

# Principles of Intellectual Property Law

**Catherine Colston, LLB, LLM**  
Lecturer in Law  
University of Buckingham



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First published in Great Britain 1999 by Cavendish Publishing Limited  
The Glass House, Wharton Street, London WC1X 9PX, United Kingdom.  
Telephone: +44 (0) 20 7278 8000 Facsimile: +44 (0) 20 7278 8080  
e-mail: info@cavendishpublishing.com  
Visit our Home Page on <http://www.cavendishpublishing.com>

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British Library Cataloguing in Publication Data

Colston, Catherine

Principles of intellectual property law (Principles of law series)

1 Intellectual property – Law and legislation – Great Britain

I Title

346.4'1'048

ISBN 1 85941 465 6

Printed and bound in Great Britain



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## PREFACE

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Intellectual property law is fascinating. We are all familiar with, and are users of, intellectual property. In addition, the subject matter of intellectual property – the application of an idea in making or selling products and services – forms the fundament of a society’s cultural, technological, educational and economic development. With the growth of trade and of the transfer of information on a world wide scale, both intellectual property law and intellectual property infringement are a global concern. Continuing rapid technological development challenges and expands traditional boundaries of intellectual property regimes. Digital recording technology, the internet, genetic engineering all pose new challenges and new opportunities. In all, this is a dynamic and developing subject which touches on a wide area of human concern – trade, economic progress, intellectual and cultural advancement, and the acquisition and dissemination of information, as well as the more prosaic acquisition of goods and chattels.

The book is designed, when used in conjunction with a statute book, to give a comprehensive and comprehensible introduction to intellectual property law in the UK, within the international framework of conventions, treaties and agreements which shape those domestic laws. The dual aim has been to make the subject both understandable and enjoyable.

It was the preparation of teaching materials for the University of Buckingham’s part time LLB course which prompted this book and I gratefully acknowledge the University’s permission to draw on those copyright Intellectual Property course materials.

It only remains to give further thanks where thanks are eminently due: to my colleagues for their support and encouragement, to Louise Hammond, Librarian of the Denning Law Library at the University of Buckingham for her help in tracing materials, to Rob Colston for his unfailing patience and, last, but by no means least, to Elanor and Andy Mac, and Bridget and Dave for preserving a much needed sense of proportion.

*Catherine Colston*  
*August 1999*





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BC	Berne Convention for the Protection of Literary and Artistic Works 1886
CA 1956	Copyright Act 1956
CDPA 1988	Copyright, Designs and Patents Act 1988
CLIP	Common Law Institute of Intellectual Property
Columbia L Rev	Columbia Law Review
Denning LJ	Denning Law Journal
EC	European Community Treaty
ECJ	European Court of Justice
EEA	European Economic Area
EIPR	European Intellectual Property Review
EPC	European Patent Convention 1973
EPO	European Patent Office
EPOR	European Patent Office Reports
FSR	Fleet Street Reports
GATT	General Agreement on Trade and Tariffs
Harvard L Rev	Harvard Law Review
IIC	International Review of Industrial Property and Copyright Law
IPI	Intellectual Property Institute
IPQ	Intellectual Property Quarterly
JBL	Journal of Business Law
J Law and Econ	Journal of Law and Economics
JSPTL	Journal of the Society of Public Teachers of Law
LQR	Law Quarterly Review
LS	Legal Studies
MLR	Modern Law Review

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OHIM	Community Trade Mark Office
PA 1977	Patents Act 1977
PC	Paris Convention for the Protection of Industrial Property 1883
PCT	Patent Co-operation Treaty 1970
PVR	Plant Variety Right
PVRA 1997	Plant Varieties Act 1997
RDAs 1949	Registered Designs Act 1949
RPC	Reports of Patent Cases
SPC	Supplementary Protection Certificate
TMA 1938	Trade Marks Act 1938
TMA 1994	Trade Marks Act 1994
TRIPS Agreement	Trade Related Aspects of Intellectual Property Agreement
UCC	Universal Copyright Convention 1952
UPOV Convention	Convention for the Protection of New Varieties of Plants 1961
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

## INTRODUCTION

The enduring fascination for the student of intellectual property law is that it has something for everyone: enough to intrigue the philosopher, the student of ethics, the scientist, politician, artist, entertainer, economist and the businessman. The tentacles of intellectual property law spread over every aspect of human life – the markings on a can of COCA-COLA, the rights in the books, music, pictures, drama, films and electronic information sources we all use, even to the shape of one's pen, architecture and the science behind the latest attempt on space exploration: from science to art.

Intellectual property is all about the results of human creativity. Its subject matter is formed by new ideas generated by man. New ideas may be applied in as many ways as the human mind can conceive. Their application to human needs and desires can be of considerable benefit to mankind. New ideas can be embodied in familiar things such as books, music and art, in technical machinery and processes, in designs for household objects and for commercial ventures, and in all other sources of information. The list is infinite, as is the potential for discovery of new means of expression. Once applied to human needs, the value of ideas ranges from the industrial and commercial to the world of literature, art and design, contributing to technological, economic, social and cultural progress. Protecting the development and application of new ideas aids realisation of the benefits which can be derived from them.

Intellectual property law is the means used to provide this protection. It comprises a discrete body of rights (whether statutory, tortious or equitable) which are applied to the many and varied forms in which the human intellect expresses itself. The common feature that lies behind each of the intellectual property rights is that they allow right owners to stop others taking their creations. This preserves the integrity of, and reserves the exploitation and presentation of, those creations for the right owners.

Intellectual property law has a long history. The Romans used marks on pottery to denote its maker and a Venetian law of 1474 established 10 year privileges to those inventing new machines, for example. The industrial and transport revolutions, which saw an explosion in new ideas and new means with which to spread their benefits, gave the law increased significance. The commercial and information age has only served to enhance the importance of intellectual property law.

Broadly, intellectual property law can be divided into three parts. The first part, protection for industrial property, encompasses patents for inventions and protection for confidential information (trade secrets). Secondly comes protection for form and appearance, through copyright, design and moral



rights. Thirdly, the law includes protection for image and reputation, through the tort of passing off and trade mark registration.

In addition, common themes relating to the nature of, and justification for, intellectual property rights, as well as the remedies for infringements, require examination. First, it is necessary to consider what comprises the subject matter of intellectual property. Secondly, it is necessary to consider the way in which the law achieves its aims with respect to this subject matter and why it should do so.

### **1.1 Protection for ideas**

It is helpful to begin a study of this branch of law by contemplating the development of an idea, from its genesis to production of a desirable commodity. Most importantly, it is necessary to ask what interests such an enterprise will create, what risks it might engender and whom the outcome will concern.

The conception and development of a new idea may require the expenditure of considerable time, effort and money, regardless of whether it is either a solution to a technical problem, or aesthetic in nature. Even if the idea was intended purely for personal use, that expenditure may need recompense. The creator of a work of art, in the sense of literature, drama, music or art, also has an interest in the reputation engendered by the work and in the integrity of its performance or exhibition. Exploiting an idea commercially, as a product, process, or service, or presenting a work to the public, can secure such recompense, reputation and possibly profit. However, if success is uncertain, embarking on exploitation may engender financial risk. The creator is also prey to the risk of being copied if the idea is sold, displayed or used in circumstances where others can see it. Copying would undermine the reputation, recompense and profit it is hoped will be gained by commercial exploitation or presentation. It might also undermine the creator's commercial or artistic reputation if the copy imitates his trade marks or signs, or is of inferior quality. However, the idea may well be one to which the public should have access, perhaps where it is a revolutionary educational, technical or medical advance, or a work of art.

The creator of an idea, and the manufacturer of its embodiment, if different persons, have an interest in gaining reward for their effort and expenditure and in making a profit from the enterprise. This is only possible if there is protection against the risk of imitation. It is at this point that the law can step in to provide that protection in some form. However, protection restricts the activities of those with an interest in access to, and use of, the idea's embodiment, which must be balanced against the interests of both creator and manufacturer.

## **1.2 Means for protecting ideas**

Accepting, for the moment, that some measure of protection is desirable, it remains to consider the ways in which this may be done. Potentially, the law could intervene at one or more of several points in the progress from initial idea to product on the market, or work in the public eye, which is where the danger of imitation lies. Protection can be given to the idea itself, as an idea, or by granting rights over the product or work embodying the idea. Subsequently, the law could intervene at the point where the product reaches the market, or when the work reaches the public domain, by protecting the reputation with which it is marketed (by means of advertising themes, names, logos, slogans and the like). Or protection could be delayed until competition which is unfair takes place.

### **1.2.1 Secrecy**

Keeping a new idea secret is the most complete form of protection possible, provided that the secrecy can be maintained after commercial production and marketing. Some notable products are protected in this way, such as the recipe for the children's toy PLASTICINE. Sometimes, physical protection is possible, through anti-copying techniques applied to electronic products, for example. It may be possible to preserve the secrecy of a process even after it is put into use. However, the disadvantage of secrecy is that disassembly which uncovers underlying design and engineering features of a product released onto the market will reveal its secrets. Moreover, physical protection is always prey to the danger that the means for avoiding it will quickly be discovered. Where secrecy can be maintained, however, there is some statutory support for anti-copying measures adopted to protect copyright works in s 296 of the Copyright, Designs and Patents Act 1988. The action for breach of confidence supports secrecy where this is the chosen method of protection.

### **1.2.2 Exclusive rights**

To protect all ideas would be to remove far too much of the raw material of industrial, commercial, educational and cultural development from the public domain. Very broadly, the model adopted has been one of exclusive proprietary rights, with one exception – the action for breach of confidence. The consequence of this is that intellectual property can be dealt with as other property: it can be assigned, licensed, mortgaged and bequeathed. In providing any protection at all for a creator of an idea, delicate balances must be drawn between the legitimate interests of creator, entrepreneur, competitor, consumer and the public. Intellectual property right owners have a natural right to their creations and an interest in a just reward. The public also have an interest in access to, and use of, the intellectual property. Consumers have an interest in the preservation of fair competition.

Beyond this, it is difficult to generalise about the intellectual property rights, as intellectual property law actually comprises a bundle of diverse rights. Each is of differing scope as the correct balance between competing interests in different types of subject matter is sought. Drawing such balances has traditionally been seen as a question for the legislature, often after lobbying from, and consultation with, interest groups, such as the Federation Against Software Theft. Consequently, most intellectual property law is statutory and the result of political and economic history.

A brief description of the varied rights follows.

- *Patents*

A patent is a monopoly which is granted for an invention after application to, and examination for patentability by, the Patent Office and lasts for a maximum of 20 years. To be patentable, an invention must be new, show an inventive step, be industrially applicable and not fall into one of the excluded categories of invention. The patent even protects its owner against an independent creator of the same invention who makes, keeps or uses the invention.

- *Copyright*

Copyright subsists automatically on the creation of a work; no application is needed, nor do any formalities apply. Copyright works comprise original literary, dramatic, musical and artistic works: sound recordings, films, broadcasts and cable programmes and the typographical layout of published editions. Additionally, a work must qualify for protection in the UK. It is a right against copying, as its name suggests; the infringer must have started from the copyright owner's work in some way, though the copying need not be direct. Copyright confers the exclusive right to reproduce the work, issue copies to the public (including a right to rental for some works), perform the work in public, broadcast it or adapt it. It is infringed when one of these acts is done without permission. It is a long lasting right, lasting in the case of the original works for the life of the author plus 70 years.

- *Moral rights*

Three moral rights conferred on the author of the original copyright works or the director of a film were recently introduced into the UK. The moral rights protect the integrity of a work against unsuitable treatment by others. They are: the right to be named as author; the right to object to derogatory treatment of the work; and the right against false attribution. The commissioner of photographs, or of a film, made for private and domestic purposes, also has the right to privacy for the photographs or film. The rights apply provided copyright subsists in the work.

- *Design rights*

Design rights protect designs applied to articles. There are three potential ways in which a design may secure protection. The first is copyright where the article itself can be considered to be an artistic work. Secondly, designs which appeal to the eye may be registered after application if the design is new and its visual appeal is material to a purchaser of the article. Such registered design rights last for a maximum of 25 years. Finally, the unregistered design right protects three dimensional aspects of shape and configuration applied to an article, provided that the design is original and not commonplace. It arises automatically when a design is recorded. This right will protect purely functional designs and lasts for a maximum of 15 years.

- *Trade marks*

Trade and service marks are protected by registration as trade marks. Registration confers a monopoly over use of a trade mark for as long as registration is maintained. Trade marks fall within the sphere of intellectual property because the marketing of new creations is often supported by the development and maintenance of a commercial reputation.

- *Common law protection*

Although most intellectual property rights are statutory, the common law has developed two forms of protection: the tort of passing off and the equitable remedy for breach of confidence. The tort of passing off protects symbols denoting a trader's commercial reputation. It creates a property right in the trader's goodwill, preventing any misrepresentation by another trader which is likely to cause damage. It stands as an alternative, or adjunct to, trade mark registration. Breach of confidence protects information of virtually any character (including ideas) which is confidential, not just industrial and commercial trade secrets. This protection can be maintained as long as secrecy can be preserved, but only applies to those owing an obligation of confidence to the owner of the information. Any use or disclosure of the information constitutes a breach. This provides an important adjunct to the statutory intellectual property rights, protecting even before a substantive product, process, work or design has come into being. However, once the information is sufficiently disseminated to reach the public domain, no further protection is possible against those legitimately acquiring it from the public domain. This is so even where the release of the information was in breach of obligation.

- *Other protection*

In addition, specific statutory provision has been made for certain types of product. Protection exists for plant and seed varieties. The Plant Varieties Act 1997 (which developed the concepts introduced by the Plant Varieties and Seeds Act 1964) creates a Plant variety right for the UK. The Council

Regulation on Community Plant Variety Rights (2100/94/EEC) creates a unitary Community Plant variety right for the European Union. Semi-conductor chips were first protected by the US in 1984, which required reciprocal rights for their nationals in other countries before extending this protection to nationals of other States. Following the Directive on Semi-Conductor Topographies (87/54/EEC), the Semi-Conductor Products (Protection of Topography) Regulations 1987 introduced protection for semi-conductor chips in the UK. These were replaced by The Design Right (Semi-Conductor Topographies) Regulations 1989, which came into force on 1 August 1989. They treat the design of semi-conductor chips as suitable for protection by the unregistered design right. Performers also have rights over their performances, to prevent unauthorised ('bootleg') recordings being made. These are now set out in Pt II of the Copyright, Designs and Patents Act 1988. These were amended by the Copyright and Related Rights Regulations 1996, which implement the Council Directive on Rental Right and Lending Right and on Certain Related Rights (92/100/EEC). This gives performers and their exclusive recording companies exclusive property rights over their performances.

At this point, only a few generalisations can be made about the characteristics of these rights. First, those rights which require application and grant, or registration, confer monopolistic power, but, where the right arises automatically on the creation of the protected entity, protection is only exclusive against those copying from the right owner's work. Secondly, where a monopoly is to be granted, the standard of qualification for protection is one of 'novelty', a term of art from patent law, meaning new to the public. Where the right arises automatically, the required standard is one of 'originality'. This is a term of art from copyright law, meaning only that the work has not been copied. It may not be new, having been created before, independently (see 7.1.3).

### **1.2.3 Checks and balances on exclusive rights**

Intellectual property law can achieve a balance between the various interests invested in a piece of intellectual property in a variety of ways. The balances differ from one type of right to another, but the methods adopted can be introduced in general terms. Licences, both compulsory and of right, as well as those granted voluntarily by the right owner, can enable access to the subject matter of an intellectual property right. Intellectual property rights can be limited in their duration. A variety of specific and general defences may be provided to claims of infringement in order to cater for the varying needs of different users. The actual conditions imposed before the right is secured at all also effectively protect the interests of the public, competitors and users. Examples include the requirements of novelty and inventive step for a patent, or of originality for some copyright works. Competition law, both domestic

and that of the European Union (see 16.3), also provide checks on the power conferred by intellectual property rights.

### 1.3 Sources of intellectual property law

The sources of the UK's intellectual property law are both national and international. The UK is a member of several important treaties and conventions which dictate procedural and substantive matters. The Trade Related Aspects of Intellectual Property Rights Agreement 1994 (TRIPS) is set to create another vital layer to the strata of international intellectual property materials. It was established by the World Trade Organisation (WTO) in 1995 as a result of the Uruguay Round of Multilateral Trade Negotiations.

#### 1.3.1 National sources

Most UK intellectual property law is statutory, though not all the statutory rights require registration. The following table indicates the governing statutes:

Patents	Patents Act 1977
Copyright	Copyright, Designs and Patents Act 1988
Unregistered design right	Copyright, Designs and Patents Act 1988
Registered design right	Registered Designs Act 1949 (as amended by the Copyright, Designs and Patents Act 1988)
Performing rights	Copyright, Designs and Patents Act 1988
Trade marks	Trade Marks Act 1994

Familiarity with the wording of the sections cited here is strongly recommended.

A question that arises with respect to the national legislation is one of interpretation. Normal principles for the interpretation of statutes apply to intellectual property statutes. However, in many cases, the UK legislation either incorporates foreign drafted conventions and treaties, as well as Regulations and Directives originating from the European Union, by reference, or by re-enacting their wording. Accordingly, courts must take into account the provenance of legislation. Foreign texts are often drafted with the civilian method of making wide statements of general principle, frequently of unspecified scope. Where a UK court decides that a meaning is ambiguous, it can pay regard to the foreign text and to decisions of foreign courts, expert writings on the texts and *travaux préparatoires* (*Fothergill v Monarch Airlines* (1980)). The line has been drawn at unpublished European Council minutes in *Wagamama Ltd v City Centre Restaurants* (1995).

Both the tort of passing off and the equitable remedy of breach of confidence are common law remedies and case law provides the source for these remedies.

### 1.3.2 International sources

External influences on domestic intellectual property law stem from the fact that trade (which turns the realisation of an idea into reward and profit) is no longer confined to local, or even national, markets. Nor are piracy (unauthorised copying on a commercial scale) and counterfeiting (copying both of trade marks and product) confined to domestic markets. This has led to international co-operation, at both international and regional level over procedural and substantive law and to the growth of international organisations whose concern is intellectual property. At first, countries reached bilateral agreements, providing for reciprocity of treatment for each other's nationals. These were subsequently 'collectivised' to include many members, but with similar objectives and principles. At the same time, organisations were created by agreement to administer these treaties and agreements. The most notable is the World Intellectual Property Organisation (WIPO), based in Geneva. Four main principles stem from these accords: reciprocity; priority; national treatment; and independent treatment. In addition, a fifth principle has been introduced by the TRIPS Agreement 1994, that of 'most favoured nation treatment'.

- *Reciprocity*

In some cases, conventions allow for reciprocity as an exception to the rule of national treatment. Then, parallel protection in one Member State is only provided to a national of another Member State to the extent that equivalent protection is available in that Member State for the nationals of the first State.

- *Priority*

In some spheres of intellectual property, being able to apply for protection as early as possible is significant, as is the ability to seek protection in several countries. The principle of priority enables an intellectual property right owner to make as early an application as possible. At the same time, expensive decisions as to multiple applications may be deferred along with the costs, particularly of translation, that these will incur. This is achieved by giving a 'priority date' to the first application in one State. This date is applied to subsequently completed multiple applications in other States, if filed within a prescribed period. The Paris Convention lays down a priority period of 12 months for patent applications and six months for trade mark applications.

- *National treatment*

This means that nationals of one Member State to an agreement shall receive the same treatment, with respect to intellectual property rights and

remedies in that State, as nationals in any other Member State, whatever the level of protection provided by the first State. It is a feature of the Paris Convention, the Berne Convention, the Universal Copyright Convention and the TRIPS Agreement 1994.

- *Independence of rights*

This principle ensures that an intellectual property right legitimately acquired in one State will not automatically be affected by decisions (such as forfeiture, or expiry of the right) regarding that right which have been taken in other Member States. This includes the country of origin of the right.

- *Most favoured nation treatment*

This is a new element for intellectual property law, though well known in the multilateral trade sphere. Any advantage, privilege, favour or immunity granted to nationals of any country (not just a member of the WTO) must be accorded to all nationals of all the WTO Member States.

### 1.3.3 Treaties and conventions

Although intellectual property rights are national, introduced by States for domestic purposes and usually territorial in their ambit, the shape of national rights is much affected by multilateral obligations. Two distinctions can be made between these agreements. First, there are those that dictate, at least to a minimum standard, the content of substantive national law and those that set out combined procedures for multiple applications for protection in more than one State. Secondly, a distinction can be drawn between those agreements of international scope and those of regional significance. One perceived weakness of the Conventions is the lack of redress against Member States which do not comply. The States party to the Conventions administered by WIPO can refer disputes to the International Court of Justice. This involved process has not yet been invoked, despite allegations of non-compliance having been made. An outline of the main Conventions and Treaties affecting UK intellectual property law follows.

- *Paris Industrial Property Convention 1883 (Stockholm Revision 1967)*

This has not had the same impact as the Berne Convention in the UK, but provides for reciprocity of treatment of nationals and, most importantly, establishes the priority principle. The Paris Convention addresses patents, industrial design rights, trade marks, well known marks, names and unfair competition.

- *Berne Convention 1886*

This established protection for literary, dramatic, musical and artistic works, but not for similar works, such as sound recordings, films and broadcasts. These 'neighbouring' and related rights are partially affected by the Rome Convention for the Protection of Performers, Phonograms



and Broadcasting Organisations 1961. The revisions which were made to the Berne Convention in 1908 in Berlin, in 1948 in Brussels and in 1971 in Paris are reflected in the UK Copyright Acts of 1911, 1956 and 1988. The Berne Convention provides a principle of independent protection. There is no requirement of reciprocal rights in the other Member States before a national of a Berne Convention Member State can secure protection in another Member State. Qualification for copyright is provided to be by personal connection of the author to any Member State, or by publication of the work in a Member State. It is the Berne Convention which dictates both that copyright protection arises automatically on the creation of a work and that the minimum period of protection should be life of the author plus 50 years. It is administered by WIPO in Geneva, an organisation of the United Nations.

- *Universal Copyright Convention 1952*

This Convention also affects copyright and was designed to include countries with systems of registration for copyright works and shorter copyright periods. This applied especially to the US and the then USSR (although now both are Member States of Berne). The Universal Copyright Convention provides that copyright notices should be put on works showing the copyright owner's name and date; also for national treatment. It is administered by UNESCO in Paris.

