOUR SMILE" was flashed on the screen, while images of patients undergoing the treatment were shown and the dentist claimed that it was a worldwide innovation. The programme lasted two hours and included information on the treatment's effectiveness and cost.

The Greek National Radio and Television Council deemed that the programme comprised surreptitious advertising and fined Alter Channel 25,000 euros. An action for annulment of the decision was brought, and the Greek court referred the question of whether provision of a monetary payment or similar consideration was an essential requirement for considering a television programme to be intended as advertising.

2. *Findings.* Directive 89/552 of 3 October 1989 (amended by Directive 97/36/EC) concerning the pursuit of television broadcasting activities, which would subsequently be replaced by Directive No. 2010/13/EU, prohibits surreptitious advertising, defined as "the representation in words or pictures of goods, services, the name, the trade mark, or the activities of a producer of goods or a provider of services in programmes when such representation is intended by the broadcaster to serve advertising and might mislead the public as to its nature. Such representation is considered to be intentional in particular if it is done in return for payment or for similar consideration".

The notion of surreptitious advertising is not to be interpreted strictly as being for advertising purposes only when the representation is done in return for payment or similar consideration. To the contrary, while payment is indicative of a television broadcast's advertising intent, it is not the sole attribute inherent to surreptitious advertising, and a programme could have other characteristics

which establish its intent to serve advertising. Therefore, the provision of payment is not an indispensable condition for establishing whether or not surreptitious advertising has taken place.

3. *Remarks.* The judgment settles one of the key questions raised when considering the issue of surreptitious advertising, namely, whether proof that the media outlet broadcasting the advertising has received payment from the advertiser must be provided. Surreptitious advertising arises when the public – in this case television viewers – do not clearly perceive the advertising intent behind the televised content. A number of methods can be employed to this effect, for instance, programmes clearly made for advertising purposes may be presented as entertainment, interviews, current events, or the like.

The Court of Justice has clearly ruled that provision or proof of payment for the broadcast by the advertiser is not the only condition giving rise to surreptitious advertising. It thus follows that any assessment of surreptitious advertising should include an objective consideration of how televised content is perceived by the viewer. Where the public may be misled as to the nature of the representation and cannot clearly distinguish whether it is intended for advertising purposes or as a television programme, the decision as to whether a broadcast is surreptitious advertising does not depend solely on the provision of payment. Indeed, in practice proving that provision of payment has taken place can be very difficult, and if this condition is required, it is obvious that the prohibition would often be unenforceable, even against broadcasts that are clearly meant for advertising purposes. **Jesús Gómez Montero**

26. Directive on unfair commercial practices – Advertising omissions – Judgment Rendered by the CJEU on 12 May 2011, Ving (C-122/10).

1. *Background.* Ving is a tour operator and travel agency offering the usual services performed by businesses of this sort, such as package holidays, airline tickets, hotel bookings, and the like. These services are supplied over the Internet, by telephone, and at the company's points of sale.

Ving published an advertisement in a Swedish daily offering trips to New York under the heading in large font size (NEW YORK FROM 7820 CROWNS) and then beneath, in smaller letters (flights from Ireland with British Airways and 2

nights at the Bedford Hotel – price per person, double occupancy, including airport taxes. Extra nights from 1320 crowns. Terms valid for travel in September-December. Limited availability). The bottom left of the advertisement set out the contact details: "Vingflex.se Tel.: 0771-995995".

Sweden's consumer ombudsman deemed the advertisement to contain misleading omissions inasmuch as details of the main characteristics of the trip, specifically price, were inadequate or lacking.

The Swedish court referred several questions to the Court of Justice for preliminary rulings on the understanding that the case involved interpretation of Directive 2005/29 concerning unfair business-to-consumer commercial practices.

2. *Findings.* An invitation to purchase is defined as being at the core of a commercial communication setting out the characteristics of the product being sold and its price so as to enable consumers to take a transactional decision. The communication need not include specific means of acquiring the product. The Court admits that a commercial communication (e.g., advertising) may present an entry-level price (e.g., the lowest price) where there are also other variations, as long as consumers are able to distinguish the individual variants, e.g., from a written or visual presentation of the product. The Court also finds that merely indicating an entry-level price cannot, in itself, be regarded as a misleading omission. Finally, provided that it complies with minimum legal requirements, a commercial communication (e.g., advertising) that sets out the main characteristics of a product is held not to entail a misleading omission where additional details are provided on the trader's website.

3. *Remarks.* This judgment is crucial, in particular, to establishing the scope of misleading omission in advertising as laid down for the European Union generally in Article 7 in Directive 2005/29 of 11 May 2005 concerning unfair business-to-consumer commercial practices. The judgment concerns a typical case of advertising having as what can be considered its main feature a hook to catch consumers' attention which is then supplemented with additional items of information to flesh out the full scope of the offer being made. Essentially, the difficulty when assessing misleading omission in advertising lies in deciding to what extent an advertiser needs to set out all the characteristics of the product being advertised, given that in many cases the advertising medium, by its very

nature, will prevent all details bearing on the characteristics of the product or service being advertised from being featured. The judgment, particularly as it relates to price, rules that special offers with an entry-level price to be supplemented later by additional details may be used, especially when the nature of the advertising medium makes providing full product details complicated or expensive. In short, in our view the Court's decision allows additional details supplementing the main advertising appeal to be provided by such means as an asterisk, scroll TV commercials, or referral to the trader's website. Naturally, the general guidelines laid down by the Court of Justice are to be assessed on a case-by-case basis, which is the competence of the national courts. **Jesús Gómez Montero**

Notes

ON THE RETIREMENT OF MIGUEL ÁNGEL BAZ, PARTNER OF THE FIRM

After 46 years with our Firm, 20 as a partner and the last 2 as *of counsel*, Miguel Ángel Baz took the decision to step down from his active professional life and retired on 31 January 2012. Miguel Ángel has, at the side of our Executive President Alberto de Elzaburu, lived through, and been directly involved in, the profound changes that our Firm has experienced over the decades before coming to rest in the global leadership position that it now proudly holds.