- *Patent Co-operation Treaty 1970*

This Treaty provides the great advantage of a centralised start to the process of applying for a patent. One application can be made for patents in any designated Member State. While the application is subsequently transmitted to national patent offices for the actual granting (or refusal) of a patent, the system reduces patenting costs, administrative burdens and translation costs. The first application provides the important priority date and enables the applicant to defer the decision about the State or States within which he will seek protection. It is administered by WIPO.

- *European Patent Convention 1973*

This Convention is of vital significance to the UK and led to the enactment of the Patents Act 1977. A central application for a European patent is made to and granted by, the European Patent Office in Munich. Once granted, the patent is treated as a national patent for the purposes of revocation and infringement. It is very popular, with increasing numbers being granted and a corresponding decline in the number of national applications to the Patent Office. It runs in parallel with the UK patent system.

- *Madrid Agreement 1891*

This agreement established a system of deposit for trade marks registered nationally with WIPO. Deposit leads to protection in other designated

Member States after 12 months, if no objection was made in those States. The system had the major disadvantage that a central attack on the validity of a trade mark's registration in one State led to the revocation of the mark in every State designated for protection. This was so even though the mark might be unobjectionable in those other States. In addition, those States which had a detailed system of examination of validity before the registration of a mark were not given sufficient time by the 12 month period to examine the mark. The UK was not a member, nor were other important trading States. In 1989, the Madrid Protocol was signed. This allows countries which have strict examination systems a longer period (18 months) to object. The Trade Marks Act 1994 enabled the UK to ratify the Protocol, entering the system on 1 April 1996.

- *TRIPS Agreement 1994*

The TRIPS Agreement 1994 establishes a minimum level of harmonised intellectual property law to be adopted by all members of the World Trade Organisation. Least developed countries have been given an extended period in which to make the necessary changes. The Agreement operates on a foundation of two of the existing Conventions by embodying the substantive provisions of the Paris and Berne Conventions, as well as adding new provisions. In particular, Pt III of the Agreement sets out provisions with regard to enforcement of intellectual property rights for which there was no multilateral precedent. The TRIPS Agreement will be administered by the WTO and has enormous added significance because it is backed by the WTO's dispute settlement procedures against recalcitrant Member States. This will enable governments to assist industries by acting where other States are guilty of a breach. In 1997, the first adjudication under the dispute resolution procedure reached a rapid conclusion. This indicated the willingness of the WTO to take action and the promptness with which it can act. After complaint by the US, India was requested to bring its transitional arrangements for patent protection for pharmaceutical and agricultural chemical products into line with Art 70 of the TRIPS Agreement 1994. The US will eventually be entitled to take retaliatory trade measures if India does not comply.

- *Other agreements*

There is a plethora of other agreements; those which affect the UK include: the Strasbourg Convention on the International Classification of Patents 1971; the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks 1861 (last revised 1977); the Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks 1985; the Hague Agreement Concerning the Deposit of Industrial Designs 1925; and the Locarno Agreement Establishing an International Classification for Industrial Designs 1970.

### **1.3.4 The territoriality of intellectual property rights**

The UK's intellectual property rights are territorial: they apply only in the UK. Even the European patent is treated as a domestic patent after the centralised examination and decision whether to grant have been completed. Territoriality means that the right in each country is determined by the law of that country, is only effective within that jurisdiction and can only be asserted in that country's courts. It is for this reason that reciprocal rights for other nationals have been recognised through the Conventions and reciprocal scope of protection is determined by some of the Conventions. It is the principle of national treatment that largely achieves this reciprocity for other nationals.

## **1.4 Basic format to intellectual property issues**

A difficulty often encountered by the new student of intellectual property is charting a coherent path through the myriad complexities of each right. A structure for enquiry can be laid down at each of several levels, for each right, and this will be done at the appropriate points. But even at this stage of acquaintance with intellectual property, a general format of approach when faced with any of the rights is useful.

The first subject of concern must be whether any protection is possible. This involves identifying subject matter which can be protected by an intellectual property right. If this can be done, then an appropriate owner for the right must be found, and any formalities which must be completed to secure protection must be satisfied. The second main concern relates to enforcement of the right against trespass, by identifying any potential infringements and infringers. The third concern follows on logically: a consideration of potential defences to the identified infringements and identification of the appropriate remedies. The final aspect relates to exploitation of the intellectual property issues relating to licensing and or assignment of all or part of the right.

## INTRODUCTION

Intellectual property provides legal protection for useful ideas conceived and developed by man.

### **Protection for ideas**

The development of ideas into commercially desirable commodities requires investment of time, effort and money. Those involved in such development have an interest in securing reward and profit from their investment. Marketing of the resulting commodity may expose it to the risk of imitation, possibly inferior imitation, as well as financial risk. But access to such development may be of much benefit to society as a whole.

Reward and profit can be secured if legal protection is given against the risk of imitation. This will constitute a barrier to entry which must be balanced against the benefits of protection.

### **Means for protecting ideas**

Protection may be conferred at different points in the progress of an idea to a marketable commodity:

- Keeping the idea secret.
- Giving a precisely defined exclusive property right (either by legislation or through the common law) over the product itself in order to achieve a fair balance between the interests of conceiver, entrepreneur, consumer and the public. The statutory rights comprise: patents, copyright, moral rights, performers' rights, design rights, trade marks, plant variety rights, protection for semi-conductor chips. The common law provides an action for breach of confidential information and the tort of passing off. Balances between the differing interests of conceiver, entrepreneur, competitor, consumer and the general public may be achieved through externally imposed licences, the right's duration, the scope of the right, defences and competition law.

### **Sources of intellectual property law**

- National: where statutes derive from EU law, or international agreements, courts take regard to their origins in interpreting them. Case law provides the source for confidentiality and passing off.

- International: much intellectual property law is derived from conventions, treaties and agreements. The principles of reciprocity, priority, national treatment, independence of rights and most favoured nation treatment stem from these sources. International sources may govern both substantive and procedural matters and may provide for regional or international protection.
- Intellectual property rights are territorial in scope.

A study of any intellectual property right involves consideration of the subject matter of the right, the criteria which must be satisfied for the right to be conferred, any formalities that must be fulfilled, ownership of the property, the right's duration, the boundaries beyond which the outsider must not trespass, any defences given to outsiders, the right owner's remedies and, finally, the means of exploiting the intellectual property commercially, as well as any limits imposed by competition laws.

## JUSTIFICATION

Intellectual property protects ideas by means of exclusive rights. It must be understood why such legal protection should be provided. This must be done in the face of past and continuing criticism of intellectual property rights. The justifications given for granting exclusive rights, then, provide an important framework for critical evaluation of the effectiveness of intellectual property rights as we know them. The success of the substantive law can only be assessed in the light of the objectives that law was designed to achieve.

### 2.1 Objections to exclusive rights

Opposition has come from several directions: economists, free traders, developing countries and socialist States. It is worth first considering the nature of the rights that have given rise to these objections. The intellectual property rights have been described as exclusive; indeed, they are forms of monopoly. A patent confers an absolute monopoly over the use, manufacture and sale of an invention, though it is limited to a maximum of 20 years. The trade mark, too, is a monopoly over a mark. It may not be used by other traders for the same, similar, or even dissimilar goods or services in certain circumstances. The right lasts for as long as the registration is maintained. Secrecy, protected through breach of confidence, lasts as long as confidentiality can be maintained. It lasts as long as the information is kept out of the public domain from other sources. Secrecy obtains only against those owing a duty of confidence to the owner of the secret and not against the public at large. A qualified monopoly is one which allows some imitation by 'reverse engineering', such as the protection for semi-conductor chips and for plant and seed varieties, but otherwise confers a monopoly. Copyright does not confer an outright monopoly, because the same work produced independently will also be protected and may compete with the first work without infringing the first work's copyright. This has not precluded copyright owners from monopolistic behaviour. Obvious examples include the publication of hardback editions of books before paperback versions and the release of films in the cinema before the video becomes available. Copyright could be regarded as a 'relative monopoly'.

The mere fact of having an intellectual property right will not automatically confer a monopoly on its owner. This will depend on the availability of alternative products on the market and the success of the idea. However, the intellectual property right does give the potential for monopolistic power. To have a monopoly over the provision of a product

enables the monopolistic producer to control the market in several ways. The price at which the goods are sold may be maximised: the consumer has no alternative source, the producer controls the quantities of the product released onto the market and, therefore, can do so in the quantities, and at the price, which secures the highest price the market will stand. In addition, the monopolistic producer controls the supply and distribution of the goods, 'any after sales ...' service and repair and investment in further research and development.

This power creates a clear conflict between a consumer's interest in access to commodities at the lowest cost, and a manufacturer's interest in securing the maximum profit. Where there is no competition, the manufacturer's reward can be significant, as is illustrated by the patent case of *Improver Corp v Remington Consumer Products* (1990). After two years of marketing, the patentee had made 5.8 million units of the product (a depilator) and had a gross retail turnover in excess of US\$340 million.

### **2.1.1 Economic objections to monopoly power**

The economic arguments conflict. Against monopolist behaviour, it is argued that the consumer is forced to buy an alternative which is inferior to the monopolist's overpriced product. This means:

- (a) that too little of the resources available reach the market;
- (b) that the monopolist's wealth is created at the consumer's expense;
- (c) that the monopolist controls the market with respect to quality, service and repair, further development and supply, removing any incentives for improvement;
- (d) that the monopoly removes any incentive to keep production costs down.

However, it can also be argued in favour of the monopoly that a single source of supply can be the most efficient; can be controlled by public accountability; and that it may only be a manufacturer with monopoly profits who can afford the high cost of continued research and development.

Monopoly power also conflicts with a preference for a free market economy, though Beier has argued that the conflict is more apparent than real. This is because the long term aim of granting intellectual property rights is to stimulate innovation and production and, thereby, competition. The actual rewards gained are dictated by market forces and the intellectual property right allows dissemination of the underlying idea to competitors once the right has expired: Beier, F-K, 'Patent protection and the free market economy' (1992) 23 IIC 159.

Not all intellectual property rights confer monopolies outright. The rights are limited in duration, compulsory licences are available for patents and

competition law provides a balancing factor, as does accountability to the Copyright Tribunal. Alternative products are often available on the market. It is adjustments such as these that seek to provide both the objectives that intellectual property rights are designed to achieve and answer the arguments of intellectual property's critics. The balances needed are delicate ones.

Not only does an intellectual property right confer monopolistic potential on its particular owner, however, but it also enables collaboration between several intellectual property right owners in order to increase the market power available to them. This can be seen in patent licensing pools, for example, divisions of markets on a regional or international basis and copyright collective agencies. One motivation for such associations may be to enable individual owners to enforce their rights effectively, but the effect is also one of increased market power. 'Anti-trust' measures have been taken both by the US and by the EU to combat such accretions of power (see 16.3). The jurisdiction over collective licensing imposed by the Copyright, Designs and Patents Act 1988 and the creation of the Copyright Tribunal (successor to the Performing Rights Tribunal) is another manifestation of the need to answer criticisms of anti-competitive tendencies conferred by intellectual property rights.

### **2.1.2 Objections from developing countries**

A developing economy depends on the acquisition of technology and information from the developed world. This is hindered where intellectual property protection prevents such access, or prices it at an unattainable level. In addition, developing countries have complained that large multinational enterprises have imported products (protected by national intellectual property rights) into the developing country, rather than producing them locally. This hinders any technology transfer that would be attained by local production. However, the developing country finds itself in an unenviable quandary, for, if there was not any protection, international firms would not market in the developing country at all. And strong intellectual property laws will attract important inward investment from rich multinational enterprises. As the local economy develops, local entrepreneurs will themselves become in need of such protective rights. This dilemma has led to arguments, when the international Conventions and Treaties are revised, from developing countries that they should receive special treatment. They suggest compulsory licences for local working, local translation rights, curbs on royalties and scrutiny of licences. However, the developed world's perception of activity in the developing world has been one of large scale piracy and counterfeiting. This has not disposed them towards a tolerant stance to the developing economies. The same applied also to countries which had intellectual property protection, but inadequate facilities for, or a lack of disposition towards, enforcement of those rights. The Uruguay Round of GATT talks tackled the issue and the



resulting TRIPS Agreement establishes a required minimum content of intellectual property law for all World Trade Organisation (WTO) Member States. Concession for the developing countries, along with those 'in the process of transformation from a centrally planned into a market, free enterprise economy' is confined to extra time having been given for implementation: Arts 65, 66 of the TRIPS Agreement.

### **2.1.3 An alternative approach: unfair competition**

An alternative approach to guarding the interests at stake when a new idea is coined would be the adoption of a general principle preventing unfair competition in the market place. This would have the advantage of avoiding situations deserving of protection falling into the 'gaps' which lie between the specifically defined intellectual property rights. Forms of unfair practice which lie outside the realm of intellectual property, but which are analogous to it, such as slavish imitation of a product for which the patent has expired, would also be prevented. Additionally, many intellectual property rights are granted for creations which are never exploited, suggesting that exclusive rights are an inefficient means of protection. A principle of unfair competition could operate in one of three ways: either by obviating the need for intellectual property rights at all; or by acting as a failsafe to avoid the lacunae between rights; or, alternatively, by providing a principle for judicial creation of new relief in specific instances. That unfair competition is the harm sought to be remedied will be seen in the case law, even where one of the statutory rights is at issue. Examples include the 'springboard doctrine' related to the action for breach of confidence (see 6.3.2), the development of the tort of passing off and the interpretation given to the copyright term 'original' by the courts. In addition, statutory trade mark law has recently introduced the concept of 'dilution' (a form of unfair competition outside traditional trade mark boundaries) to trade mark law. The courts in the UK have, however, been reluctant to develop any general principle of unfair competition. It is notable that s 2 of the Competition Act 1980 provides that an equivalent question must be determined by the Monopolies and Mergers Commission. It is made up of legal, economic and commercial experts, rather than the courts.

The situation in the US can be contrasted, where the common law developed a concept of misappropriation of value in *International News Service v Associated Press* (1918). The plaintiff printed news of the First World War in newspapers on the East Coast of the US. Their competitors, who had been refused reporting rights by the French Government, used the plaintiff's papers as source material. This they telegraphed to the West Coast in time to report there, in competition with the plaintiff, as a result of the time difference between the East and West Coasts of North America. The plaintiff claimed property rights in their news. Pitney J cited the exchange value that news has to the misappropriator, and held that the activities of the defendant were an

unauthorised interference with the Associated Press's business. The rest of the court restricted itself to more orthodox principles. Holmes J held that there was an implied misrepresentation that the news came from the defendant; Brandeis J insisted that legislation was required to fashion new rights.

In other common law jurisdictions, this reluctance to pre-empt the legislature has prevailed: *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor* (1937); *Moorgate Tobacco v Philip Morris* (1985). This reluctance stems, in part, from a judicial unwillingness to enter into political and commercial judgments. In Europe, by contrast, judges have developed wide principles of unfair competition from civil codes. These now govern many unfair business practices, such as comparative advertising, seller's enticements and slavish copying. Harmonisation by the European Union of many aspects of intellectual property law may lead the UK courts and legislation towards the European approach. It has already done so with respect to the remedy against dilution of a trade mark by use on dissimilar goods or services in the Trade Marks Act 1994. It can also be argued that Art 10bis of the Paris Convention requires the UK to adopt a principle of unfair competition, which it defines as 'any act of competition contrary to honest practices in industrial or commercial matters'. However, it has been claimed that the UK already provides *de facto* protection against unfair competition through the specific intellectual property rights. This has been claimed notwithstanding the need to expand these rights to accommodate new subject matter over the years (for example, computer programs), provide new remedies (dilution of trade marks), or to create wholly new rights (semi-conductor chips). The possible consequence of such expansion and accretion of rights has been said by Lahore to blur the traditional boundaries of intellectual property and to erode the policy justifications made for the rights in the first place and which dictate the specific limits to each right (Lahore, J, 'Intellectual property rights and unfair copying' [1992] EIPR 428). This is apparent in the Australian case law on passing off, where liability has been extended to misappropriation of a reputation without any misrepresentation having been made, or any commercial activity on the part of the complainant, effectively conferring a monopoly before any merchandising by the plaintiff has taken place: *Hogan v Koala Dundee* (1988).

Professor Michael Pendleton has posited a new approach which avoids the dangers of unjustifiable monopolies by replacing existing intellectual property law with one 'all embracing law of valuable commercial information', infringed when a rival has unjustly benefited from the labour, skill and effort invested by a claimant: Pendleton, M, 'Intellectual property, information based society and a new international economic order – the policy options?' [1985] EIPR 31. This would appear to replace the specific rights with a wide and subjective economic and commercial discretion, one going further than the discretion already rejected by the common law judges in the UK and Australia. Intellectual property judges do not ignore such issues – Lord

Hoffmann quoted Merges and Nelson, 'On the complex economics of patent scope' (1990) 90 Columbia L Rev 839 in *Biogen Inc v Medeva plc* (1997). However, they have considered them within the carefully delineated boundaries of the substantive law, which, in most cases, have been determined by the legislature.

A further suggestion is that of Dr Kamperman Sanders. He proposes that the principle of unjust enrichment provides an attractive model for unfair competition law. It has the advantage, he says, of only providing relief where a competitive 'nexus' lies between commercial rivals: Kamperman Sanders, A, *Unfair Competition: A New Approach*, 1996, London: Intellectual Property Institute. This avoids the difficulties of a proprietary approach by only providing a remedy when a rival is unjustly enriched, allowing free competition otherwise. And the restriction is imposed on the method of competition, rather than being based on particular subject matter (which may be overtaken by rapidly developing technology). The unauthorised extraction right introduced by the European Parliament and Council Directive on the Legal Protection of Databases (96/9/EEC), implemented in the UK by the Copyright and Rights in Database Regulations 1997, moves in this direction. The focus is on the nature of the use being made of a database, rather than the category of material to be protected (which is not worthy of copyright in its own right). This protection is earned by the substantial investment made in obtaining, verifying, or presenting the contents of the database. What is clear is that the future development of intellectual property law will remain a topic of fascination and interest.

## 2.2 Justifications

Several arguments have been adduced to explain the granting of exclusive rights. Gathering the evidence to ascertain whether they do in fact achieve the objectives thus identified has been problematic. It is necessary to look at patents, copyright and trade marks separately, but a few general points can be made first.

An economy's growth, the creation of employment, social, technical, commercial and cultural progress, all depend, to some extent, on the genesis, and then the exploitation, of new ideas, techniques, products and processes. Protecting the creation and development of ideas lies at the heart of intellectual property. The purpose of doing so is to stimulate and increase the genesis, development and dissemination of the ideas necessary to progress. This can be done by preventing the value of an idea being misappropriated by others. This can be regarded as the public justification for intellectual property rights; there is also a private justification that can be made.

### **2.2.1 Public justifications**

New ideas will be stimulated if:

- (a) the creator is rewarded for the effort and expenditure of creation;
- (b) the investment needed to develop the idea for a commercially viable proposition is protected from unfair competition, including inward investment from other countries. The growth of the German chemical and dyeing industries has been attributed to strong intellectual property protection allowing outside companies the security needed to develop in another jurisdiction. This remains an important incentive for developing countries to adopt suitable intellectual property regimes;
- (c) dissemination of the new idea is enhanced if its exploitation does not lay it open to immediate imitation, thus ensuring public access to new knowledge and ideas, whereas, without protection, the natural alternative would be to turn to secrecy and thus deprive the public of the idea.

### **2.2.2 Private justification**

It has also been argued that creators, whether author, inventor or designer, have a natural right to the results of their labours. This is founded upon the theories of Locke, stated in *The Second Treatise on Government*, that everyone has a property right in the labour of his own body and that the appropriation of an unowned object arises out of the application of human labour to that object. To this is added the condition that there must remain objects of similar quality in sufficient quantity to supply others. It rests upon the assumption that ideas are unowned before their appropriation. Michael Pendleton has argued that all ideas lie within the public domain in the sense that they are owned by the public and should not be available for individual appropriation. His view is that all invention can be seen as a (new) combining of known units of information: Pendleton, M, 'Intellectual property, information based society and a new international economic order – the policy options?' [1985] EIPR 31. Any private justification for intellectual property rights must take into account the public interest in fair access to, and use of, an idea.

## **2.3 Justifications for patents**

In 1963, Machlup identified four justifications for the grant of patents: the natural law thesis, the reward-by-monopoly thesis, the monopoly-profit thesis, and the exchange-for-secrets thesis. He concluded that neither the empirical evidence nor the theoretical justifications either confirm or refute the theory that the patent system promotes technological progress or economic productivity. It is worth considering each argument in turn.

### **2.3.1 A natural right**

It can be queried why any right should extend to the original idea or object rather than covering only the value added by that labour and skill. And, if a natural right can be claimed, it would be expected to be of unlimited duration, analogous to property in land. Nor is any private right of property being recognised for independent inventors of the same invention, or the first to invent, but only the first to file an application for a patent. However, the Employee Inventor Code in the Patents Act 1977 (see 3.5) may represent a residual feeling that an inventor has a private right.

### **2.3.2 Reward by monopoly**

Since the Middle Ages and the systems of privileges, such as Royal Charters and the Guild system, inventors have been rewarded for their contribution to the community. However, the motivation has been largely one of securing the community benefit, rather than appreciation for the inventor. Any reward justification can be queried when the patent is granted only to the 'first to file'. Other inventors, such as the first to invent and independent inventors, go unrewarded, at least by a patent. In fact, if reward were the sole objective of the patent, a system more akin to copyright would give a reward like property because copyright has a much longer duration. As we have seen, Pendleton has argued against appropriation and reward: Pendleton, M, 'Intellectual property, information based society and a new international economic order – the policy options?' [1985] EIPR 31. But his argument ignores the fact that a patent is not available purely for information. It is only for a new way of putting that information to good use (a patent cannot be given for a discovery, only its application in a product or process). A reward for that effort can be justified.

### **2.3.3 Monopoly profit incentive**

The justification proffered – that the grant of a patent will stimulate innovation by securing investment in both seeking and exploiting new ideas – needs careful consideration. This justification can be examined in two stages: first, by asking whether a patent does stimulate invention; and, secondly, whether it also helps to stimulate innovation by securing the successful exploitation of that invention.

#### *Stimulation of invention?*

Australian research (discussed by MacDonald, S, 'Australia – the patent system and the inventor' [1983] EIPR 154) suggests that it is the existence of a problem to be solved which stimulates invention. If so, a better incentive might be provision of education in the prior art and its problems, rather than a patent, which is expensive and difficult to obtain. An academic inventor will

be motivated as much by considerations of publication and recognition as profit. There is also an argument that much would be invented anyway (particularly in the face of the considerable ignorance of the patent system, highlighted in the White Paper, *Intellectual Property and Innovation*, Cmnd 9712, 1986). This may have been accurate in the days when the bulk of invention consisted of improvements to mechanical inventions. However, in some sectors of industry today, such as pharmaceuticals, there is extensive research and development on which millions of pounds are expended. In 1992, the Association for the British Pharmaceutical Industry suggested that the cost of unearthing a major innovative medicine escalated from £50 million in 1985 to £125 million in 1990.

Many inventors are employed and are motivated by their employment and the problem, rather than the promise of profit or reward. This does not necessarily negate the patent as a stimulus to invention. The employer employs the inventor in order to profit and the stimulus is not diminished by being indirect. The salary the employer is able to pay will reflect the profits secured through patent protection. However, an additional incentive is needed for any additional invention an employee may make, outside the sphere of employment, thus encouraging that employee to disclose the invention. In any case, the Patents Act 1977 Employee Code is aimed at enhancing the reward and incentive factor directly for the employee, though the results have been disappointing so far.

A more effective incentive to invent may lie in a different type of protection, such as the longer duration of copyright or even State support of research.

### *Stimulation of innovation?*

No new idea is of any value until it has been exploited. It is for this stage that an inventor may need the most support in order to find the funding to develop the idea to the point of commercial viability. If the patent succeeds in securing exploitation, its grant may well be justified. However, many patents are never exploited at all and, therefore, it has been argued that a better system might be to grant protection only when the developed invention reaches the market, and to limit that protection by a monetary, and not a temporal, limit. The complexities of such a suggestion lie:

- (a) in quantifying sufficient marketing to qualify for protection;
- (b) in the difficulty for a small inventor in reaching the market at all, if funding must be sought without the guarantee of protection for the idea. This leaves the inventor prey to imitation, and the investor prey to losing the investment through imitation;
- (c) in that it would frustrate the important informational role of the patent.

The market-stimulation model has been proposed by Kingston and Kronz, though in slightly varying forms.

Kronz ('Patent protection for innovations: a model' [1983] EIPR 178, p 206) postulates that a patent secures protection for inventions, but does not stimulate innovation, which is governed by independent factors. He states the chief benefit of the patent as being the information which it makes public, but suggests in its stead an 'innovation patent'. This would actively assist in the transfer of technology. He regards the patent as outdated, now that the flow of ideas outstrips the possibility of implementation, which is what leads to patents being granted for unexploited inventions.

Kingston ('Innovation patents and warrants', in Phillips, J (ed), *Patents in Perspective*, 1985, London: ESC; and 'An "investment patent"' [1981] EIPR 131, p 207) agrees that the existing patent system does not deliver the economic benefits its theory promises, only protecting innovation indirectly. He suggests further adjustments to the patent system to provide effective protection for information and to aid innovation ('Patent protection for modern technologies' [1997] IPQ 350).

One advantage of these suggestions is the requirement for the disclosure of know-how, otherwise, general principles of unfair competition might be seen as an equally viable alternative to the patent. No change now seems likely in the face of Art 27 of the TRIPS Agreement, which sets out the requirement for patent protection. However, the points made by Kingston and Kronz do continue to cast doubt upon the effectiveness of the patent to stimulate innovation.

Any incentive effect the patent has is also dependent on factors, such as the level of consumer demand, marketing techniques and the availability of alternatives. Such an incentive cannot be achieved by legal means alone. The most telling force in the argument for the patent as an incentive to innovation must be its ability to stimulate a manufacturer to take a risk in exploiting the invention, by assuring at least a head start in the market. It also enables the inventor to negotiate with manufacturers, secure in the knowledge that the idea cannot be appropriated.

Another counter-argument to the stimulus to innovation justification is the long time lag that often lies between the granting of the patent and the exploitation of the invention. This may result from the difficulties of investing in development and the time that takes, plus the cost and organisational difficulties of distribution and often a resistance to the new idea. Yet it is the most innovative industries (such as medicines and computer software) that have aggressively sought and used patents. The patent does have a role to play in securing the jump from invention to exploitation. It protects against competition at a very vulnerable stage and provides necessary support for making a risky investment by giving the inventor a saleable commodity. However, the force of this criticism can be seen in the fact that it takes 10–12

years from discovering a useful product in the pharmaceuticals field to getting the necessary licence to market it.

To act as a stimulus, the patent must not be open to avoidance by competitors. Often, the publication of a patent application and/or marketing of the invention may attract competitors' attention. They may be able to 'invent round' the patent (make an equivalent without encroaching on the patent's claims to the point of infringement). Therefore, to be an effective stimulus, the patent granted must not be open to easy challenge and the rights given must be of clear scope. This is only possible if the examination by the Patent Office of the requirements for validity (novelty and inventive step – see Chapter 4) is exhaustive. Then, a competitor cannot easily challenge the patent for validity and, thereby, undermine the advantages of seeking such a right. The need for inventive step has been criticised because it is a difficult and subjective evaluation. It makes a patent easily open to challenge, creating uncertainty about the value of the right, which, in turn, devalues its incentive effect.

Whether the patent system has operated as an effective incentive is hard to assess. The *Report on Intellectual and Industrial Property*, 1971, by the Economic Council of Canada, suggested that there is no quantifiable benefit compared with systems with no equivalent protection. Machlup (Machlup, F, *An Economic Review of the Patent System*, 1959, Washington: US Senate Committee on the Judiciary, Subcommittee on Patents, Trademarks and Copyrights, Study No 15) suggests the same. That there are other vital factors in providing such stimulation is unarguable – for example, market lead time, marketing skills, demand for the invention and the product's reliability. Market lead time might actually be eroded by the grant of a patent by alerting potential competitors!

Japan was a developing country after 1945. In 25 years, she became one of the world's major industrial nations and did so by enacting a strong patent law, then vigorously enforcing it. This created a flow of technology into Japan under licence agreements, joint ventures and technology transfer agreements. These had to be paid for in royalties but proved to be of considerable benefit to Japan: Braun, F, 'The economic role of industrial property' [1979] EIPR 265. For a further defence of the incentive effect of the patent, see Beier, F-K, 'The significance of the patent system for technical, economic and social progress' (1980) 11 IIC 570, p 581.

A study undertaken by Dr Raymond in 1996 suggests an important role for patents in the UK economy (Raymond, C, *The Economic Importance of Patents*, 1996, London: IPI).

When considered in its entirety, the evidence would clearly suggest that research and patent activity have become much more important to (at least some) industries. The industries which are the most patent intensive appear to be those most prospering in the face of economic changes away from traditional manufacturing and towards the service sector(s).



### 2.3.4 Exchange for secrets

Application for a patent compels disclosure of the idea to the community at an early stage, before the decision whether to grant one is taken. The patent can be seen as a bargain with the public as represented by the State: protection given in return for information. And the information which results is both technical and commercial information which might otherwise remain secret, protected as confidential information. It is worthy of note that the (then) USSR introduced a system for the dissemination of information, when no patent system existed, because of the importance of access to such information.

The secret of many inventions will be revealed on sale. For others, secrecy does not present a viable form of alternative protection. However, publication 18 months after a patent application will reveal the information contained within it earlier than it would otherwise reach the public domain. There are approximately 30 million patents in the Patent Office and 80% are not available elsewhere; 85% are freely usable because they have lapsed or expired. Publication also reinforces the incentive to innovate by encouraging other manufacturers to seek licences.

There are criticisms of the patent as the best way to provide information. Difficulties of classification, of language, of duplication and of searching do exist because there is no consistency across the different national systems, nor do many libraries stock Patent Office materials. The patent does not give access to additional know-how which may be vital to the actual use of the invention. T Eisenschitz ('The value of patent information', in Phillips, J (ed), *Patents in Perspective*, 1985, London: ESC) agrees that the patent in its current form does not provide information in the best manner and argues that one granted more quickly would bring information into the public domain more rapidly. Patent specifications do need skilled interpretation. She proposes protecting research and development programs to encourage early availability of information. However, Oppenheim has pointed out that the patent provides the relevant information more quickly than other sources, such as technical and research literature, and in a greater quantity. It has the added benefit of including commercial as well as technological information: Oppenheim, C, 'Information aspects of patents', in Phillips, J (ed), *Patents in Perspective*, 1985, London: ESC.

Historically, the informational role has been the patent's strongest justification, overcoming the free traders' opposition by the 1870s. This was pointed out by Beier, F-K and Strauss, J, 'The patent system and its informational function – yesterday and today' (1977) 8 IIC 387. Development rides on the supply of information, patent information is self-updating and avoids duplication of effort and economic waste.

### **2.3.5 Conclusion**

On the positive side, the patent can be said to lead to better goods and protection is only temporary. This allows competition, which provides consumer choice, better standards of living and employment. Set against these advantages must be the dangers of monopolies – higher price margins, maximum profits, a temporary ban on the use of available information, a lack of direct competition and enhanced market power. With cross-licensing and patent pools, this can lead to concentration. However, when balanced by compulsory licences and competition policy, the advantages seem to outweigh the disadvantages.

There appears to be no compelling alternative. Market lead allows the manufacturer to limit production, as competition at much lower costs will quickly follow. Secrecy brings the disadvantage of restrictions on the labour market, as employees are fettered by restrictive covenants from competing against their former employer. State incentives and reward do not appear an effective suggestion because history shows that governments have not been good at encouraging innovation and, in any event, would lag behind demand. Innovation protection either for marketable ideas, or marketed products, would lead to great problems of definition.

## **2.4 Justifications for copyright**

Copyright encompasses an enormous economic and cultural field, extending to the raw material of the arts, education, information, entertainment, broadcasting and the media and the design world. Although the copyright right is a relative, rather than an absolute, monopoly, monopolistic behaviour is possible. This is because demand is very likely to be large, but volatile, in the fluctuating market in which we live. Any monopoly power is subject to limits, including:

- (a) the freedom of independent creators, as opposed to those who copy, to exploit their own idea;
- (b) the fact that protection only extends to the expression of the idea and not the idea itself;
- (c) the duration of the right, albeit that it is a long one; and
- (d) provision for fair dealing (see 9.5), other ‘permitted acts’ (see 9.6) and compulsory licences.

### **2.4.1 Authors’ rights and neighbouring rights**

One important distinction should be made in relation to the differing types of work which fall within the copyright umbrella. Works may be divided into

two classes: first, the 'authors' rights' – literary, dramatic, musical and artistic works, which fall within the ambit of the Berne Convention; and, secondly, 'neighbouring' or 'related' rights – such as sound recordings and broadcasts, which can be described as the 'carriers' of the authors' rights. The justifications for each class of copyright work differ. In fact, the diversity of copyright works means that no one justification is likely to apply across the board to all works. Moral justifications are appropriate to authors' rights, to protect the creativity of the author. But economic justifications are more appropriate to the entrepreneurial neighbouring rights. Where moral arguments are applied to neighbouring rights and vice versa, doubts arise.

### **2.4.2 The origins of UK copyright law**

In the UK, the demand for protection came from the publishers (the 'Stationers') after the development of the printing industry made large scale copying viable. The demand was an economic one, to stimulate and protect investment in publication. The copyist can, of course, compete without a publisher's start up costs and avoids paying the author a royalty. This demand was first expressed in the trade customs of the Stationers, which were given royal support with a Charter and achieved statutory form with the Copyright Act 1709. Further development saw the right extended piecemeal to new forms of work. The difficulties of justifying copyright are illustrated by the Copyright Act 1842. Serjeant Talfourd unsuccessfully sought an extension of the term of copyright from the existing 28 years to the life of the author plus 60 years to reward authors for their creative effort. Opposition based on fears of monopoly, and of restriction on the dissemination of knowledge caused by raised prices, prevented the change. In 1841, TB Macaulay declared copyright a 'tax upon readers for the purpose of giving a bounty to authors'. A compromise of the duration of author's life plus seven years, or 42 years in total, whichever was the longer, was adopted. Respect for the author's creativity lay behind the European systems of copyright, whereas economic considerations underpinned UK copyright law. The Berne Convention, and harmonisation induced by the EU, have led to a convergence of philosophies, with accompanying adjustments to the scope of the substantive law.

### **2.4.3 Author and entrepreneur**

The fact that both author and entrepreneur are protected in parallel is one factor that has led to conflict between those seeking long term protection for the author's moral interest in his creation and those fearing the monopoly potential thereby created. Plant points out that it is not necessary to protect the publisher in tandem with the author, whose interests will be different: Plant, A, *The New Commerce in Ideas and Intellectual Property*, 1953, London: Athlone. Where a work proves to have a long lasting popularity, doing so tends to confer a bonus on publishers because they will calculate their returns over a

relatively short period. While it is argued that this enables publishers to take risks with other unpopular works, it leaves the choice of work to the publisher. A government subsidy, as a modern form of patronage, originally the support given to authors, might be a better way of securing publication of deserving works. Here, the arguments may differ from those relating to patents (where government subsidies have not been seen to be an attractive alternative), as the publisher is likely to cater to the remarkably low levels of public taste!

Nor is it clear that the relatively long period of copyright acts as an incentive to the author. While due respect can be given to the desire to acknowledge aesthetic creativity, there is still an argument for separating the protection of author and entrepreneur. Plant's proposal was to reduce the period for publishers and to give authors a statutory royalty thereafter from any publisher choosing to exploit the work. This would secure the benefits of competition, without denying authors their due reward.

### **2.4.4 Justifications**

In a seminal article, Breyer identified both moral and economic arguments made for copyright: Breyer, S, 'The uneasy case for copyright: a study of copyright in books, photocopies and computer programs' (1970) 84 Harvard L Rev 282. These bear a strong resemblance to those made for patents:

- (a) a natural right to property in one's work, allowing authors to control the use of, and treatment given to, their work;
- (b) to reward for investment in creation and publication;
- (c) to stimulate creativity which is socially, as well as personally, beneficial;
- (d) to disseminate ideas in the public interest.

Copyright works are often expensive to create. However, it is argued, the low cost of copying them (consider a cassette tape recording of popular music, for example) necessitates protection to secure creation. But it is important not to overprotect, by making protection last for too long, or by limiting the use others may make of the work, because the end result would then have a disincentive effect. Difficult balances must be struck between the private moral and economic interests of authors and the public interest in participating in culture and scientific advancement. This is set out in Art 27 of the Declaration of Human Rights 1948.

Breyer also concludes that one can only be ambivalent on the question of whether the (then) current US copyright law (which he reviewed in 1970) was justified. However, it must be noted that his concern was not with all the different types of copyright work. Breyer points out that a law of copyright is merely one way of securing book revenues which are high enough to secure adequate protection and prices low enough not to interfere with widespread

dissemination of the contents. Alternatives lie in contract (as he points out, monks and scholars in the Middle Ages wrote and were paid for their writings without copyright), subsidies and market lead time. In the 19th century, before copyright extended to British authors in the US, American publishers sold British works and paid royalties voluntarily. But the complaints of Charles Dickens about the activities of American publishers should be set against this and the fact that, in modern conditions, copying is ever easier, cheaper and quicker, eroding any benefits from market lead time. Additionally, demand is volatile, so that the incentive to produce works in the absence of protection is decreased and publishers and others are less inclined to contract for, or subsidise, works of uncertain profit.

Breyer concludes that the case for copyright in books as a whole is weak. Abolition would not produce a large or harmful decline in production. It would benefit readers by producing lower prices, eliminate the need to incur permission costs in copying and increase the circulation of the vast majority of books that would continue to be produced. The work of W Landes and R Posner ('An economic analysis of copyright law' (1989) 18 JLS 325) reaches different conclusions with respect to US copyright law because of the much reduced cost of making copies today, the greater emphasis on freedom of expression and the decline of alternative institutions for realising the benefits of works. They also point out that, without copyright, publishers would have no incentive to advertise works before publication (due to the need to enhance any market lead); and that the emphasis would be on the production of works of very short demand in order to realise the gains of being first on the market. A lack of copyright might also, they suggest, cause a growth in private circulation of works to minimise the risks of copying.

For another very different view of the economic importance of copyright, see Cohen Jehoram, H, 'Critical reflections on the economic importance of copyright' (1989) 20 IIC 485. This study compares the results of surveys undertaken in several countries, including the US and the UK. They show that the industries which produce and distribute material protected by copyright law contribute significantly and increasingly to their domestic economies. This presupposes that copyright law has enhanced the activities of those industries by providing appropriate protection.

## **2.5 Trade marks**

Trade mark justifications differ, because a trade mark serves a contrasting function from the other intellectual property rights. A trade mark is a sign which is attached to a commodity, rather than a legal device for stimulating the production of the commodity in the first place. The purpose of attaching such a sign is to facilitate and enhance marketing of the commodity. It indicates to consumers the source and reputation of the affixer of the mark and provides an important advertising and sales tool. That trade marks are

seen commercially as an essential instrument of trade, can be inferred from the large numbers that have been registered: in 1996, UK applications rose by 28% to a total of 56,731.

Trade marks are seen as an important part of intellectual property law's role because they operate as an adjunct to the other intellectual property rights. This enables exploitation of products, processes, designs and works. Trade marks do also play a role in the traditional function of intellectual property rights as they continue to act as a stimulus to innovation. Marks act cumulatively to other intellectual property protection, continuing the protection necessary for innovation after other intellectual property rights have expired.

Although trade marks confer a monopoly in the mark, they do not prevent competition in a particular type of product. Competitors are free, other intellectual property rights permitting, to market the same product and are only prevented from using the same or a similar mark to identify their product.

The arguments proffered for conferring monopoly rights to a sign can be divided into private and public justifications.

### **2.5.1 Private justifications**

It is claimed that there is a natural right to protect a commercial reputation, although an individual's private reputation is not protected by proprietary rights, but the tort of defamation. Commercial reputation is, however, an integral part of a business, and a business is 'owned' by its proprietor. In addition, an individual does not always have an identifiable indication of reputation, whereas trade mark rights are only granted to 'signs capable of graphic representation', making proprietary rights appropriate.

### **2.5.2 Justifications in the public interest**

The public justifications are twofold. The trade mark is seen as a form of consumer protection and as an aid to market competition.

#### *Consumer protection*

By indicating the source of goods and services, a trade mark enables consumers to choose between competing products. It is assumed that, in a competitive economy, consumers benefit from choice. A mark also enables an element of choice where a full inspection of, or information about, a product is not possible.

Protecting information about the origin of goods or services is also an indirect way of providing information about the quality of those goods or services. It enables buyers to relate to previous experience, to advertising, recommendation and other knowledge of the mark. In other words, a mark forces accountability for the product on the proprietor of the mark. It also

provides an incentive to provide that quality to the manufacturer. In developing countries, experience has shown that unmarked goods, though cheaper, are shunned in the face of doubts about standards. The more expensive, but marked goods are sought out.

In effect, the mark operates as a form of consumer protection. However, enforcement is left to the mark owner and consumers have no redress in trade mark law if misled by infringing marks. Some redress lies in consumer protection legislation, however, that is not enforceable by consumers either. This has led to the suggestion that consumers should be able to participate in their own protection, from A Kamperman Sanders and S Maniatis, 'A consumer trade mark: protection based on origin and quality' [1993] EIPR 406.

#### *An aid to competition*

In addition to consumer protection, the mark may encourage competition by allowing competing products to remain identifiable on the market. The mark also facilitates increased competition by enabling mass marketing (such as supermarkets) without loss of identity, thus saving on marketing costs. Both the mark itself and mass marketing save consumers time. Additionally, marks facilitate the creation of foreign markets. The registration of trade marks, and the law of passing off, also serve to police competition where unfair practices have been adopted by rival traders.

### **2.5.3 Criticisms of trade mark protection**

Because marks can confer enormous market power (consider, for example, the COCA-COLA marks), criticisms have been made. Controls exist within trade mark law itself: no other trader must be unfairly hindered and the Trade Marks Act 1994 allows prior use by another to continue, as well as use of an individual's own name, and by restricting registration of marks that any other trader could legitimately have an interest in using.

Criticisms have focused around the enormous market power, and expenditure incurred in, advertising centred on marks. Although much advertising might be considered as wasteful, trade marks are not the cause of such advertising, merely its tool, in fact, the trade mark itself facilitates succinct advertising. The same can be said of the often exaggerated claims, and the questionable taste, of some advertising.

Other marketing techniques centred on the use of marks have also given rise to criticism. The practice of brand proliferation (marketing of the same product under a variety of names) is said to deceive the consumer and to inhibit the entry of new competitors into the market. Other undesirable practices (such as reducing the quantity in a container once reputation has been established) which deceive the consumer are subject to laws against false and misleading trade descriptions. Redress through removal of protection for the mark might only compound consumers' confusion.

Landes and Posner consider the arguments that trade marks 'promote monopoly' and 'bamboozle the public', as well as leading to higher prices and sterile competition. They find that this has been, in their view rightly, rejected by economists: Landes, W and Posner, R, 'The economics of trade mark law' (1987) 30 J Law and Econ 265.

A study undertaken by Dr D Higgins and Dr T James for the Intellectual Property Institute concludes that 'the level of trade marking activity relative to that gross value added for the 20 year period we have considered undoubtedly points to the importance of trade marks to the UK economy' and that 'there has been a general rise in the level of trade marking activity in the UK economy over the period 1973-92': Higgins, DM and James, TJ, *The Economic Importance of Trade Marks in the UK (1973-1992): A Preliminary Investigation*, 1996, London: IPI.





## JUSTIFICATION

### Objections to exclusive rights

Intellectual property rights are exclusive in nature, with potential for monopolistic power, subject to the nature of the right and its duration and to the availability of alternative products. Monopoly power enables a right owner to dictate numbers produced, the product's price and means of supply, as well as controlling after sales services and investment in continued development. Market power may be increased by collaboration between right owners.

Monopolies are criticised as economically inefficient, seen as prejudicial by developing economies and as being anti-competitive in a free market economy. They can be controlled by competition law, the rights' limited duration, compulsory licences and accountability.

### An alternative: unfair competition

Protection could be provided at the market place by means of a general remedy for unfair competition. No such protection currently exists in the UK, although intellectual property does not provide complete protection against all forms of unfair competition. Pendleton suggests a law of valuable commercial information; Kamperman Sanders suggests a law of unfair competition based on principles of unjust enrichment.

### Justification

Exclusive rights can be justified by the need to stimulate the production of ideas as the raw material of technical, cultural and social progress. This stimulation can be achieved by:

- rewarding the creator;
- providing an incentive to innovation;
- disseminating the idea;
- acknowledging a natural property right.