In his farewell message, Miguel Ángel left us with the following pearls of wisdom and experience:

“I am stepping down in the satisfaction that throughout the whole of my time at Elzaburu I have experienced, and found enjoyment in, the infinite shows of friendship, solidarity and understanding that I have encountered among the Firm’s partners, professionals and all of its staff, and among clients, associates and public officials, with whom I have had the good fortune of connecting over so many years, and who I consider my friends. I also hold in the highest esteem my ongoing friendship with our President, Alberto de Elzaburu, at whose side I have worked since my first day at the Firm. As you will be aware, our ties of friendship have bound us closer than the cooler ties of business ...

Now that I am leaving you, I encourage each one of you not to lose heart and to carry out each of your tasks to the best of your ability so that the result can be considered a “job well done”. No one should lose sight of the fact that what they do or do not do does not affect them alone; but rather, it has an impact on each and every one of you. As Churchill said to his fellow countrymen when they were experiencing hard times, “a pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty”.

On 1 February 2012, Miguel Ángel's colleagues paid homage to him in the form of a dinner attended by 32 of our Firm's members. The echoes of his teaching remain with us and we wish him many years of enjoyment of the most wonderful resource that we human beings have the privilege of managing: time.

Antonio Tavira
CEO, Managing Partner of ELZABURU, S.L.P.

ELZABURU

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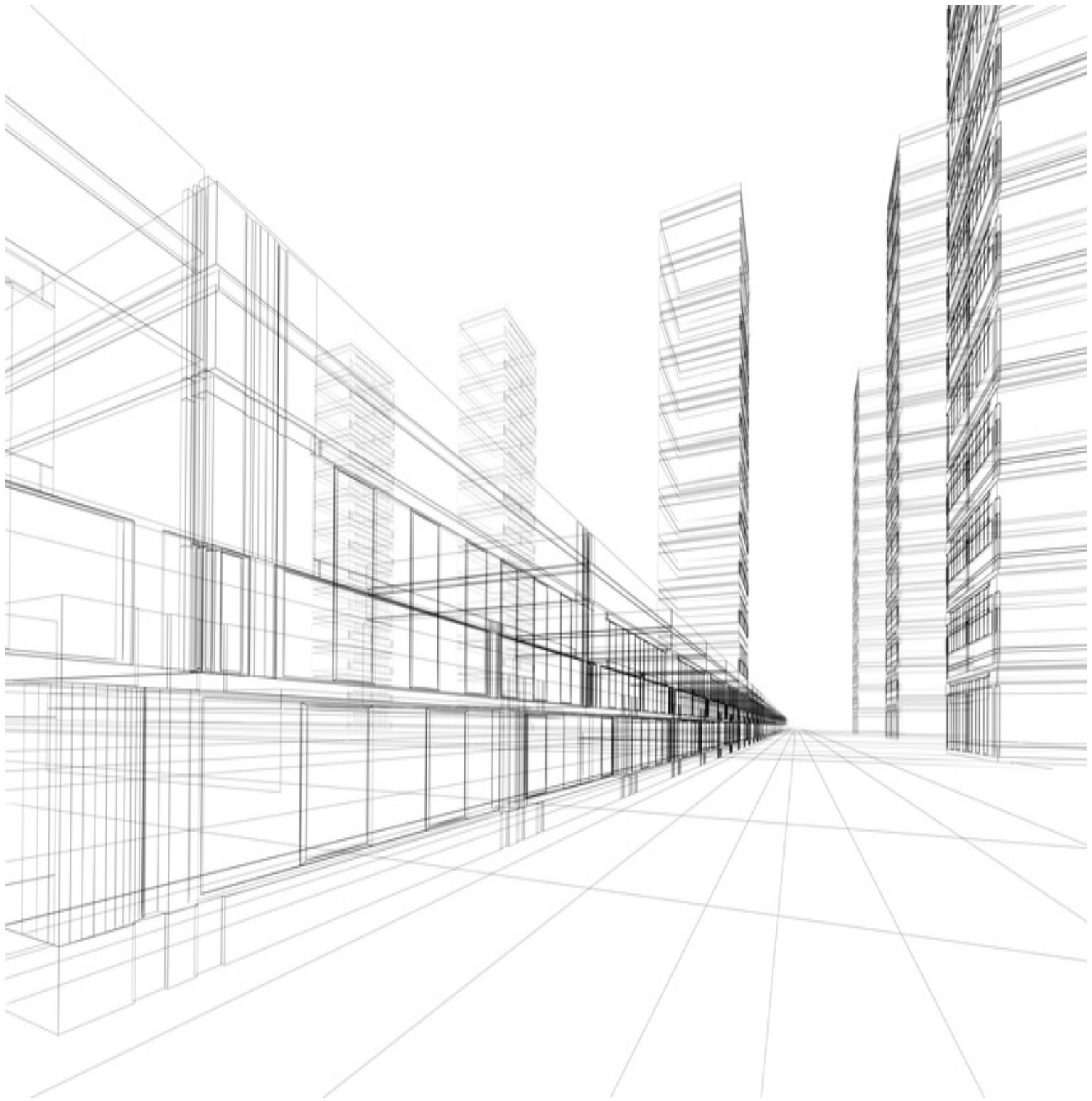
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Notes:





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