### Patents

Machlup identified four justifications for the grant of patents:

- a natural right – although a property right might be expected to be unlimited in duration and available to all inventors;
- reward by monopoly – although only the first to file is rewarded;

- monopoly profit incentive – although there are other incentives to invent (the existence of a technical problem, prestige, employment); and the patent is not always an efficient stimulus for innovation;
- exchange for secrets – the patent makes considerable amounts of commercial and technical information which would otherwise be unobtainable available, but not always in an accessible or comprehensible way.

### **Copyright**

Copyright works have a wide economic and cultural span. Monopolistic potential is limited by the freedom accorded to independent creators of works, the refusal to protect the idea behind a work, the limited (though extended) duration of the right and a wide range of acts permitted in relation to works. Authors' rights and neighbouring rights should be distinguished. Civilian systems of law have been based on moral justifications for authors' creativity, whereas common law systems were based on economic arguments made by entrepreneurs threatened by copyists. Protection for a work could arguably be varied according to whether it is the author or entrepreneur who is relying on the copyright.

Breyer identified four economic and moral justifications:

- a natural property right;
- reward for the creator's investment in creation;
- the stimulation of creativity;
- dissemination of ideas.

His conclusion was that the case for copyright in books is weak, but surveys suggest that industries producing and distributing copyright material are a significant sector of many economies.

### **Trade marks**

Trade marks facilitate trade in products, rather than constituting the product itself, but serve as an important adjunct to, and often outlasting, the other intellectual property rights.

They protect their owners' private interest in their commercial reputations.

Public justifications can be made that trade marks serve as a form of consumer protection by enabling informed consumer choices and providing an incentive to establish and maintain quality, as well as facilitating and encouraging competition. Enforcement is the province of competitors, and not consumers, however.

Trade marks have been criticised as wasteful of resources in advertising, and conferring too great a market power.

## THE PATENT

Patents are the strongest intellectual property right. They are a bargain forged between an inventor and the public, through the agency of the State. Patentees are given an absolute right to use, make and exploit their invention for 20 years, in return for having disclosed and described it in clear terms. This disclosure is published even before the patent is granted and can be used to make further developments from the invention disclosed. Even people who conceive the same invention independently, later, are constrained during the life of the patent.

Patents can be considered to be strong rights in two ways: first, in the extensive power conferred; and, secondly, in the strict examination that is made of the application, which should ensure the patent's ability to resist subsequent challenges of validity. Strict conditions must be met before a patent can be granted, because of the monopoly power being conferred. An invention must fall within the category of patentable inventions, be new, show inventive step, be industrially applicable and be disclosed with sufficient clarity (see Chapter 4). The application is carefully examined for these criteria before the decision to grant a patent is made.

### 3.1 The structure of patent law

The subject matter of patents – technology – is often complex. Nevertheless, the structure of enquiry required by patent issues is not as difficult as at first seems. When faced with a problem relating to a patent, one suitable method of approach is mentally to tick off a list of strategic questions, thus:

- (a) Is the invention at issue patentable? This will involve quite extensive subsidiary enquiry – is it new, inventive, industrially applicable or does it fall into an excluded category? Has it been sufficiently disclosed? And, if a patent has been granted, is it revocable on any of these grounds?
- (b) Has a patent been granted to the right proprietor?
- (c) If there is a valid patent, is it still in force? Has it been infringed? This also involves subsidiary enquiry. The extent of the invention must be defined, then the infringer's activity may be compared to the invention in order to determine whether it falls within the monopoly.
- (d) Is there any defence available to the defendant? (This might include the possibility of attack against the patent itself by revocation, or putting its validity in issue in other proceedings.)
- (e) What is the most suitable remedy?

## 3.2 Patent terminology

One difficulty of embarking on a study of patent law is the terminology encountered. The following is a brief guide to terms of art which will appear at various points in the text. Early explanation may make what follows more understandable.

- (a) **Novel, novelty** – to be patentable, an invention must be new. Determining whether this is the case involves a comparison of the invention as it is claimed in the patent application, with the state of the art (see (d), below). If the invention is new, it is said to be novel; ‘novelty’ is used to indicate reference being made to the invention’s ‘newness’. An invention revealed in the prior art is said to be ‘anticipated’.
- (b) **Obvious, obviousness, non-obvious** – the invention must also show inventive step. If it does not, it is said to be ‘obvious’; if it does, it is ‘non-obvious’. Determining the presence of inventive step requires making a comparison of the invention claimed with the state of the art in order to decide whether the advance made by the inventor was an obvious one.
- (c) **Hypothetical technician skilled in the art** – to make the comparisons required to determine novelty and non-obviousness, the art is interpreted through the eyes of a hypothetical person, someone acquainted with the technology concerned, and skilled to a moderate, but not inventive, level. The same individual is brought into play to test whether the documents revealing the invention for publication are sufficiently clear. Confusingly, the technician appears to have reached different levels of expertise depending on whether the enquiry relates to novelty, non-obviousness or disclosure.
- (d) **Art, state of the art, prior art** – the area of technology into which the invention falls is known as the ‘art’. The ‘state of the art’ is what is known about that area at any given point in time. ‘Prior art’ is the art known at or before the date at which the art and the invention are being compared.
- (e) **Specification** – this is a vital component of a patent application in which the invention is described and defined. It is the source of all the information about the invention that reaches the public domain as a condition of awarding a patent.
- (f) **Description, drawings, claim(s)** – these are all constituents of the specification. The claims are also vital, because the claims determine the boundaries of the protection given to an invention.
- (g) **Sufficiency of disclosure** – inventions are protected, in part at least, in order to secure public dissemination of information about them. The function of the patent would be frustrated if the quality of information provided was insufficiently clear for the invention to be performed by

those with ordinary technical skills and a knowledge of the state of the art. The disclosure made by the specification and claims is said to be insufficient if it does not meet the standard laid down – capable of being understood and performed by the hypothetical technician.

### **3.3 Patents Act 1977**

The Patents Act 1977 (PA 1977) governs UK patent law. However, the domestic law cannot be regarded in isolation. The UK's membership of the European Patent Convention (EPC) dictates much of the substantive law, as does the TRIPS Agreement. The UK's membership of the EPC requires that domestic courts give heed to decisions of the European Patent Office (EPO) and its Boards of Appeal. Regard will also have to be paid to decisions of COPAC, the community court that will be established to adjudicate on issues relating to community patents, when the Community Patent Convention (CPC) is brought into force.

Considerable changes were made to domestic patent law by the PA 1977, which came into force on 1 June 1978. Worldwide novelty was introduced for the first time, requiring an invention to be compared with all previous technical knowledge to be found anywhere in the world. Examination for inventive step, a suitable step beyond previous development, was introduced. New definitions of patentability were adopted, in the process abandoning the definition of invention as 'any manner of new manufacture' which had been at the base of patent law since the Statute of Monopolies 1624. A system of revocation after grant replaced the pre-grant system of opposition to the grant of a patent and strong examination before grant by the Patent Office was introduced. Another innovation was the creation of the Patents Court in the High Court, with two specialist judges. There were three main reasons for radical change. The recommendations of the Banks Committee (1970) relating to domestic law required implementation. So did government proposals concerning inventions made by employed inventors. But the main impetus lay in the need to ratify international obligations under the EPC, CPC and Patent Convention Treaty (PCT).

#### **3.3.1 Provision for convention conformity**

The result is to tie interpretation of domestic law to decisions taken elsewhere and this is reflected in two important provisions of the PA 1977. Section 130(7) of the PA 1977 lays down that key sections of the Act (relating to patentability of inventions, disclosure, infringement, revocation and validity) 'are so framed as to have, as nearly as practicable, the same effects in the UK as the corresponding provisions' of the EPC, CPC and PCT have in the territories to which they apply. Different techniques of drafting are employed on the Continent. There, legislation is composed of statements of general principle,

and processes of interpretation in the courts of other Member States vary, because their reasoning is inductive rather than deductive. This requires UK judges to marry familiar with unfamiliar techniques in the application of the PA 1977. The Conventions' language has not been directly incorporated into the PA 1977, adding to judicial headaches. Section 91 of the PA 1977 does allow for judicial notice of the Conventions, bulletins, journals, gazettes and decisions by Convention courts.

The courts therefore use *travaux préparatoires* (documents used in the production of the final text) and the conventions as an aid to interpretation. In *Smith Kline and French Laboratories v Harbottle* (1980), convention terminology, 'stocking', prevailed (see 5.2.1). The judges are alive to the need for a common approach and to the dangers of different conclusions being reached in relation to patents for the same invention in different jurisdictions. In *B and R Relays' Application* (1985), Whitford J said:

... it is of the greatest importance ... we should take note of the decisions of the EPO and that ... an attempt should be made to give the same meaning to relevant provisions, whichever jurisdiction is being invoked.

The national intellectual property judges meet biennially to exchange views and consider common problems. In two recent House of Lords judgments relating to patents, the House has paid lip service to judicial comity, but has not felt bound to follow the European approach. In both *Merrell Dow v HN Norton* (1996) and *Biogen Inc v Medeva* (1997), the patent was revoked in the UK, but not by the EPO. Concern at the divergence of national decisions, among other things, has led to proposals by Judge Willens of The Netherlands ([1998] IPQ 1) that a common court be introduced for the EPC. Jacob J has suggested that the EPO Board of Appeal be staffed by national judges ([1997] EIPR 5).

### **3.4 Application for a patent**

Familiarity with the procedures and documents involved in application aids an understanding of substantive patent law. Important dates for the purposes of the comparisons dictated by the need for novelty and inventive step are secured during the process to grant. The documents so important to considerations of infringement are products of the application process.

The process of applying for patent protection for an invention is lengthy and complex, involving a number of choices. It is usual to engage a patent agent for expert assistance, particularly with the drafting of specification and claims. Anyone may act as an agent, but only those who register may describe themselves as patent attorneys or patent agents: s 276 of the Copyright, Designs and Patents Act 1988. Purely domestic protection is likely to be insufficient for inventors in an era of global markets. Accordingly, a potential patentee must decide where protection is to be sought and which 'route' to be followed to secure patents in the jurisdictions opted for.

### 3.4.1 Routes to grant

There is no one international patent, nor is the unified Community patent yet in place, so that the patents which are sought are necessarily national ones (even the European patent, once granted, comprises a bundle of national patents). However, procedures have been developed to simplify the processes of application where multiple patents are required. There are three alternatives. First, application may be made to individual national patent offices if an inventor so wishes.

Secondly, a harmonised European route may be adopted. The EPC established a unified process of grant and unified patent office, the European Patent Office (EPO), for applications for a European patent. This is not coterminous with the EU, but comprises a range of European States, currently the members of the EU, plus Switzerland and Liechtenstein. The EPC provides for one application to be made to the EPO, designating the States in which protection is desired. The process of application and the decision as to grant are centralised within the EPO; a European patent is granted if the application is successful. However, once the process of grant has been completed, for the purposes of infringement, transfer and revocation, the European patent is treated as though it were a bundle of domestic patents from the States designated. The process is, then, an alternative to a series of domestic applications in those States. The decision whether to grant is taken centrally for all jurisdictions, whereas individual domestic applications might succeed in some States and fail in others. The one significant difference lies in the availability of attack by opposition for nine months after grant for a European patent (see 5.4.3). By contrast, a Community patent would, when introduced, be granted, transferred or revoked for the whole of the EU at once.

Thirdly, the final option is international in scope. The PCT established a centralised system of application for its Member States. Initial searches are centralised, before the transferral of the applications and search results to designated national patent offices. The result is also a bundle of national patents, with the decision to grant being taken in national offices. The advantage lies in the reduction in search fees and translation costs. The PCT is administered by WIPO in Geneva.

Both EPC and PCT applications can be made through the UK Patent Office. Where the applicant is a British resident, this must be the case in order to allow a 'security check' to be made before the application is transmitted to the EPO or WIPO: s 23 of the PA 1977.

### 3.4.2 Priority

Another general aspect relating to applications for patents lies in the priority system established by Art 4 of the Paris Convention (PIPC). The date at which



a patent application is made has a considerable significance. It is from this date that the eventual duration of the patent is measured. More importantly, it is the point from which the application is examined for novelty and inventive step. In order to establish whether an invention satisfies the requisite conditions (that it is new and has inventive step), the invention claimed is compared to the prior art. This comparison is made at the date of application. Therefore, to have as early an application date as is feasible will aid the application's success, by avoiding the danger of a rival simultaneously discovering and applying for the same invention. However, the applicant also has a reason for delaying the application as long as possible – being pulled in two directions at once. If the invention is described in the specification, and the claims drafted, before its full ramifications have been understood and its commercial potential assessed, the danger is that the claims will be too narrow. This makes it too easy for a competitor to 'invent round' the patent eventually granted, by finding another, unclaimed, way to achieve the same effect. The applicant may also want time to decide which markets to enter, and so to defer decisions as to where patents are needed for as long as possible, avoiding the expense of superfluous multiple applications.

The priority system provides a compromise. It gives an applicant a period of grace in which to make such decisions about multiple applications without losing the all important early filing date. This is achieved by giving the filing date of one application in any signatory State to applications made elsewhere within the period of priority, provided that the application is in conformity with national requirements for making applications. This could not otherwise be done because the first application would anticipate the later ones by becoming part of the state of the art. The period of priority laid down for patents is 12 months. This system of priority is embodied in s 5 of the PA 1977. The PA 1977 also allows an applicant to initiate an application without submitting the full documentation required, in order to secure a priority date, provided the application is completed within 12 months: s 15 of the PA 1977.

### **3.4.3 Priority and enabling disclosures**

Because the time lapse allowed by the priority system enables further investigation, and a fuller appreciation of, the invention, the final application may contain a fuller description of the invention and include new information. This has raised the question whether this completed application should be able to claim the priority date derived from the earlier one. It was raised in the House of Lords in *Asahi Kasei Kogyo KK's Application* (1991). The invention claimed was a protein (human tissue necrosis factor [HTNF]) when produced by techniques of genetic engineering. The patent was granted. However, its novelty was challenged because a European patent revealed the same protein. This European patent had a filing date later than Asahi's. Therefore, it could not destroy the necessary novelty of Asahi's invention

unless it could claim the earlier priority date of a Japanese application. There was no issue as to the system of priority. The issue was whether the Japanese priority date could be applied to the European patent. The Japanese application only revealed the genetic structure of HTNF, without showing how it could be made. The issue therefore was how much information must be contained in the priority application in order to support a later filing. There were two conflicting lines of authority. The House of Lords held that the priority document must be an 'enabling disclosure' in order to confer the priority date on the later application.

The concept of an enabling disclosure is one that occurs at three stages of patent law – priority, novelty and disclosure – and will be elaborated further at 5.4.3. The Japanese application was not an enabling one because it did not reveal a method of making HTNF. Nor could the method be discovered in the prior art by a hypothetical technician skilled in the art. Therefore, the European patent had a date later than Asahi's. It could not be used for the purpose of determining whether Asahi's invention was new. The validity of the invention was upheld.

The House of Lords read s 5 of the PA 1977 in conjunction with s 14 of the PA 1977. Section 5 of the PA 1977 provides that an application may claim the priority date of an earlier application if it is 'supported by matter disclosed in the earlier relevant application'. The Act does not define the word 'support', but it is included in s 14 of the PA 1977. This section sets out the contents of an application and lays down how clear the description of the invention must be. The claims must be 'supported' by the description. The specification, of which the claims and description form part, must 'disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art' (a hypothetical technician). Accordingly, the House of Lords held that the earlier application must enable the technician to make the invention. This is not a necessary reading of the statute and it is one that frustrates part of the purpose of the system of priority. The ability to make the invention from the specification and the fact that the description must support the claims are two separate conditions. The specification must enable the invention to be made, in order to achieve the information function of the patent. The claims, only part of the composite that is the specification, serve a different purpose. They define the exact limits of the monopoly granted to the patentee and must not, of course, include more than the inventor has realised. But, if the specification's purpose can be achieved by completed application, it is not necessary to require fulfilment of that purpose at the stage of early application. However, the House of Lords upheld its interpretation of s 5 of the PA 1977 in *Biogen v Medeva* (1997).

### 3.4.4 Application for a UK patent

This is a process involving five steps: application; publication; preliminary examination; substantive examination; and grant. Applicants may withdraw at any stage and fees are paid at each stage, so that withdrawal does not incur loss of fees.

#### *Application*

Any national of a signatory of the PIPC, or anyone, in the case of the PA 1977 and the EPC, may apply for a patent. Joint applications may be made (s 10 of the PA 1977). *Prima facie*, grant is to the inventor and it is presumed that the applicant is the inventor (s 7 of the PA 1977). If the patent is granted to another, the inventor has a right to be named in any published application and in the patent (s 13 of the PA 1977). If an application is made by the wrong recipient, this may be challenged either before or after grant (ss 8, 37 of the PA 1977). Applications may be amended during their progress through the Patent Office (s 19 of the PA 1977).

A full application requires a request for grant of a patent, a specification which includes a description of the invention, any drawings and claims and an abstract of the invention (s 14 of the PA 1977). The appropriate fees must be paid (current fees, recently reduced to help small businesses can be found on the Patent Office's web site). Initially, only the request and a description need to be filed (and also one claim if the application is through the PCT route), provided that the full requirements are met within the priority period of 12 months.

#### *Publication*

Once the completed application has been filed, it is published, usually about 18 months from the first filing (s 16 of the PA 1977). This does not prejudice the applicant. Though the information is now available to all and before any patent has been granted, if the application is successful, the patent will be dated from the filing/priority date. Any infringements that take place in the interval between publication and grant may be sued for, though not until the patent has been granted (s 25 PA of the 1977).

#### *Preliminary examination*

This is an examination to ensure that all the requisite formalities have been complied with and included a limited search of the written prior art (s 17 of the PA 1977).

#### *Substantive Examination and Search*

It is at this stage that the application is subjected to examination for patentability, novelty, inventive step and sufficiency of disclosure (s 18 of the

PA 1977); the Patent Office reports the result of its searches to the applicant, who may amend the application in response. Outsiders may make observations (s 21 of the PA 1977). This stage must be completed within four and a half years of the filing date (s 20 of the PA 1977).

### *Grant*

If the application satisfies the searches, the patent will be granted. The applicant is notified, a certificate is issued and publication of the decision is made (ss 18(4), 24 of the PA 1977). The patent takes effect from the date of this publication, but is backdated to the filing date, and continues in force for 20 years (s 25 of the PA 1977). The initial grant is for four years and the patent must be renewed annually from the fifth year, on an ascending scale of fees. Those patents which are not renewed lapse. The patent term may be extended for patented pharmaceuticals by a Supplementary Protection Certificate (SPC). Pharmaceuticals must undergo extensive testing by government bodies before being released onto the market and this testing takes place during the patent term. The length of a SPC is dependent on the interval between patent filing date and the receipt of authorisation.

### **3.4.5 Specification and claims**

It is important to understand the structure of a specification. This is not just for the purposes of applying for a patent, but also because both the specification and its constituents play an important role in issues of infringement and validity.

#### *The specification*

Every patent application must have ‘a specification containing a description of the invention, a claim or claims and any drawing referred to in the description or any claim’ (s 14(2)(b) of the PA 1977). And the specification must ‘disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art’ (s 14(3) of the PA 1977). If the disclosure is not clear and complete enough, this is a ground for revoking the patent, as well as a reason for refusing to grant.

#### *The claims*

The claims do precisely what their name suggests. They define the inventions that patentees claim to be exclusively their own (s 14(5)(a) of the PA 1977). They are required to be clear and concise and supported by the description (s 14(5)(b)(c) of the PA 1977). There are three types of invention which clearly may be claimed – products, processes and products obtained by a particular process. The PA 1977 provides no definition of the nature of an invention. However, s 60 of the PA 1977 implies three types of invention by providing this threefold categorisation of infringing acts: where the invention is a

product; or where it is a process; or, where the invention is a process, a product has been directly obtained by means of that process. The EPO has indicated a willingness to accept other types of claim (see 4.4.6).

The type of invention claimed is significant because the scope of protection varies. A product patent monopolises the product or substance for any purpose and any manner of using it. This is a broad monopoly. A process or method patent, by contrast, is a narrow monopoly because it is only that process or manner of use that is protected. Where a product or substance is already within the state of art, however, a process claim may allow some protection for a mode of using it. A product by process claim monopolises the product only when obtained by using the specified process.

Drafting patent claims presents a patentee with a two horned dilemma. In order to avoid encroaching on the prior art (and succumbing to a lack of novelty), the aim is to draft the claims as narrowly as possible. But to achieve the maximum protection from the patent, the aim is to draft the claims as widely as possible. It is a specialised process best left to a patent agent.

### **3.5 Ownership of the patent**

The PA 1977 confers the right to ownership of a patent on the inventor or co-inventor. However, if the invention is made during the course of employment, the employer has the right to the patent. And, if foreign law applies, some other person may be entitled to the patent (s 7 of the PA 1977). Once the patent has been granted, it may be transferred to another owner by assignment, bankruptcy or bequest.

In practice, a high proportion of inventions are made by employees (more than 80%). The stimulus of patent reward may well be no less effective where it operates indirectly, through an employer. It will be in the employer's interests to institute research, provide the necessary facilities and resources and exploit the results, motivating and rewarding the employee through the provision of a problem, the means of finding a solution and appropriate remuneration. But it can be argued that an even more direct incentive, which links the employee's reward to the profits made by the invention itself, might be even more productive. Employees may also invent outside the sphere of their employment. It may be asked whether the patent system acts as an incentive to the employee to disclose those inventions. The issue becomes one of the most appropriate owner of the patent.

After 1955, the common law took a harsh view of ownership of patents emanating from inventions made by employees. In *Patchett v Sterling* (1955), the House of Lords decided that contracts of employment contained an implied term that an employee's invention was held on trust for the employer, who could decide whether to seek a patent. This implication could be replaced by clear agreement, however. The employee concerned headed his employer's

development and design department. But, in *Worthington Pumping Engine Co v Moore* (1903), an employee not employed to invent found himself similarly fettered. This was seen as a disincentive to employees inventing outside their sphere of employment, particularly where the employer decided not to seek a patent, or in situations where a patent proved unusually lucrative for employers.

For the first time, the PA 1977 laid down a statutory code determining ownership and also instigated a system of compensation for employees. Clear statutory delineation of ownership would be expected to provide certainty and the compensation scheme an additional stimulus to invention. However, it is not clear that either provision has proved a success. It is possible to regard s 39 of the PA 1977 as a statutory codification of the common law position. In *Harris' Patent* (1985), Falconer J considered this argument and held that s 39 of the PA 1977 alone governed patent ownership as between employer and employee. He was only prepared to accept guidance from earlier case law on the way in which courts had assessed the duties of employees and considered circumstances relevant.

Section 39 of the PA 1977 draws a distinction between inventions made by an employee, any patent for which is to be taken to belong to the employer and those where the employee retains ownership of any patent. Both 'employee' and 'employer' are defined in s 130(1) of the PA 1977. Where any issue arises as to ownership of a patent, the first consideration must be whether the inventor was employed, rather than working as a consultant or an independent contractor or anyone else engaged for a specific task.

### 3.5.1 Ownership by the employer

Section 39(1) of the PA 1977 awards ownership of any patent for an invention made by an employee to the employer in two situations: the first is where the employee could be loosely dubbed one 'employed to invent'; the second is where the employee was not expected to invent, but did occupy a responsible position. It is easier to subdivide the first category than to follow the statutory format, which produces three situations in which the employer is awarded any patent:

- (a) If the invention was made in the course of the normal duties of the employee.
- (b) If the invention was made in the course of duties falling outside the employee's normal duties, but specifically assigned to him.

In both (a) and (b), an additional criterion is added, namely, that the circumstances were such that an invention might reasonably be expected to result from the execution of the employee's duties.

- (c) If the invention was made in the course of the employee's duties and, at the time of making the invention, because of the nature of the employee's duties and the particular responsibilities arising from the nature of his duties, the employee had a special obligation to further the interests of the employer's undertaking.

In all three categories, one consideration is common:

- (a) Whether the invention was made in the course of the employee's duties.

Because s 39(1) of the PA 1977 only applies to 'employees', 'in the course of the employee's duties' must mean more than that the inventor was employed at the time of making the invention. The inventor, at the time of invention, is required to be performing tasks, the nature of which are dictated by the employment and not being undertaken on the employee's own or any other's behalf. The nature of duties required by employment is a matter for the contract of employment. However, the contractual duties are commonly varied by actual practice, making it difficult to determine the precise nature of an employee's duties at any given moment.

In the two cases of the employee 'employed to invent', another condition must be taken into account:

- (b) The circumstances were such that an invention might be expected.

The PA 1977 gives no guidance as to what circumstances might be relevant; presumably the actual terms of employment will have been considered under (a) above and the 'circumstances' relate to the manner of performance of the duties. For example, the time and place at which they were performed, who requested them, who provided the facilities and resources and who had the authority to request alterations. The court is free to take all circumstances which it considers relevant into account.

'An invention' must be reasonably be expected to result from the employee's performance of his duties. However, two interpretations are possible: either a distinction must be drawn between an expectation that no invention result at all, or an expectation that an invention of any nature at all may result; or a distinction must be drawn between an expectation of an invention of a type to be expected from that particular employee, as opposed to an invention that would not. No guidance is given as to by whose standards the expectation must be reasonable. It could be the reasonable employee, employer, outsider, or inventor.

Some of these difficulties will be resolved as case law develops. The first case to involve s 39(1) of the PA 1977 was *Harris' Patent* (1985). Falconer J considered that the circumstances to be taken into account were those in which the invention was made. He also considered that the provision that an invention be expected to result referred to an invention which contributed to achieving the aim at which the employee's efforts were directed in carrying out his duties. Harris was awarded the patent for his invention. He was

employed as the manager of the valve division of a company which made Wey valves (used in chutes and ducts carrying coal dust) under licence from a Swiss company. He invented an improved valve. His normal duties were found by the judge to be confined to selling valves and dealing with customers' commercial difficulties; technical difficulties were referred straight to the Swiss company. The employer did not engage in research and an earlier suggestion for an improvement to the valves made by Harris had been ignored. Accordingly, Harris' normal duties were not such that an invention might be expected to result. In *Patchett v Sterling* (1955), by contrast, Patchett was 'employed to invent' as part of his normal duties. He was a production engineer in the defendant's armament company, which converted to making domestic appliances in 1945, and was leader of the design and development department.

Because of the varied nature of employment, most cases will have to be decisions on their own particular facts, as should be the case if justice is to be done to individual employees. Take, for example, the position of a university lecturer, employed to teach, but expected to research, doing both in the employer's time and lecturer's own time. In *Greater Glasgow Health Board's Application* (1996), Jacob J took the evidence of the employee's head of department as to the employee's duties into account, and not just the job description, as well as the fact that the invention was made in the doctor employee's own time. He also stressed that the circumstances in which an invention must be expected to result were the particular ones surrounding the making of the invention and not merely the general circumstances of employment. In this case, it was very relevant that the employee was working at home for examinations.

An example from the pre-1977 case law of an invention falling into the third category of employer owned inventions is *Worthington Pumping Engine Co v Moore* (1903). The American plaintiff company employed Moore as their general manager in Europe, at a high salary. He developed two improvements to their pumps. Byrne J regarded the considerable measure of trust reposed in Moore by his employers as indicating that the latter were the appropriate patent owners. It is significant that Byrne J adverted to the fact that the invention competed with the employer's business. In fact, employees in this position are subject to triple prejudice, being open to dismissal for the breach of their obligation of good faith (an obligation implied into every contract of employment) (as Moore was), liable for any breaches of confidence in their competitive endeavour and the loss of the patent right. In the US, the employer does not gain outright ownership of the patent, but a 'shop right' in it, which reverts to the employee should the employer not wish to exercise the right.

In *British Syphon Co v Homewood* (1956), the employee was the chief technician of the employer company. Again, it was the impossibility of



reconciling the duty of good faith imposed on an employee of such status with the competitive nature of the invention made by the employee that troubled Roxburgh J. The patent was awarded to the employer. In cases where the employee's invention has had non-competitive uses, the courts have had less difficulty in allowing the employee to retain the patent: *Re Selz's Application* (1953). This may be reflected in the wording of s 39(1)(b) of the PA 1977: '... a special obligation to further the interests of the employer's undertaking.' The emphasis in both these cases lay more on the employee's status than actual duties. This was also the approach taken by the Patent Office in *Staeng's Patent* (1996) to s 39(1)(b) of the PA 1977. The employee was a senior executive at group level, involved in a profit bonus scheme and reported direct to the Managing Director, operating to all intents and purposes at a 'director level'.

### **3.5.2 Ownership by the employee**

Section 39(2) of the PA 1977 awards any invention not falling within s 39(1) of the PA 1977 to the employee.

### **3.5.3 Agreements between employee and employer concerning patent ownership**

Unlike copyright, employer and employee are not completely free to make their own arrangements before the invention is made. They may not contract out of s 39 of the PA 1977 where to do so would 'diminish the employee's rights in inventions of any description made by him'. Any agreement that does so is unenforceable to that extent: s 42 of the PA 1977. Free bargaining is possible after the invention is made, although the employer may well govern the market, reducing the employee's bargaining power.

### **3.5.4 The compensation scheme**

This scheme aids both the reward and disclosure functions of the patent. It may represent a nod towards a natural right to property in one's labour (though to do so entirely would require automatic award of a patent to the inventor). Other jurisdictions have long administered analogous schemes, as in Germany, Sweden and Japan, for example. The scheme confers a discretion on the comptroller or court to award employees compensation for patented inventions made by the employee where it is just to do so, and on application by the employee (s 40 of the PA 1977). The compensation is to be paid by the employer, which immediately serves as a limitation to the usefulness of the scheme. Many employees may be very unwilling to disturb their relationship with their employer by making demands for compensation through official channels. The conditions for making such an award, and the guidelines for determining the amount of compensation, differ according to whether the patent for the invention is owned by the employer or by the employee.

Where the patent belongs to an employer, three conditions must be satisfied before an award of compensation can be made to the employee:

- (a) a patent must have been granted;
- (b) the patent must be of outstanding benefit to the employer, having regard, among other things, to the size and nature of the employer's undertaking;
- (c) it appears that it is just to make an award.

This means that, if the employer chooses not to apply for a patent, but relies instead on obligations of confidence, or another intellectual property right, the compensation scheme can be bypassed unless s 43(4) of the PA 1977 allows for similar compensation despite the reliance on alternative protection. Even if the employer does patent the invention, the inventor is dependent on the efforts the employer makes to exploit it, because it is the benefit realised, and not potential benefit, that is taken into account. In *British Steel's Patent* (1992), the employee argued unsuccessfully both that the benefit would have been greater had the employer exploited it more effectively and that its value was what an outside inventor would have had to have been paid for it.

The benefit must come from the patent. In *Memco-Med Ltd's Application* (1992), Aldous J said:

The benefit from the patent may be readily recognisable where the patent is licensed and royalties are paid. However, the task of the court will be more difficult in cases where an employer exploits the patent by manufacturing articles in accordance with the invention of the patent. In such cases, the court will need to differentiate between the benefit from using the inventive advance and that from the patent. It is also possible to imagine a case where the patent is not licensed and the invention is never put into practice, but the patent is of great benefit to the patentee to prevent activities which would compete with those carried on by the patentee.

It was found that the sales made by the employer in this case could be attributed to factors other than the patent: price; quality; and the employer's relationship with the customer.

The requirement that the benefit to the employer must be outstanding has been criticised. 'Benefit' is defined as benefit in money or money's worth by s 43(7) of the PA 1977. It is not clear whether this would include the benefit of enhanced reputation. The only guidance as to the means of measuring whether a benefit is outstanding is that it must be measured in proportion to the size and nature of the employer's undertaking. This has the potential to lead to absurd results. An inventor employed by a small company may make an invention which produces a given profit. That profit may represent a high proportion of the small company's turnover, but exactly the same invention would represent only a small proportion of a large company's turnover. The effort expended by the inventor is the same. It is for this reason that the applications in *GEC Avionics Ltd's Patent* (1992) and *British Steel's Patent* (1992)

failed. Sales of the invention by GEC amounted to US\$72 million, a profit of US\$10 million, but were held not to amount to an outstanding benefit to a major international firm making multimillion dollar transactions. The proven benefit of the invention to British Steel represented only one hundredth of their turnover and eight hundredths of their profit. Yet the payment of an award is far less likely to place a strain on a large company than a small one. In *British Steel's Patent* (1992), the invention had been of great benefit in one particular plant, though minuscule in relation to British Steel as a whole. The Patent Office Hearing Officer felt constrained to make his decision on the evidence submitted of the undertaking's size and nature, which was of British Steel as a whole. He did not 'rule out the possibility that in appropriate circumstances, and when supported by evidence to justify such an interpretation, the proper 'undertaking' to be considered might be constituted by a particular sector or site of the employer's total organisation'.

The word 'outstanding' is a superlative and the courts have felt constrained to interpret it restrictively. Aldous J was not prepared to attempt a definition in *Memco-Med Ltd's Application* (1992):

The word 'outstanding' denotes something special and requires the benefit to be more than substantial or good. I believe that it is unwise to try to redefine the word 'outstanding'. Courts will recognise an outstanding benefit when it occurs.

The fact that the employee has been rewarded through salary, and in other ways, will also be taken into account: *GEC Avionics Ltd's Patent* (1992); and *British Steel's Patent* (1992), where the employee had received an *ex gratia* payment of £10,000 and had been honoured with the award of an MBE.

If the third stage is reached (determining whether it is just that an employee should be compensated), s 41 of the PA 1977 sets out the objective of compensation: the employee is to receive a fair share, in all the circumstances, of the employer's benefit from the patent. Factors to be taken into account in assessing a fair share are set out in s 41(4) of the PA 1977. To take account of these factors before it has been decided that compensation is just would prejudice such a conclusion and are more appropriate as a balancing factor at the later stage of quantifying an award. Yet, the factors in s 41(4)(a) of the PA 1977 were precisely those that weighed against the employee in *GEC Avionics Ltd's Patent* (1992) and in *British Steel's Patent* (1992) at the initial stage of deciding whether an award should be made at all. Other matters that are relevant may also be taken into account, such as the extent to which the employer has advanced over the competition.

Where the patent is an employee's, s 40(2) of the PA 1977 provides that he may seek compensation if:

- (a) he has assigned the patent to the employer, or granted the employer an exclusive licence;

- (b) the benefit derived from the transfer is inadequate in relation to the benefit derived by the employer from the patent; and
- (c) it is just that the employee should be awarded compensation.

Once again, the benefit to the employer must be derived from the patent and not commercial or other factors. Employers can also frustrate any award of compensation by refusing to take a licence or assignment in circumstances where they are the only likely exploiter of the invention.

Where compensation is just, the aim is to give the employee a fair share of the benefit, taking into account the factors listed by s 41(5) of the PA 1977, including contributions made by the employer and others to the making of the invention. Other relevant factors may be considered, such as the employee's loyalty in using the employer to exploit the invention, or the benefits that might have been gained by exploiting elsewhere.

The code of ownership and the compensation scheme have been said to be unnecessarily complex and there is little evidence of employees' success in securing awards. There are six points worthy of note. First, the scheme requires a heavy burden of record keeping, not just because of the emphasis on the contractual and actual duties of the employee, but also the relevance of the resources used, the input of others and other pertinent circumstances. Keeping a detailed research history will be essential. This may add to the expenses of employers' administration, but is a more serious handicap for employees, who may not have kept, or may not have access to, such records. Nor does reliance on contractual duties provide certainty, because job descriptions are notoriously ephemeral and fluctuate (pointed out by Bercusson, B, 'The contract of employment – the Patents Act 1977' [1980] EIPR 257).

Secondly, to focus on the benefit conferred by the patent, and not the invention, makes any award of compensation problematic unless the patent is licensed to others and income is generated from it by way of royalties. A patent is primarily a right to prevent others manufacturing and, where a patentee has no competitors, no benefit is obtained from the patent itself, though profits may be generated from sales and marketing.

Thirdly, the employee employed to invent is at the employer's mercy if no patent is sought. A better system might be to give the employee the right to the return of the invention after a defined period, as is the case in Germany; or only ever to confer a 'shop right' on the employer, as in the US.

Fourthly, there is no right to compensation until the benefit has been incurred. This may involve a considerable time lapse between invention and compensation, reducing any incentive effect the scheme is intended to have. It is not clear whether an employee who has left the employer under whom the invention was made may make a claim against the former employer.

Fifthly, the fact that the onus is on the employee to make a claim may discourage employees who are still on good terms with their employers from

provoking a potential dispute with their employer. The costs of such a claim may also prove a deterrent.

Sixthly, the discretion given to the court is a wide one and centres on considerations normally left to specialist tribunals – commercial factors of profit, competition and market share, as well as employment factors.

There are alternatives. The Green Paper *Intellectual Property Rights and Innovation*, Cmnd 9117, 1983, approved the German system, the most generous and detailed of the European systems. There, compensation is calculated according to a scale, the system is State run and well used. Importantly, it is automatic and contains a 'right back' to the invention for the employee. The employee has a duty to disclose inventions to the employer, but is then compensated in proportion to the economic value of the invention whether or not it is exploited. This provides both an incentive to invent and to disclose the invention. However, whether the employee would have the resources to exploit an invention not taken up by the employer is doubtful. The right to compensation could prove a source of friction between employer and employee. In 1986, the government argued in the White Paper *Intellectual Property and Innovation*, Cmnd 9712, 1986, that the scheme is a source of unnecessary and circuitous research, a source of burdensome bureaucracy, expensive to administer and results in large numbers of patents. The White Paper stated that the government of the time was still studying the situation.

Other proposals have been made. J Phillips proposed a scale of automatic compensation funded from patent renewal fees: 'Rewarding the employee-inventor' [1995] EIPR 275. This removes the potential for friction between employer and employee and exercises of discretion by the Patent Office or court. However, the contemplated awards would have been low and subsidised by industry in general.

The greatest hope for employees may lie in the hope that the existence of a statutory scheme might encourage voluntary awards by employers, or that the provision in s 40(3) of the PA 1977 for collective agreement to replace the statutory formula for compensation induces unions to negotiate on their behalf. This could well encompass agreements negotiated by a research team.

### **3.6 The proprietary right**

A patent confers a proprietary right, a personal property right: s 30 of the PA 1977. Both a patent and an application for a patent may be assigned, mortgaged or licensed. An assignment or a mortgage of applications, patents, or rights in patents (for example a licence) are void unless in writing and signed by the parties (s 30(6) of the PA 1977). This distinguishes the position of the assignee from that of a licensee. Licences may be informally created, however unwise this might be in practical terms. An assignee steps into the shoes of the patentee, whereas a licensee merely acquires a right not to be sued

by the patentee. The proprietor of a patent, an assignee or an exclusive licensee may bring proceedings in relation to infringement: ss 61, 30(7) of the PA 1977.

The Comptroller of Patents maintains a register of transfers of property in patents and patent applications (s 32 of the PA 1977). There is no obligation to register, but failure to do so has two consequences (s 33 of the PA 1977): registration confers priority of rights which defeat earlier unregistered dealings: s 33 of the PA 1977; and the proprietor or exclusive licensee will not be awarded damages or an account of profits for infringement unless the transfer is registered within six months: s 68 of the PA 1977.

### **3.6.1 Duration of the patent right**

The patent is treated as taking effect on the date at which its grant is published by the Patent Office. It continues in force until the end of the 20 year period from the date of filing (or an earlier priority date to which it is entitled): s 25 of the PA 1977. Proceedings may only be taken from the date on which notice of grant is published, but damages may be secured from the date of early publication.

## **3.7 Patent licences**

*Prima facie*, parties are free to make any bargain that both they wish to and have the bargaining power to secure. Patent rights may be divided temporally, geographically, by activity, or in any other way desired. Patents can, however, be employed in anti-competitive ways, apart from the initial monopoly that the patent confers. A patentee could refuse to produce at all, or patents may be 'pooled' by their owners to secure supra-market power, or terms in licences may be used to restrict intra-product competition (between the patentee and the licensees). A balance can be drawn between justifiable exercise of the monopoly and licence terms chosen as the best way of exploiting the invention, and unjustifiable practices. It is at this point that the patent abuts competition law, both domestic and of the EU (see 16.3). UK competition law governs restrictive trading agreements and abuses of monopoly power, but contains exceptions relating to patent licences, except for those abuses countered by the PA 1977 itself. The investigations of the Director General of Fair Trading (DGFT) and of the Monopolies and Mergers Commission (MMC) are connected to patent measures by s 51 of the PA 1977, which provides that use of a patent against the public interest may be prevented. On reference from a minister, the Comptroller General may modify or cancel restrictive conditions in patent licences, or grant a licence of right, where it appears that conditions in patent licences either restrict use of the invention by a licensee or restrict the right of the proprietor to grant licences, or the proprietor has refused to grant licences on reasonable terms.

### 3.7.1 Tying clauses

The patentee may wish to insist that a licensee must also acquire non-patented goods from him, particularly starting materials for working the invention. Often, there are technical reasons for doing so, but such terms ('tying clauses') may be objectionable. Section 44 of the PA 1977 makes void any term in a contract to supply a patented product, or a licence to work a patented invention, which requires that anything other than the patented product be obtained from the supplier or licensor, or which prohibits the person being supplied, or the licensee, from using or taking competing technology. Not only is the term void, but also the sanction against the inclusion of such a term is harsh. The presence of such a term in a licence constitutes a defence in any action of infringement by the patentee, not just one against the person supplied, or the licensee: s 44(3) of the PA 1977. No exception is made for technically necessary ties.

The courts have taken a strong line with such penal provisions, interpreting them strictly. In *Tool Metal Manufacturing Co v Tungsten Electric Co* (1955), the House of Lords held that an inducement not to use outside supplies escaped s 44(3) PA 1977 because the section did not prevent this being done in any legal way. And, in *Chiron v Murex Diagnostics* (1996), the Court of Appeal took a sympathetic approach to an exclusive licensee. It was argued that the exclusive licensee's right to take proceedings conferred by s 67 of the PA 1977 could not extend beyond that of the patentee (subject to s 44 of the PA 1977). It was held that the right to sue was not removed by s 44 of the PA 1977, merely defeated in the patentee's case. The exclusive licensee was able to bring proceedings, unhampered by s 44(3) of the PA 1977, because the right to sue existed and the licensee was not party to any tying clauses. The result is that the penalty against tying clauses may be evaded.

### 3.7.2 Compulsory licences

If compulsory licences are to be imposed on a patentee, a compromise with the nature of the patent as a monopoly is being drawn. This is important in relation to the justifications that are made for granting patents, helping to counteract some of the objections to monopoly power. Compulsory licences are unusual in relation to property rights. A compulsory licence forces a patentee to face competition and at a royalty determined by an outside arbiter. The compulsory licence was at the heart of battles between developed and developing countries over conventions on intellectual property rights. The developing countries sought to secure working of the patent in their own territory (so that local manufacturers could learn all the important lessons from western technology) and to secure favourable treatment for home inventors. It is worth noting that the Statute of Monopolies 1624 did not require that an invention be new, only new to the UK, because the prime

objective was to secure technology transfer from technologically advanced European countries.

Section 48 of the PA 1977 provides for the grant of compulsory licences after three years in a number of situations. Anyone may apply for a compulsory licence. The Comptroller General may grant the licences as he thinks fit, but s 50 of the PA 1977 sets out the policy to be followed in doing so. The purpose of the compulsory licence is threefold:

- (a) that inventions which can be worked on a commercial scale in the UK and which should be so worked in the public interest shall be worked without undue delay and to the fullest extent that is reasonably practicable;
- (b) that the inventor or other person beneficially entitled shall receive reasonable remuneration, having regard to the nature of the invention;
- (c) that the interests of any person for the time being working or developing an invention in the UK under the protection of a patent should not be unfairly prejudiced.

The patentee is not able to expect monopoly profits from a compulsory licence. Note that it is concern with the UK market that is the motivation. Article 31 of the TRIPS Agreement lays down a series of conditions to be observed where a compulsory licence is being considered. In practice, compulsory licences are not often granted; their value lies more in the threat of an application in negotiations for a voluntary licence.

### **3.7.3 Licences of right**

A patentee may apply at any time to have the patent endorsed 'licence of right', whereupon patent renewal fees are halved (s 46 of the PA 1977). The result is notification to the public that a licence is available to all comers, which will assist the patentee who has not been able to exploit the invention unaided. If the patentee and applicant cannot agree terms, the Comptroller General will settle them.

### **3.7.4 Crown use**

Sections 55–59 of the PA 1977 confer sweeping powers on the government to ignore the patentee's rights. These are not limited to circumstances of war or emergency and include drug supply to the National Health Service. Compensation (as agreed by the parties, or settled by the court) is paid.





## **THE PATENT**

A patent is a strong right – a monopoly of use, manufacture and exploitation for up to a maximum of 20 years which is given to an inventor in return for disclosure of his invention. Applications are strictly examined to ensure that they satisfy the criteria for grant: novelty, inventive step, capacity for industrial application and sufficiency of disclosure.

To resolve patent issues, it is necessary to decide: whether a patentable invention exists, disclosed sufficiently, or whether any patent granted is potentially revocable; and whether grant is to the inventor. If infringement is at stake, the boundaries of the monopoly must be determined from the claims and an infringing act identified and the defences available considered.

Domestic patent law is dictated by the PA 1977, which, in turn, embodies the UK's obligations under the PCT, EPC and CPC; consequently, s 130(7) requires interpretation of key sections to be made in conformity with those conventions.

Application for a patent is a lengthy and complex process which is normally assisted by a patent agent. Patents may be applied for through individual national patent offices, through the EPO (for a bundle of national patents after centralised grant) or through WIPO (for national patents after a centralised start to the process of searching).

### **Priority**

The novelty and inventive step of an invention are examined at the date of the patent application, but priority may be claimed for the application from the date of filing of one application made in one of the Paris Convention countries within the previous 12 months. This may only be done in the UK if the earlier application provides an 'enabling' disclosure of the invention claimed.

### **Application**

This is a five stage process, involving: application; publication; preliminary and substantive examination; search; and grant. An application must contain a specification and claims. The specification discloses the invention and must do so sufficiently clearly to enable the invention to be performed. The claims define the ambit of the monopoly granted; hence, the type of claim is significant, whether a product, process, or a product by process claim. Drafting claims requires much skill and experience.

## **Ownership of the patent**

Patents are granted to inventors. Where an inventor is employed, a statutory code divides ownership between employer and employee and may not be contractually altered to an employee's detriment before an invention is made.

The patent is awarded to an employer if: either an invention is made in the course of an employee's normal or specially assigned duties and the circumstances were such that an invention might reasonably be expected to result; or if the employee had a special duty to further the employer's interests.

In all other circumstances, the patent is awarded to the employee.

A scheme for compensation to be paid by employers to employees is established by the PA 1977. If the patent is awarded to the employer, compensation may be paid where: a patent has been granted; the invention is of outstanding benefit to the employer; and an award is considered just. The considerable limitations of this provision have meant that very few awards are made. Where the patent is the employee's, if the patent is assigned or exclusively licensed to the employer, compensation may be paid if the benefit from the transfer is inadequate in relation to the benefit gained from the patent by the employer, and is just.

## **The proprietary right**

A patent is a personal property right. Assignments must be in writing and signed. Licences may be informal. A register is maintained of transfers. The right lasts for 20 years from the filing date, provided that renewals are made.

Licences may be used in anti-competitive ways. This is controlled by EU law and the power conferred on the Comptroller General to modify or cancel restrictive conditions, or grant licences of right. Tying clauses are avoided by s 44 of the PA 1977 and provide a complete defence to an allegation of infringement, but this is restrictively interpreted. Compulsory licences may be granted by the Comptroller General after three years if an invention is not being worked in the UK, at a reasonable rate of royalty. A patentee may have the patent endorsed 'licence of right' in order to seek manufacturers. The Crown may make extensive use of patented inventions, but compensation is paid.

## PATENTABLE INVENTIONS

Patents are granted for inventions, but only those inventions which satisfy the statutory criteria of patentability. Section 1(1) of the Patents Act (PA) 1977 sets out four conditions that must be satisfied before an invention can be said to be patentable:

- (a) that the invention is new;
- (b) that it involves an inventive step;
- (c) that it is capable of industrial application; and
- (d) that it does not fall into one of the categories of excluded invention in s 1(2) and (3) of the PA 1977.

These criteria reflect Art 52 of the EPC and, so, decisions of the EPO are relevant to interpretation of the PA 1977. Judicial notice is to be taken of the EPC, CPC and PCT, any bulletin, journal or gazette published under the relevant conventions and the relevant decisions and opinions of relevant convention courts: s 91 of the PA 1977. The EPO publishes Guidelines to the EPC for its examiners, which can also provide a useful reference point.

The long title of the PA 1977 provides that the Act establishes a new law of patents. Although the PA 1977 was, in part, enacted to give effect to the UK's obligations under the EPC, the agreement reached as to substantive criteria in the EPC largely reflected UK law. This raises the question of how far UK case law decided under the PA 1949 can still be relied on as precedent. In *Unilever (Davis') Application* (1983), Falconer J referred to the new law of the PA 1977, whilst Bailey J thought no change had been indicated on the issue at hand and followed earlier case law. The earlier case law is at least of persuasive precedent.

### 4.1 Inventions

Though four conditions for patentability are clearly set out, the wording of s 1(1) of the PA 1977 is capable of two interpretations. Either, that any creation which satisfies these four criteria will be a patentable invention, or that the creation for which an application is made must also surmount an initial hurdle of being describable as an 'invention', as well as satisfying the four conditions laid down. The Act does not define the word 'invention', though certain potential inventions are excluded by s 1(2) of the PA 1977 as, among other things, not being 'inventions'. The first part of the section – 'a patent may be granted only for an invention in respect of which the following

conditions are satisfied ...' – suggests the first interpretation, that there is no additional step to be met. But the concluding line – 'and references in this Act to a patentable invention shall be construed accordingly' – suggests the second, that there must be an 'invention'.

#### 4.1.1 Judicial *dicta*

There is some judicial disagreement as to the correct test. Mustill LJ (as he then was), in *Genentech Inc's Patent* (1989), favoured the view that there must be an 'invention'. In that case, the description of the hitherto unknown genetic construction of a known, naturally occurring substance (a human protein, t-PA) did not accord with Mustill LJ's view of invention as being the creation of a product, or a process for the production of a product. He would have been willing to regard a process for synthesising the substance as an invention.

The issue was raised again in *Biogen Inc v Medeva plc* (1997). The claims again related to a synthetic molecule of a naturally occurring virus, hepatitis B, which enabled the construction of diagnostic kits for its detection. In the Court of Appeal, Hobhouse LJ applied Mustill LJ's test and held that choosing a method of research (the source of the patentee's breakthrough in finding a cure for the hepatitis B virus) did not constitute invention. However, the same reason was given for denying any inventive step. As in *Genentech* (1989), the extra step was proving superfluous. In the House of Lords, in *Biogen Inc v Medeva plc* (1997), Lord Mustill remained unrepentant, albeit *obiter*, as he held that *Biogen* (1997) did not raise the issue. He stated that there might be cases where a conceptual analysis of the nature of an invention might be necessary, as *Genentech* (1989) had been. Lord Hoffmann, who gave the leading judgment, however, denied the need for any such hurdle of patentability.

#### 4.1.2 The concept of invention

Arguably, any product of man's efforts which is new, useful, inventive and not excluded on grounds of policy should be deserving of the patent incentive. To add this extra step in determining patentability is unnecessary and undesirable. Mustill LJ's real objection lay in awarding a patent to the stage of discovery which often precedes the addition of something new, inventive and useful to mankind's technical armoury. Section 1(2)(a) of the PA 1977 already excludes mere discoveries from patentability. Many felt that the patent in *Genentech* (1989) was wrongly revoked, denying the reward needed after years of expensive research which had given rise to an undoubtedly needed outcome: a synthetic t-PA protein in sufficient quantities to be useful.

To adopt Mustill LJ's approach prevents a patent ever being awarded to a naturally occurring substance, yet the exclusions in s 1(2) of the PA 1977 come with the proviso that only the excluded thing 'as such' will be denied a patent. If sufficient human technical input can be determined in the claims, a patent

may still be forthcoming. The EPO looks for a sufficient level of human technical intervention when deciding on the patentability of natural substances, the patent reward and incentive being of the human intervention. In *Stern-heimer/Harmonic Variations* (1989), the EPO applied Art 52 EPC, the equivalent provision to s 1 of the PA 1977, and stated that the exclusions related to inventions which did not use 'technical methods to produce a concrete technical effect'.

There are three good reasons for rejecting a hurdle of 'invention'. First, technological advance would quickly outstrip any definition and become a straitjacket to inventors; secondly, the conditions set out in s 1(1) of the PA 1977 are sufficient to prevent patenting the undesirable (as they were in both *Biogen Inc v Medeva plc* (1997) and *Genentech Inc's Patent* (1989)); and, thirdly, arriving at any definition would be virtually impossible – even the parties to the EPC were unable to agree on one, as Lord Hoffmann points out in *Biogen* (1997). However, Thurston takes the view that effort alone should not be deserving of a patent: Thurston, JP, 'The commercial and legal impact of the Court of Appeal's decision in *Genentech v Wellcome*' [1989] EIPR 66. Invention implies making, originating or creating something useful from a discovery. There is a basic distinction between an idea and the useful application of that idea to human needs, which lies at the heart of patentability. But the conditions of s 1(1) of the PA 1977 seem sufficient to secure this distinction. The real issue must be: has the inventor contributed something new and useful and non-obvious to the technical world: *Re NRDC* (1961). If so, a patent is warranted.

### 4.1.3 Valid patents for inventions

To decide whether a patent should be granted for an invention or, if a patent has been granted, whether it is valid, requires consideration of the invention's novelty, inventive step, industrial applicability and the excluded categories of invention. In addition, the correct procedure for an application, including any amendment, must be followed; and the disclosure made in the specification (including the claims) must satisfy the tests of s 14 of the PA 1977.

## 4.2 Excluded categories

By virtue of s 1(1)(d) of the PA 1977, some categories of invention are excluded from patentability by s 1(2) and (3) of the PA 1977. These are:

- (a) discoveries, scientific theories and mathematical methods;
- (b) literary, dramatic, musical or artistic works, or any other aesthetic creation whatsoever;
- (c) schemes, rules or methods for performing a mental act, playing a game or doing business or programs for a computer;

- (d) presentations of information;
- (e) inventions the publication or exploitation of which would be generally expected to encourage offensive, immoral or anti-social behaviour;
- (f) varieties of animal or plant, not being the product of a microbiological process; and
- (g) essentially biological processes for the production of plants or animals, not being microbiological processes or the products of such processes.

The excluded categories of s 1(2) of the PA 1977 reflect the position reached under the PA 1949 in creating *ad hoc* exceptions to patentability. Broadly, s 1(2)'s exclusions represent the rejection of the purely intellectual and aesthetic from patentability, while s 1(3) of the PA 1977 refuses a patent for moral and ethical considerations. There is no real underlying principle behind these exclusions and each must be examined in turn. It is worth noting that s 1(2) of the PA 1977 is not necessarily a complete list of 'things' that are not inventions: s 1(5) of the Act contemplates variation of the sub-s (2) by the Secretary of State. Some support for Lord Mustill's interpretation of s 1(1) of the PA 1977 can be drawn from this provision (see Chapter 3).

#### 4.2.1 The proviso to s 1(2) of the PA 1977

Each of the categories of excluded subject matter is subject to the concluding proviso 'but the foregoing provision shall prevent anything from being treated as an invention for the purposes of this Act only to the extent that a patent or an application for a patent relates to that thing as such'. This presupposes that a distinction is to be drawn between the excluded thing claimed on its own and a claim that includes the excluded thing, but only as a component of the totality of the invention being claimed. Only the first is automatically refused a patent.

Under the earlier law, a distinction was drawn between a claim for an idea (which was not patentable) and a claim for an application of an idea (which was). This was explained by Buckley LJ in *Hickton's Patent v Patents and Machine Improvements* (1909):

Every invention ... must ... either suggest a new way of making something ... or it may mean the way of producing a new article altogether; but I think you are losing the grasp of the substance and seizing the shadow when you say that the invention is the manufacture as distinguished from the idea. It is much more true to say that the patent is for the idea ... but the invention consists in thinking or conceiving something and suggesting a way of doing it.

The line was then drawn between an idea, however innovative, on its own and a useful way of employing the idea – the idea being embodied in an application. The case of *Otto v Linford* (1882) provides a practical illustration. A new method of introducing air into a car engine was discovered. The patent was held to be valid because it was not for the discovery of the role of air in

the engine, but for the machine embodying the discovered usefulness of air that was claimed.

Under the PA 1977, it is case law relating to computer programs and discoveries that has determined how the 'as such' proviso is to be applied. As the proviso applies to each of the constituents of the paragraphs of s 1(2) of the PA 1977, the same test should apply to each excluded 'thing'.

### 4.2.2 Computer programs

The exclusion is only of computer programs; computer hardware is a proper subject for patentability (provided the other conditions of patentability are satisfied). And the exclusion is only of a computer program 'as such'. There are several methods by which a claim to a computer program *per se* and a claim to an invention incorporating a computer program could be distinguished. The courts have moved through several steps in determining the appropriate test.

#### *Location of novelty*

A relatively simple and certain method of distinguishing the patentable and unpatentable, which gave clear results, was the 'location of novelty' test. Given that the essence of an invention is the contribution of something new to technology, the test was to identify what was being claimed as new by the applicant or patentee. If that component of the invention fell within an excluded category, the claim was treated as a claim to an excluded invention as such (an idea). If novelty lay in an element not within the exclusions, the excluded feature was regarded as having been applied and patentable. This was explained in *Ward's Application* (1912) by Sir John Simon:

... you may rightly patent that which, when the invention is applied, produces an article of manufacture, the novelty of which consists in the manufacture; on the other hand you cannot, of course, patent an idea, or scheme, or a mere method.

The first version of the EPO Guidelines adopted this approach to the proviso.

#### *A semantic approach*

Another method was to focus attention on the wording of the claims; the correct form of wording secured a patent. The consequence was that a patentee was often sent away to reword the claims before establishing the validity of the invention. Claims to a 'computer as programmed' were patentable, as the claim was not regarded as being directed to the program, but to the computer, however conventional the computer. Claims to a 'means of controlling a computer' were unpatentable, the claims being directed at the controlling program. The test was promulgated under the PA 1949, which contained no explicit rejection of patentability of computer programs.



The test is not quite as absurd as it appears. There is a difference between the two claims which goes some way to justifying this method of drawing the necessary distinction. The claims determine the extent of monopoly conferred by a patent. To protect a 'computer as programmed' confers only a monopoly on that particular way of using a computer to achieve the intended result, whereas the 'means of controlling a computer' would confer a monopoly on any purpose for use of the computer program on any computer. But the fact that claims could be redrafted into an acceptable form showed the formalistic nature of the test. In *Burrough's Patent* (1974), it was rejected by Graham J as a means of distinguishing between idea and application. He held that the application for a method of transmitting data over a communication link between a central computer and a ring of outlying slave computers, which was hardwired, succeeded. The program resulted in a new machine, or an old machine giving a new result.

### *Transferring novelty*

A third approach was adopted by Whitford J, in *IBM's Patent* (1980), when he upheld a patent for an automated data handling system which established prices in an auction market. The novelty lay in the program (any conventional computer could be used to run it), but Whitford J regarded it as having acquired novel characteristics when programmed – he 'transferred' the program's novelty to the computer as a whole.

When the PA 1977 proviso came to be applied, it remained to be seen whether, or which, of these existing tests might be employed. The location of novelty test was rejected. This was established by the Court of Appeal in *Merrill Lynch* (1989). The claim was to a data processing system implementing an automated trading market for securities, which could be used on any conventional computer apparatus. At first instance, Falconer J rejected the application, as had the Patent Office, on the location of novelty test. But the Court of Appeal in *Merrill Lynch* (1989) reversed Falconer J's decision because the Court of Appeal in *Genentech Inc's Patent* (1989) had already rejected location of novelty as an appropriate test, albeit in a case concerning the patentability of a discovery. This was a result of following the approach laid down by the EPO in relation to a mathematical method and computer program in *Vicom* (1987).

### *Technical effect*

Thus, *Vicom* (1987) established a new method for making the distinction. The claims are read as a whole and the purpose or function of the invention ascertained. The decisive factor is to consider what 'technical contribution' the invention, as thus defined, makes to the known art. If the contribution is not technical, but aesthetic or intellectual, for example, the patent will be refused. The claims related to a computerised process for digitally enhancing images which employed a particular mathematical method to do so. Considering

whether the claims were confined to mathematical methods and computer programs as such, the Technical Board of Appeal said:

There can be little doubt that any processing operation on an electric signal can be described in mathematical terms ... A basic difference between a mathematical method and a technical process can be seen, however, in the fact that a mathematical method or a mathematical algorithm is carried out on numbers (whatever these numbers may represent) and provides a result also in numerical form, the mathematical method or algorithm being only an abstract concept prescribing how to operate on the numbers. No direct technical result is produced by the method as such. In contrast thereto, if a mathematical method is used in a technical process, that process is carried out on a physical entity (which may be a material object, but, equally, an image stored as an electric signal) by some technical means implementing the method and provides as its result a certain change in that entity. The technical means might include a computer comprising suitable hardware or an appropriately programmed general purpose computer.

The new test was reflected in a revised version of the EPO Guidelines in 1985. The Director of Legal Affairs of the EPO explained the new version thus:

- (a) the 'as such' proviso was the old distinction between idea and application of idea;
- (b) this distinction was not to be drawn by a 'location of novelty' test;
- (c) there would be a patentable invention if a technical effect, or technical result, could be found in the claims;
- (d) once an application of the unpatentable subject matter had been found to constitute a technical result, then the requisite novelty and inventive step could be located anywhere within the composite of idea plus application plus result;
- (e) the distinction was not one between hardware and software.

If this test is applied to *Merrill Lynch* (1989), the result of the computer plus program was a method of doing business, albeit an automated one, which is in itself an excluded category of invention. The patent was refused.

Subsequent case law has sought to establish what constitutes a technical effect or technical result. Mere embodiment of a program in physical form, or loaded into a conventional computer, will not suffice: *Re Gale* (1991). Gale discovered a quicker method for the calculation of square roots, with the potential for application in all computers and calculators. The program itself was not patentable, but Gale claimed the method as embodied on read only memory (ROM), so that it became a dedicated part of any apparatus in which it was incorporated. This was refused by the Court of Appeal as lacking technical result. And, in *Wang's Application* (1991), claims both to an expert system and a computer shell system were refused, the former as a scheme for

doing a mental act, the purpose of the program being judged objectively, and the latter because the computer and program remained separate and did not combine to create a new machine.

Two cases from the EPO illustrate the distinction that is being drawn. In *IBM/Computer Related Invention* (1990), the claims related to a program which facilitated self-diagnosis of faults within the computer, resulting in a screen display. This secured a patent. The screen display was treated as a specific solution to a technical problem. In contrast, in *IBM/Document Abstracting and Retrieving* (1990), no patent was secured for a program which contained a method of storing and retrieving documents. The end result of its operation was merely a presentation of information. In the UK, the Court of Appeal upheld refusal of a patent to a claim for a computerised method and apparatus for modelling synthetic crystal structures for chemicals in *Fujitsu Ltd's Application* (1997). The applicants argued that the claims were not to a computer program, as such, but to a method for processing images of real objects. But *Vicom* (1987) was distinguished by the Court of Appeal: the technical contribution there lay in the enhanced technical quality of the picture produced. The *Fujitsu* (1997) process merely automated a known process, previously carried out manually, by constructing models; and, though crystal structures lie within the technical field, the end result of the process was an intellectual process of substituting part of one crystal with part taken from another. Aldous LJ found difficulty in distinguishing *Vicom* (1987) however. *Fujitsu Ltd's Application* (1997) confirms that it is not the form, but the substance of the claims that is considered. The applicants argued that the claims were directed to a method of manufacturing and to apparatus and could not, therefore, relate to a computer program as such. Aldous LJ said that there was only one invention which was not in dispute and described it as a system for modelling synthetic combined crystal structures. To describe it in any other way did not alter its substance as a computer program. The applicants' final argument was that the technical effect provided by the system lay in the creation of a new tool which saved considerable labour and error. This also failed to convince Aldous LJ, as the only advance on the manual method was that the structure was produced more quickly.

Wider patentability for computer programs is available in the two big markets of Japan and the US. The European approach puts the software industry at a considerable disadvantage. The pressure for full patent protection has grown. This pressure and the difficulties of maintaining a distinction based on 'technical effect', which the courts have such difficulty in defining and applying, do not seem to bode well for the continued application of this test. The recent decision of the EPO in *In re IBM's European Patent Application No 96* (305 851.6) may presage a more relaxed approach to the patentability of computer programs.

### 4.2.3 Discoveries and mathematical methods

Discoveries, as such, are an excluded category, for to allow a patent to a bare discovery would monopolise every application subsequently found for that discovery within the duration of the patent. This would have the effect of deterring further research, inhibit competition and deprive the public of a truth that had always existed, only waiting to be uncovered. A discovery is the exposure of an existing phenomenon, illustrated by Lindley LJ in *Lane-Fox v Kensington and Knightsbridge Electrical Lighting Co* (1892), thus: ‘... when Volta discovered the effect of the electric current from a battery on a frog’s leg, he made a great discovery, but no patentable invention.’ Invention can be regarded as the subsequent putting of the discovery to specific practical use, as explained by Buckley J in *Reynolds v Herbert Smith* (1913):

Discovery adds to the amount of human knowledge, but it does so only by lifting a veil and disclosing something which before had been unseen or dully seen. Invention also adds to human knowledge, but not merely by disclosing. Invention necessarily involves also the suggestion of an act to be done and it must be an act which results in a new product, or a new result, or a new process, or a new combination for producing an old product or an old result.

The Court of Appeal, in *Chiron v Murex Diagnostics* (1996), confirmed that the application of a discovery need be neither novel nor inventive once the discovery has been made.

The exclusion of a discovery as such reflects this distinction between discovery and application. It is expressed in the EPO Guidelines as a refusal for the purely abstract, whereas a device, substance or method embodying a discovery may be patentable. So, a claim to a method for using a known substance as a selective herbicide was allowed a patent in *Re NRDC* (1961), as the discovery had been embodied in a new and useful effect. The distinction between a discovery and its application is drawn in the same way as for computer programs, following *Genentech Inc’s Patent* (1989). The claims are read as a whole and if, as a matter of substance, not form, they reveal a technical effect, they are not treated as claims to a discovery as such. Then, the requisite novelty and inventive step may be located within any component of those claims and may, therefore, lie in the discovery, the application being obvious once the discovery has been made.

The consequence is that the discovery of a new chemical substance without any revealed use goes unrewarded by a patent, despite the high costs of research. And, if the discoverer resorts to secrecy as a result, the public is denied access to the new information, while further research by others is inhibited. But, if a product patent for the substance were to be granted to the substance when one use for it were revealed, the patent would equally deter further research into new uses. Accordingly, the patent is granted only for the use that has been invented for the discovered substance, thus achieving an incentive and reward for the provision of new and inventive uses and leaving

an incentive for more investigation into further uses. However, pure research is not encouraged by the patent, because of the unwarranted extent of the monopoly that would result. This can deny the investment that is needed for innovation. It also poses particular difficulties in industries where the substances, their uses and their processes of manufacture are known and it is the discovery of information about those substances that is the focus of research. This is true of the burgeoning biotechnological industry. With the discovery of the DNA construction of known substances, those substances may be synthesised in useful quantities and applied to important applications. Yet patents for the information are unlikely.

In *Genentech Inc's Patent* (1989), the patentee discovered the DNA sequence of the human protein t-PA. It was known to have important medical uses against blood clots in the treatment of thrombosis, but was not available naturally in medically useful quantities. The discovery of the DNA structure enabled t-PA's synthesis. In the event, the patent was revoked for lack of inventive step, but both Purchas and Mustill LJ held that some or all of the claims were to discoveries as such. Purchas LJ held that the claims to t-PA amounted to no more than claims to discoveries 'as such', as the claims covered any method of production of the plasmids. He held that claims limited to the plasmids in which the t-PA encoding gene was incorporated would not be claims to the discovery as such and would be valid (but of no value to the patentee because competitors in possession of the DNA sequence would be able to find unclaimed methods for production of the plasmid). However, he held the failure to claim the method used invalidated the claims. He said:

The authorities seem to support the proposition that where the discovery is of a new substance, a patent can be claimed for that substance 'however made' and will be valid as long as the specification discloses one method of manufacture, even if that method be not the most favoured one. This proposition does not apply, however, where, as in the case of t-PA, the discovery is merely part of the process by which a product already known to exist and with properties already described can be manufactured. In the latter case, the discovery can only form the basis of an invention limited to the method of producing the known artefact, that is, a process patent.

The difficulty that this poses to inventors of such products is that the processes are likely to be known and obvious. The analogous difficulty faced by discoverers of new advantages in selections from known classes of substances has been remedied by the selection patent (see 4.4.6). It carves out an area of monopoly commensurate with the patentee's contribution, leaving the prior art in the public domain, but rewarding where research has produced unknown and useful results. However, Dillon LJ held that only two of Genentech's claims related to discoveries as such. Two discoveries (that the hepatitis C infection provokes a detectable antibody response, of its causal agent and the genetic DNA sequence of an isolate of the virus) which were

embodied in claims limited to diagnostic kits, methods of testing, vaccines and cell cultures, were held not to be discoveries 'as such' in *Chiron v Murex Diagnostics* (1996).

Mathematical methods are treated in the same way as discoveries.

### 4.2.4 Schemes, rules and methods

Again, the 'as such' proviso applies to the exclusion in s 1(2)(c) of the PA 1977 and will be determined according to *Vicom* (1987) and *Genentech Inc's Patent* (1989). Earlier case law that relied on the location of novelty test can no longer be applied. It is only schemes, rules and methods for certain purposes that are excluded: performing a mental act, playing a game or doing business. Examples given by the EPO Guidelines include schemes for learning a language, solving a crossword, rules for a card game or a scheme of office management, unless they involve a novel apparatus, in which case the invention would fall within the proviso.

Examples from earlier case law that would probably remain unpatentable as schemes for the performance of a mental act include *W's Application* (1914) and *Hiller's Application* (1969). In the former, an arrangement for navigation buoys was held unpatentable because the claim was merely for a system of arranging known objects. In the latter, the claims related to a plan for arranging underground cables. It was claimed in the form of an underground installation for the distribution of utilities, the improvement (novelty) characterised by a specified layout. The court looked at the substance of the claims and a patent was refused. In *Raytheon's Application* (1993), a system for improving ship recognition by creating a digital record was held unpatentable as a system for performing a mental act under the PA 1977 .

It has been suggested, however, that the claims in *Roll's Royce's Application* (1963), which were refused because they did not result in a 'vendible product' as required by the PA 1949, might have been successful under the PA 1977. The applicant claimed a method for operating a known aircraft engine in such a way as to reduce noise emissions. This is a method for performing a physical, rather than a mental act. The case of *Lux Traffic Controls Ltd v Pike Signals Ltd* (1993) illustrates a scheme that was not excluded because it related to a technical effect. The patentees made traffic light control systems. They had been granted a patent for a moving vehicle detector for each unit of a set of lights and a common controller. The defendant, whom they sued for infringement, argued that the patent was invalid, *inter alia*, as not being an invention. Aldous J held the patent was valid. He said:

There can be no doubt that devices that regulate traffic flow can have a technical contribution and are patentable. For example, a claim to a process of regulating traffic using lights with a detector which used sound waves would undoubtedly be patentable. It would be patentable because of the technical contribution provided by a detector which used sound waves.

This 'minimum green extension' patent does include, as part of its invention, a technical contribution. The inventors realised that a different controller was needed to deal with the problem of stalled cars and red runners. They appreciated that a detector which detected movement could be used to detect absence of movement. Thus, they re-arranged the electrical connections so that the controller provided an extended green period if no detection was made during the minimum green period. The idea of regulating traffic was incorporated into the controller, thereby producing a novel technical machine which operated if no detection was made.

In *Fujitsu Ltd's Application* (1997), the Court of Appeal considered, *obiter*, the interpretation of the word 'for' in the phrase 'method for performing a mental act'. The applicants had argued that s 1(2)(c) of the PA 1977 should be interpreted subjectively to mean that the exclusion only covered methods which were intended to be, and capable of being, carried out by the human mind and not to include all the acts which, objectively, the human mind could do. The specific method used by the Fujitsu invention was not one that was actually carried out by the human mind. Aldous LJ cited both *Vicom* (1987) and *Petterson* (1996), in which claims to methods with technical results were upheld without any consideration of the way in which the human mind worked. He held that there were three reasons to reject such a construction. First, a decision as to the patentability of an invention should be capable of being made without needing evidence as to how the human mind actually works. Secondly, to do so, in effect, introduced questions of the novelty of the method, which should remain an issue separate to the issue of patentability (*Vicom* (1987)). Thirdly, the words used in the PA 1977 suggest any mental act, whether done previously or not. As a matter of substance, a claim to a method remains excluded, whether a computer is used to perform the method or not and whether the claim is worded as a method of using a computer or to a method *per se*, if the result is the product of a mental act, however it is actually performed in practice.

Where a scheme is excluded, alternative protection may be found in confidence, copyright and contract.

### 4.2.5 Presentations of information

Mere presentations of information are excluded, but if a technical contribution can be found, the invention will fall within the proviso. An illustration may be found in *Pitman's Application* (1969). A claim was made to a layout of words on a printed page, which conveyed visually to the reader the correct way of pronouncing the words. This achieved a patent because the printed sheets were designed to be used in a reading machine (a technical device in modern terminology) and had a mechanical purpose.

#### 4.2.6 Aesthetic creations

This exclusion is illustrated by the case of *Fuji/Coloured Disc Jacket* (1990). The EPO refused a patent for a colour for a compact disc jacket.

#### 4.2.7 Exclusions on the ground of morality

Exclusions are also made to the patentability of certain inventions on the grounds of public policy. However, the terminology of the EPC and PA 1977 differs. The English version of the EPC refers to “‘order public” or morality”. Section 1(3)(a) of the PA 1977 refuses a patent to an invention ‘the publication or exploitation of which would be generally expected to encourage offensive, immoral or anti-social behaviour’. It is not only behaviour objectionable in law that falls within this standard: s 1(4) of the PA 1977. Examples from UK case law are difficult to pinpoint, suggesting that the domestic equivalent in the PA 1949 was regarded only as a rare fail safe provision. It has been suggested that *Palmer’s Application* (1970) might illustrate the type of invention that would fall within the exclusion. There, a patent was granted for an injection used as a defence against attack, which was non-lethal, but painful and a chemical irritant. One point worth remembering is that the refusal of a patent will not completely prevent such inventions being made, nor research being pursued, where it is seen to have other merits. Nor will refusal of a patent avoid any potential risks if the research is pursued. In many instances, a potentially objectionable invention is likely to have both positive and detrimental aspects, making any decision an exercise in ethical delicacy.

Some guidance may be found in the EPO Guidelines. The equivalent phrase used in the EPC is ‘*ordre public*’, which may carry different connotations from the PA 1977 version. The French concept of *ordre public* approximates to public policy, rather than public safety. The Guidelines state that such circumstances are expected to be rare and extreme, giving as examples inventions which are likely to induce riot, public disorder or to lead to criminal or other offensive behaviour. The test is whether the general public would regard the invention as so abhorrent that the grant of patent rights would be inconceivable. If this is to be applied to the PA 1977, the relevant public would presumably be that of the UK. For the EPO, difficulties in applying a standard to the general public of much of Europe can be foreseen, because wide cultural and social differences may be encountered. There may be potential for differences to emerge as national patent offices in differing EPC states reach different conclusions on an invention. However, if circumstances falling within the exclusion are expected to be rare and extreme, consensus is possible despite national differences. That this may be so is suggested by the absence of objection to the patentability of biotechnological and genetic engineering inventions.

Recent developments in biotechnology and enhanced attention to environmental concerns, have given the ‘morality’ exclusion significantly



increased importance. With the advent of applications for patents for animal and plant life forms, opposition has focused, in part, under this ground of exclusion and the EPC equivalent (Art 53(a)). It is at this point that scientific, medical, ethical, social, moral and philosophical concerns coincide. But it should not be thought that refusal or grant of a patent is the only official avenue for regulation of research at this new frontier. Health, safety, medical, environmental and ethical bodies charged with a regulatory role exist. Concerns have centred on applications relating to animals, gene therapy, the isolation of genes to produce medical substances, plants and micro-organisms. In the 20 years of operation of the EPO, some 320,000 patents have been granted, about 12,500 of which relate to biotechnology in general and 2,400 involve genetic engineering. The case of *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995) makes clear that there is no objection to biotechnology or genetic engineering in general.

The concerns became apparent in *Harvard/Onco-mouse* (1990). An application was made for a patent for a genetically engineered mouse, or other non-human mammal, which had an increased susceptibility to cancer. The mice were to be used in cancer research. The patent had been granted in the US. In the EPO, it was first refused. After an appeal, the application was sent back to the Examining Division by the Board of Appeal. They provided instructions on the application of the provisions at issue including Art 53(a) of the EPC and the patent was eventually granted. The Board of Appeal set out the approach to be taken. The 'moral' issue was one that must be taken on by the EPO, as required by Art 53(a) of the EPC, because there was suffering to the animals involved and potential risks to the environment if the animals were ever released. This was to be done by a 'careful weighing up' of the suffering and risks, on the one hand, and the invention's usefulness to mankind on the other. Applying this, the Examining Division stated, first, that if certain types of technology should be used under limited conditions it was for the legislator to impose those conditions. They pointed out that a patent is not a positive right to use an invention, only a right to prevent others from doing so for a limited time, so that refusal could not provide the requisite control. Secondly, Art 52 of the EPC laid down general principles for patentability; the exclusions to it should be construed narrowly because the Article only denies a patent if the conditions set out are not satisfied. Thirdly, the EPO set itself to make a utilitarian evaluation of the merits of the invention, as opposed to its demerits, including moral objections. Moral objections could, they said, be outweighed by benefits to mankind. In the face of the clear benefits to be gained from cancer research, the fact that fewer mice were required if an onco-mouse was used and the lack of any alternative to animal testing, as well as the fact that the risks to the environment in carefully controlled laboratory conditions were small, the suffering involved did not render the invention immoral. Finally, they stated that biotechnological inventions and inventions relating to genetic engineering were not, in general,

excluded from patentability. Each case must be decided on its merits. Opposition proceedings were begun after grant by ecological and animal welfare organisations, as well as over 1,000 individuals, but did not succeed.

In another recent case, the EPO again considered the approach to be taken to 'moral' objections, in particular the relevance of environmental concerns. In *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995), a patent was granted for plant cells, plants and seeds. They were genetically engineered to make them resistant to a class of herbicides so that they would be selectively protected against weeds and fungal diseases. The patent was opposed by Greenpeace. The Technical Board of Appeal found that there was no case to answer on the morality issue. Of *ordre public*, they said:

It is generally accepted that the concept of '*ordre public*' covers the protection of public security and the physical integrity of individuals as part of society. This concept encompasses, also, the protection of the environment. Accordingly, under EPC, Art 53(a), inventions the exploitation of which is likely to breach public peace or social order (for example, through acts of terrorism) or seriously prejudice the environment are to be excluded from patentability as being contrary to *ordre public*.

And of morality:

The concept of morality is related to the belief that some behaviour is right and acceptable, whereas other behaviour is wrong; this belief is founded on the totality of the accepted norms which are deeply rooted in a particular culture. For the purposes of the European Patent Convention, the culture in question is the culture inherent in European civilisation and society and civilisation.

They held that the EPC contained no bar to patenting living matter as such and, therefore, the issue under the morality and *ordre public* exclusion was whether this particular invention was to be excluded. Had it been established that genetic engineering techniques had been misused, or put to destructive use, the objection on the grounds of *ordre public* would have been sustained. On the particular objections made, the Technical Board of Appeal was unable to carry out an *Onco-mouse* style 'balancing exercise' as there was no satisfactory evidence of any real risks, but said that this was not the only way of assessing patentability under Art 53(a) of the EPC. Survey evidence of public attitudes in Sweden and Switzerland was rejected as not being related to specific risks posed by the invention at issue, nor necessarily representative of norms of European culture. As M Llewellyn points out, in 'Article 53 revisited' [1995] EIPR 506, the Technical Board of Appeal has not provided any guidance on ascertaining public opinion, or a common cultural standard; nor how 'abhorrent' an invention must be in order to be excluded from a patent.

Whether a moral evaluation is a proper concern for patent offices has been a matter of considerable debate. The traditional view, as represented by E Armitage and I Davies, in *Patents and Morality in Perspective*, 1994, London: Common Law Institute of Intellectual Property, is that the Patent Office is not

equipped to undertake the necessary investigation, and that to do so would involve the patent process in unwarranted uncertainty, delays and costs. Consequently, intervention on moral grounds should be made only in the clearest of cases. The opposite view is put by D Beyleveld and R Brownsword, in *Mice, Morality and Patents*, 1993, London: Common Law Institute of Intellectual Property. They take the view that both the EPC and PA 1977 force the issue on to the patent offices concerned, but that there is a standard to be applied in the common cultural morality which underlies the European Convention on Human Rights (ECHR). This standard is rights based, and not utilitarian in approach.

The EU proposes harmonisation of Member States' laws. The first draft of the Biotechnology Directive, the EU Directive on the Legal Protection of Biotechnological Inventions, was vetoed by the European Parliament in 1995. The new Directive was approved in May 1998 and must be implemented within two years from the date of publication in the Official Gazette. The Directive establishes that live organisms are not unpatentable *per se* and that to multiply a patented organism without permission would infringe such a patent. It also lays down that the mere discovery of a gene is not patentable, but that to isolate material from its natural surrounding and to replicate it by a technical process, provided the result is industrially applicable, may be so. Ethical concerns are also dealt with. Human cloning is barred for ethical reasons, as is the use of human embryos for industrial or commercial purposes, modifying the human germ line and production of animals that will suffer, unless there is substantial countervailing medical benefit.

However, harmonisation in the EU will not solve any potential difficulties caused by differing national interpretations of '*ordre public*'. The problem is compounded by another version of the exclusion now embodied in Art 27 of the TRIPS Agreement. The one common factor for the States which have to apply these varying provisions lies in the ECHR: Ford, R, 'The morality of Biotech patents: differing legal obligations in Europe?' [1997] EIPR 315.

#### **4.2.8 Biological inventions**

The drafting of s 1(3)(b) of the PA 1977 is convoluted, reflecting the wording of Art 53(b) of the EPC and repays a careful reading. It divides into three sections. The first two contain exclusions: the first relates to plant and animal varieties; the second to biological processes for the production of plants and animals. The third section is an exception to the two preceding exclusions, and therefore provides an assertion of patentability for inventions which might otherwise have been caught by the two preceding exclusions – microbiological processes and the products of such processes. This is because there is no clearly defined division between the biological and microbiological.

This sub-section is not now aptly worded. Article 53 of the EPC was drafted in the 1970s to reflect the Strasbourg Convention 1963 which unified

points of patent law relating to biology. That, however, was written at a time when biotechnology was in its infancy. Biotechnology is now at the forefront of medical, veterinary, agricultural, nutritional and horticultural research.

### 4.2.9 Plant varieties

Patents shall not be granted for plant varieties. This exclusion is to preserve a division between patents and the protection for plant and seed varieties (PVR) provided by the Plant Varieties and Seeds Acts 1964 and 1983, and the Plant Varieties Act 1997 (PVSA). PVSA grants proprietary rights to breeders or discoverers of distinctive, uniform, stable plant varieties for up to 30 years. These rights envisaged the production of new varieties by standard biological techniques such as grafting, hybridisation and cross-pollination. Grant of a PVR involved testing to ascertain that a new variety was distinctive in its characteristics (such as shape, size and colour) and was homogenous and stable, according to an established procedure.

Following its view that the exclusions are to be narrowly interpreted, the EPO gave 'plant varieties' a narrow meaning, showing a willingness to grant patents. The exclusion did not relate to plants in general, but only to 'varieties'. These were excluded because of the alternative protection available. The definition of 'variety' in the Convention for the Protection of New Varieties of Plants 1961 (UPOV Convention) was adopted:

... a multiplicity of plants which are largely the same in their characteristics (that is, 'homogeneity') and remain the same within specific tolerances after every propagation or every propagation cycle (that is, 'stability').

Accordingly, in *Ciba-Geigy/Propagating Material* (1984), a patent was granted over propagating material (seeds) treated with an oxime derivative because the claim was to a chemical seed coating which made seeds more resistant to agricultural chemicals; and not to a plant variety, nor a claim in the sphere of plant breeding. And, in *Lubrizol/Hybrid Plants* (1990), a patent was granted to hybrid seeds and plants. They were not a 'variety' because succeeding generations of the plants were not stable in the new characteristics and the invention relied on going back repeatedly to the parent plants for further propagation by cloning.

This generous approach to patentability was not without its critics and objections were made on three grounds: that living matter should never be patented; that genetic resources are part of mankind's common heritage and should not be monopolised; and that the result was developing countries' increasing agricultural dependence on large multinational enterprises. Such objections were met by the refutations that patents are granted for living matter in other spheres; the conditions of novelty and inventive step secure the common heritage; and the grant of patents stimulates the development which is the basis of technology transfer to the developing world (Moufang, F, 'Plant protection' [1992] IIC 328). Europe's ability to compete with Japan and

the US was also used to justify the grant, as plant patents were available in those countries.

A recent decision casts doubt on the continued award of plant patents. In *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995), Plant Genetic Systems claimed plants generically and not the starting materials, as had been the case in *Ciba-Geigy/Propagating Material* (1984) and *Lubrizol/Hybrid Plants* (1990). The plants had been genetically engineered to be resistant to specific weedkillers. The claims included plants bred from those with the transmitted characteristic. The EPO Board of Appeal found that the characteristic was stable and that the succeeding generations would constitute a variety. The claims were not patentable because they 'embraced' a variety, which would be produced when the plants reproduced. They adopted the interpretation of 'variety' as the lowest subgrouping within a species from the *Harvard/Onco-mouse* (1990) case. The result is that, as nearly all genetically engineered plants will be stable in succeeding generations, patent protection will not be available. And, as the process by which the plants were propagated was not wholly microbiological, the plants did not fall within the inclusionary third section of Art 53(b) of the EPC. It has been much criticised: Schrell, A, 'Are plants (still) patentable?' [1996] EIPR 242; Roberts, T, 'Patenting plants around the world' [1996] EIPR 531. In *Harvard/Onco-mouse* (1990), the EPO regarded anything coming above a variety in the taxonomy of animals as patentable. But the same has, it is argued, not been applied to plants. The claim was to any plant, and not a specific one, treated in the way specified. In addition, Roberts argues that the EPO was wrong to consider that the insertion of a single gene into plant material made the plants into a variety. The UPOV Convention 1991 defines a variety as being characterised by not one, but all of its genes being stable. On that basis, genetically engineered plants should be patentable.

In the face of the controversy, the President of the EPO referred a question to the Enlarged Board of Appeal to resolve the anomaly. But any conflict was denied. It would appear that *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995) is regarded as standing on its facts and not laying down any general principle. The Biotechnology Directive clarifies the issue for member states of the EU for both plant and animal varieties. Only inventions consisting of individual varieties are excluded, an invention comprising a range of varieties is patentable.

#### **4.2.10 Animal varieties**

Originally, it was thought that the exclusion related to animals in general. The case of *Harvard/Onco-mouse* (1990) showed that the exclusion is confined to 'varieties' of animal alone. The EPO applied the taxonomy (classification) of animals which subdivides a species into subspecies and varieties. Varieties constitute the lowest subdivision. Though the invention was to be applied to

mice, any non-human mammal (a genus) was claimed. As this did not confine the claims to a variety, the patent was granted.

#### 4.2.11 Essentially biological processes

The second section of s 1(3)(b) of the PA 1977 excludes some process claims from patentability: 'any essentially biological process for the production of animals or plants', but does not relate to product claims. It should first be noted that a biological process that is not 'for' the production of an animal or plant is not excluded on this ground. Biological processes for, for example, methods of controlling the growth of weeds among crops by the application of chemicals or for controlling pest infestation among crops by applying chemicals remain potentially patentable (provided they are novel, non-obvious and industrially applicable). Biological processes that might be caught by this exclusion include, for example, methods of pruning trees to control fungal disease (*Lenard's Application* (1954)), or a method of selective cultivation to produce seeds with a high oil content (*Rau Gesellschaft's Application* (1935)) or even a method of tenderising meat by injecting enzymes before slaughter (*R v PAT ex p Swift* (1962)).

It is only 'essentially' biological processes that are excluded. The phrase does not represent a distinction between processes occurring naturally and those which involve any element of human intervention. In *Lubrizol/Hybrid Plants* (1990), the EPO described entirely natural processes with no human intervention as 'purely' biological. Determining whether a process that involves human intervention is essentially biological involves a consideration of the effect of man's intervention into the biological process. It is not a measure of the quantity or quality of that intervention, merely its effect. If the intervention rendered the process one that could not occur naturally, the EPO considered it not to be essentially biological. An essentially biological process is, therefore, one capable of occurring in nature of its own accord through the right combination of circumstances. In *Lubrizol/Hybrid Plants* (1990), the multi-step process was biological in all its steps, but these occurred in an unusual order and were a modification of biologists' and breeders' techniques. So, too, in the *Harvard/Onco-mouse* (1990) case, where the process involved microbiological steps (inserting the oncogene into a vector and micro-injecting at an early embryonic stage). Subsequent generations of the mice were not caught by this section of Art 53(b) of the EPC which relates only to processes, because, though reproduction occurred naturally, the result was a product, albeit a 'product by process' claim. If the product is not a 'variety', this interpretation enables circumvention of the prohibition on essentially biological processes by making a product claim.

*Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995) also considered this exclusion. The EPO held that if the invention was the result of a technical step essential to its production, which would not occur without human intervention and that step was decisive to the product, then the process could

not be considered essentially biological. But, in the circumstances of the case, the technical steps involved in altering the genetic structure of the plants related only to the first generation of altered plants; subsequent generations were bred in the usual way. The claims related also to succeeding generations and, therefore, involved an essentially biological process.

#### 4.2.12 Microbiological processes

The prohibitions of s 1(3)(b) of the PA 1977 can be overcome if the claims fit into the third section: 'a microbiological process or the product of such a process', as was confirmed by the Technical Board of Appeal in *Harvard/Oncomouse* (1990):

EPC, Art 53(b), first half-sentence, is an exception to the general principle of patentability contained in EPC, Art 52(1). The second half-sentence is an exception to this exception, ensuring that the patentability bar does not cover microbiological processes or the products thereof. In other words, the general principle of patentability under EPC, Art 52(1) is restored for inventions involving microbiological processes and the products of such processes. Consequently, patents are grantable for animals produced by a microbiological process.

The difficulty with the distinction between the biological and microbiological drawn by s 1(3)(b) of the PA 1977 is that it is not a distinction which exists in reality. Micro-organisms are small independent units of matter invisible to the naked eye such as bacteria, yeasts, viruses and plasmids. In *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995), plant cells were not considered to constitute varieties, but to be microbiological products. Microbiological processes involve such organisms, such as bacterial fermentation processes used in brewing and baking.

Products and processes in this sphere have long been the subject of patents, although they involve living matter. In *Commercial Solvents Corp'n v Synthetic Products* (1926), a patent was granted to a process for the production of butyl alcohol and acetone from maize and other grain starch by bacterial fermentation. The ethical issues were early raised in the US in *Diamond v Chakrabarty* (1980). The court did not regard the fact that living matter was involved was a bar to patentability and said that, where unforeseen technological developments arose, it was for the legislature to lay down the appropriate policy. The court felt that refusing a patent would not prevent any risks involved in the invention and that Congress was the correct forum for issues where risks had to be weighed against potential benefits.

Earlier UK case law suggested that a similar distinction would be drawn to that applied to biological processes: that a sufficient level of human involvement in the process would be required for patentability: *American Cyanimid v Berk* (1976); *NRDC's Irish Application* (1986); and *Rank Hovis McDougall* (1978). This is not the case for PA 1977.

The EPO considered the inclusion of patentability for the microbiological in *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995), where the process used had involved both biological and microbiological steps. The process was held not to fall within the inclusionary third section of Art 53(b) of the EPC. A multi-step process must, therefore, satisfy the test of not being essentially biological (to be suitably technical) before it is patentable. Nor will the products of such a mixed multi-step process be treated as the products of a microbiological process.

### 4.3 Industrial application

Once a claim has been made to an invention which is not excluded, the other conditions of patentability: novelty, inventive step and industrial applicability must be satisfied (s 1(1) of the PA 1977). An invention must be 'capable of industrial application': s 1(1)(c) of the PA 1977.

#### 4.3.1 Industry

Section 4(1) of the PA 1977 adds that an invention shall be taken to be capable of industrial application if 'it can be made or used in any kind of industry, including agriculture'. The EPO Guidelines interpret 'industry' widely, to include anything of a 'technical' character within the useful or practical arts.

#### 4.3.2 The useless invention

The requirement for industrial application may be utilised to bar an invention with no identified use. This was done in *Chiron Corpn v Murex Diagnostics* (1996) to revoke claims to a number of polypeptides 'which were useless for any known purpose':

We accept that the polypeptides claimed in the second part of claim 11 can be made, for, as will become apparent from the section of our judgment dealing with insufficiency, it is a routine task to see whether one polynucleotide will hybridise with another. But the sections require that the invention can be made or used 'in any kind of industry' so as to be 'capable' or 'susceptible of industrial application'. The connotation is that of trade or manufacture in its widest sense and whether or not for profit. But industry does not exist in that sense to make or use that which is useless for any known purpose.

On this point, we prefer the submissions for the appellants. We think that they more accurately reflect the true meaning of ss 1(1)(c) and 4 and the manifest intention of the PA 1977 and the EPC that monopoly rights should be confined to that which has some useful purpose.

#### 4.3.3 The medical invention

One sphere in which the patent incentive is seen to be inappropriate, at least in part, is the medical field. Some areas of medical invention are removed



from patentability by being treated as not capable of industrial application. Section 4(2) of the PA 1977 provides that this applies to ‘an invention of a method of treatment of the human or animal body by surgery or therapy, or of diagnosis practised on the human or animal body’.

This exclusion reflects public policy in leaving methods of treatment unfettered in order to be disseminated freely, allowing doctors the freedom to adopt the methods they choose (*Schering and Wyeth’s Application* (1985)):

... the use in practice by practitioners of such methods of medical treatment in treating patients should not be subjected to possible restraint or restriction by reason of any patent monopoly ...

Phillips, though, queries whether to grant patents, balanced by compulsory licences might not stimulate further medical research and provide appropriate rewards where funding is difficult to obtain (Phillips, J and Firth, A, *Introduction to Intellectual Property Law*, 1995, London: Butterworths).

The policy arguments were canvassed in the New Zealand case of *Wellcome Foundation* (1983). The New Zealand Court of Appeal refused a patent for a new medical use of a known compound. Cooke J accepted that there were humanitarian and economic arguments for medical advances to be encouraged and rewarded, but said that the medical issue was too wide for the court, and any extension to patentability should be left to the legislature. (Note that similar arguments were being made in *Diamond v Chakrabarty* and *Harvard/Onco-mouse* (1990), where the decision was to grant the patent, leaving the issue to be fought out elsewhere, the legislatures and Congress.) Y Cripps, ‘Refusal of patents for medical treatment methods’ [1983] EIPR 173, argues that the denial of a patent for a process is unlikely to hinder research and development. A process patent has less of an incentive effect, as the process is published early in the application, enabling others to achieve the same result by different means, and can be adequately protected by secrecy. There is a countervailing argument that, without protection, secrecy might be resorted to and the benefits of disclosure under the patent system lost. Both Israel and Australia have abandoned the medical methods exclusion.

The PA 1977 and the EPC have not followed the previous law, which distinguished between methods of treatment of ‘disease’ and other, patentable, methods. For example, a method of contraception was allowed a patent in *Schering’s Application* (1971), as contraception did not amount to the treatment of disease; and a method of treatment for lice infestation, in *Stafford-Miller’s Application* (1984), was regarded as an insecticide rather than treatment of disease. Cosmetic treatments were also patented: in *Joos v Commissioner of Patents* (1973) (an Australian case), a process for strengthening hair and nails was allowed, as it was of commercial significance and applied to healthy hair and nails. The commercial significance of the invention was also an important factor in *Schering’s Application* (1971). By contrast, a method of abortion was refused a patent in *Upjohn’s Application* (1976).

The exclusion is now of methods of treatment by 'surgery or therapy or of diagnosis'. This has raised the question whether 'therapy' is confined to diseases or includes other treatments. 'Therapy' was defined by the EPO in *Salminen-Pigs III* (1989). The claims were for a method and apparatus for preventing a sow from suffocating her piglets within the confines of a brooding pen. A sensor detected when the sow stood up and blew hot air underneath her to discourage the piglets from going to her until she settled again. Therapy was defined to include:

... any non-surgical treatment which is designed to cure, alleviate, remove or lessen the symptoms of, or prevent or reduce the possibility of contracting any malfunction of the animal body ...

and

... the treatment of a disease in general or to a curative treatment in the narrow sense as well as the alleviation of symptoms of pain and suffering.

The claims were allowed as they were designed to prevent accidents, not to treat the piglets, and because the method was not 'on' the animal body.

The use of 'therapy' also raised the question whether both preventative and curative treatments are included in the exclusion. *Unilever (Davis') Application* (1983) laid down that both preventative and curative treatments fell within the meaning of 'therapy'. The claims related to a method of immunising poultry by additives to feed, a preventative treatment. The claims were refused under s 4(2) of the PA 1977 as Falconer J held that 'therapy' had two dictionary meanings, preventative and curative, which the PA 1977 was intended to include.

Where doubts arise as to the patentability of an invention involving a method of treatment, claims may be made in an alternative form to secure patent protection. These include the making of a product claim, a 'Swiss' claim, or a 'pack' claim. A product claim can be made in one of two ways, either for a device to be used in medical treatment, or for a substance or composition.

### *Device claims*

Medical hardware is patentable in the usual way; there is no express exclusion relating to it: *Siemens/Flow Measurement* (1989). The applicant sought a patent for a method of measuring the flow of small quantities of liquid through a tube. This was achieved by injecting a bubble into the liquid and then measuring its rate of progression between two points in the tube. This method could be applied in particular in a device planted in the human or animal body for the administration of a drug such as insulin. The Technical Board of Appeal allowed the claims:

In the board's opinion, the introduction of a drug into the human body by means of a device for controlled drug administration that has already been

implanted is clearly unconnected with either a surgical or a diagnostic method ... The check on the operation of the device therefore requires no medical knowledge whatsoever as regards the behaviour of the body into which the device is introduced ... The operating parameters measured according to the method claimed allow the doctor complete liberty to plan the operating timetable of the pump – and thus the drug intake required for treatment – with medical discretion.

### *Substance claims*

The PA 1977 does not exclude substances designed for medical use from patentability (provided that the other criteria of patentability are satisfied), only methods: s 4(3) of the PA 1977. The pharmaceutical industry is one of the prime users of the patent system, protecting the very expensive development of new drugs. In fact, the PA 1977 allows an inroad to the normal principles of novelty in relation to such substances. Section 2(6) of the PA 1977 provides:

In the case of an invention consisting of a substance or composition for use in a method of treatment of the human or animal body by surgery or therapy, or of diagnosis practised on the human or animal body, the fact that the substance or composition forms part of the state of the art shall not prevent the invention from being taken to be new if the use of the substance or composition in any such method does not form part of the state of the art.

The patent incentive has been of vital importance in the pharmaceutical field where new substances have been found. There is logic in extending that incentive to research and development with known substances in the medical field where new uses can be found, and s 2(6) of the PA 1977 is the result of lobbying by the drug industry. The effect of this sub-section is to allow a patent over a substance even though the substance is already known. But this only extends to the discovery of the first medical use for that substance. The substance will fall into the state of the art once one medical use has been uncovered. This was made clear by *Sopharma's Application* (1983). A substance was already known as an anti-inflammation agent, then it was discovered to have a use in the treatment of cancer. The patent was refused. The 'any' in the last line of s 2(6) of the PA 1977 was interpreted to refer not to the newly discovered use (cancer treatment), but to use in any method of treatment at all falling within s 4(2) of the PA 1977. This was consistent with s 130(7) of the PA 1977 and the EPO case law. It is consonant with a policy of leaving the medical profession as unfettered as possible, while stimulating research.

### *Swiss claims*

In the case of *Eisai* (1987), the EPO accepted a form of claim developed in the Swiss Patent Office, an unusual inroad into the principle that the nature of a claim is a matter of substance and not form. The Swiss claim extends to second medical uses of known substances. The substance must be claimed in the form 'use of substance A in preparation of a medicament for the treatment

of B'. It is a claim to a method for making a substance, but limited to manufacture for the new use from whence the novelty derives. It has been accepted in the EPO Guidelines and by the EPO, although the effect is to confer a patent for a method of treatment, linguistically claimed as a substance claim. It was applied in the UK in *Schering and Wyeth's Application* (1985), with reluctance, by Whitford and Falconer JJ. They pointed out that the claim is open to the argument that novelty is lacking if the new medicament is not itself new.

The Swiss claim is the forerunner to another means of claiming new uses found for known substances (see 4.4.6) and is an extension of the transfer of novelty approach adopted after *Vicom* (1987) and *Genentech Inc's Patent* (1989). This allows the transfer of the novelty to be found in an objectionable component of the claims to the patentable component by reading the claims as a whole. This can be seen as the root of subsequent developments which may be leading the EPO into uncharted and difficult waters (see 4.4.6).

*Eisai* (1987) was considered in the UK twice in 1996, and its application was restricted to tried and tested second medical uses, not speculative ones. This has been done on the ground that to be patentable, the disclosure must be sufficient (see 4.6). In *Hoerrmann's Application* (1996), the claims were correctly made in the Swiss form when a new medical use for a known substance was found. However, the patent was refused on the ground that under a Swiss claim, the new treatment must be supported by the specification under s 14(5)(c) of the PA 1977. As no evidence that the treatments worked was given (the applicant argued that he needed a patent before he could undertake the expense of extensive clinical testing), the claims were not supported by the description. This was followed in *Consultants Suppliers Ltd's Application* (1996). The reason given was that to do otherwise 'would leave the path open for speculative patenting of ranges of new potential, but untried uses for known medicaments'. In this case, some testing had been done, but did not give clear evidence that the treatment had been sufficiently tried and tested.

### *Pack claims*

A pack claim may be used to overcome any objection (for example, that the invention falls into an excluded category, is a second medical use or a method of treatment) to patentability, but its successful use has been in relation to methods of treatment. The claim is directed to the package in which the invention is contained. If there is a link between the working of the invention and the pack, this device may confer appropriate patent protection. In *Organon's Laboratory* (1970), the claim was directed to a card containing the monthly contraceptive pill, which was so designed that it dictated the correct sequence for taking the pill. The actual invention was the new method of taking and dosage of the pill. As the card itself was novel and non-obvious, the claim succeeded. But this must be contrasted with *Ciba-Geigy (Duerr's) Application* (1977), where a similar claim did not succeed in securing a patent.

A new use, as a selective weedkiller, was discovered for a known substance. It was doubtful whether a process claim would be successful, so the claims were directed to the chemical and its container and instructions for use. The container was held not to be a patentable invention, as, in itself, it was conventional (unlike the Organon blister pack). The information the container bore could not confer novelty nor inventive step when there was no interaction between the container, its contents and the instructions. There is a distinction between reading composite claims, such as those in *Vicom* (1987), where program and computer were interrelated in the achievement of the new result and piecemeal claims to individual and unrelated components such as those of *Ciba-Geigy (Duerr's) Application* (1977).

## 4.4 Novelty

Section 1(1)(a) of the PA 1977 provides that an invention must be new. It is worth considering first why this should be so.

### 4.4.1 The right to work

To allow a monopoly over something potentially already within the public domain, available for public use and within the public's knowledge, would deprive the public of material to which they already had access and render illegal that which the public had hitherto been entitled to do. Such a monopoly would not coincide with the policy objectives of the patent system (to encourage fresh industry without preventing free competition within existing industry) and would clearly be objectionable, as explained by Judge Rich (1978) 60(5) JPOS 271, p 288:

... the good monopoly is one which serves to give the public, through its incentive, something which it has not had before and would not be likely to get without the incentive – at least not so soon. The bad monopoly is one which takes from the public that which it already has or could readily have without the added incentive of the patent right.

This is known as the 'right to work' principle. The simple way of ensuring that the grant of a patent does not encroach on this principle is to require that a patentable invention be new to the public and not already expressly or inherently within their grasp. An invention is inherently available to the public where the invention has been achieved, but not understood, an example being the discovery of a new effect of a known substance. Any use of the substance will have achieved the effect, although this will not have been appreciated by the user. An effective way of securing the right to work is to test the invention which is the subject of a patent application by comparing the invention and the prior art and asking whether the invention would 'infringe' the prior art – a test of 'reverse infringement'. For the purpose of

infringement, it is not necessary that defendants should have realised that their actions infringed. If a reverse infringement test is not used the right to work principle is jeopardised.

### 4.4.2 Testing novelty

Section 1(1)(a) of the PA 1977 is elaborated by s 2 of the PA 1977. An invention is not new if it forms part of the state of the art, often termed the prior art. To decide whether an invention is new is a three step process:

- (a) finding the state of the art;
- (b) interpreting (construing) the specification to establish the boundaries of the invention being claimed;
- (c) comparing the invention as claimed to the prior art on the priority date of the invention.

If the invention has been disclosed before its priority date, it is not new: it has been 'anticipated'. The investigation into an invention's novelty is made for an application before any grant of a patent. It may also be made after a patent has been granted if the validity of that patent is challenged, or its revocation sought. For this reason, s 2 of the PA 1977 refers both to applications and to patents.

### 4.4.3 The state of the art

The contents of the state of the art are laid down by s 2(2), (3), (4) of the PA 1977. All 'matter' made available to the public before the invention's priority date must be taken into account. 'All matter' is interpreted literally, and the Patent Office will cite any source of information about the invention it unearths; the comic *The Beano* was once cited! The main source of prior information will lie in earlier applications and patent specifications. This will include all specifications published on, or after, the priority date of the invention which is being tested. Because an application is not published for 18 months after its priority date, there is a danger, if consideration of prior specifications is confined to those already published, that a patent could be granted twice for the same invention. This is because the same invention might be revealed in an application with an earlier date to the one at issue, but which has not yet been published. To avoid this danger, s 2(3) of the PA 1977 also brings within the state of the art applications and patents with a priority date before the priority date of the invention at issue though not published until after that date, provided that the eventual publication also contains the relevant information.

The standard adopted by the PA 1977 and the EPC is one of absolute novelty: there is no temporal or geographical restriction on the prior art. It is matter available anywhere in the world, at any time. Previously, the prior art

was restricted to matter available in the UK and within the 50 years preceding the priority date. This was domestic novelty, and allowed the rediscovery of an idea first revealed before its time. It may be that some anticipating material is so remote that it might not be considered to fall within the state of the art. There is precedent from the US for such an approach. In *Badowski v US* (1958), a Russian diplomatic document was discounted as being so remote as to be effectively unavailable. In the EPO Guidelines, it is provided that the PCT applications through WIPO which are in Japanese or Russian are included within the art only if the relevant fees have been paid and translations in English, German or French have been submitted, such is the difficulty of those languages.

There is one limited exception to the 'matter' considered in s 2(4) of the PA 1977. This removes from the art disclosures made in breach of confidence within the six months before the invention's priority date and disclosures made by the inventor displaying the invention at an international exhibition. The latter is narrowly defined by s 130(1) of the PA 1977. No distinction is made between disclosures emanating from others and those coming from the applicant or patentee himself. Both the PA 1977 and the EPC confer a patent on the 'first to file', and not necessarily on the first to invent: *Catnic Components v Evans* (1983).

Under the PA 1977, the nature and manner of disclosure is irrelevant: it can be by a 'product, a process, information about either, or anything else', or 'by written or oral description, by use or in any other way': s 2(2) of the PA 77.

Patent law takes a strict view of the public (which may be contrasted with the law of breach of confidence (see 6.3.2)). The public constitutes any one or more individuals unfettered by any obligation in law or equity to maintain confidence. This was established in *Humpherson v Syer* (1877). A patentee asked one man to make the device for preventing waste water; this anticipated the invention as disclosure to one person, without obligations of confidence, constituted disclosure to the public. Thus, it is essential that an inventor takes great care not to reveal the invention, unless under strict conditions of confidentiality, until an application has been filed. The action for breach of confidence provides important support for the inventor at this point. Any confidence must be real and not nominal. Mere membership of a common organisation will not import any confidence. In *Monsanto's Application* (1971), a bulletin was given to company salesmen and over 1,000 copies sent to the British Baking Industry's Research Association. This was not confidential, as no fetter was placed on the salesmen with respect to the information and it had been given for the purposes of dissemination. So too, in *Dalrymple's Application* (1957), a research bulletin circulated in the trade under notional obligations of confidence was held to form part of the state of the art.

The prior art must be 'available' to the public. This raises two issues. The first relates to the clarity of the potentially anticipating information. The second concerns the appreciation of it that the public actually has. The courts

have taken a strict line on the first issue, the anticipating art must reveal the invention now being claimed clearly and precisely: in the phraseology of *General Tire v Firestone* (1972), it must 'plant a flag' at the inventor's precise destination. In *Fomento Industrial v Mentmore Manufacturing* (1956), the invention was a nib for an early ballpoint pen. There had been prior publication of the innovation introduced to the nib; however, this was held not to anticipate the invention because to follow the instructions of the prior publication did not inevitably result in the innovation now claimed.

On the second issue, the use of the word 'available' in the EPC and the PA 1977 has been interpreted to imply some real prior access to the invention in terms of either the public's understanding or use of it from the prior art. This represents a significant departure from the position under the PA 1949 and, arguably, an encroachment on the right to work principle. Under the old law, in *General Tire v Firestone* (1972), the Court of Appeal held that the prior art need only reveal 'a clear description of, or clear instructions to do or make, something that would infringe the patentee's claim'. This was taken to mean that the public need not appreciate or understand the invention now being claimed if the description or instructions for it could be discerned in the prior art: *Bristol-Myers Co (Johnson's) Application* (1975). *Molins Machine Co v Industrial Machinery Ltd* (1938) illustrates the old law. In this case, it was argued that a patent for a method of making cigarettes which improved the distribution of tobacco in the cigarettes had been anticipated. The invention gave the tobacco a 'forward push'. An earlier machine, the Bonsack patent, revealed a similar movement, although moving at a slower speed. The purpose for the movement was entirely different, though it would have had a similar effect to the movement for which the patent was now being claimed. This had not previously been appreciated. Lord Greene MR said:

It is said ... that Bonsack cannot be an anticipation because it does not appear and ought not to be assumed that, in giving directions for the inclination of the trough, he was envisaging the same problem as that with which the present inventor was concerned; and that if the problems were not the same, the validity of the present claim is not affected by the fact that this particular element is to be found inserted for no apparent purpose in Bonsack's machine ... Bonsack's instruction is to make a machine of a particular kind ... The inclination which he gives to his trough is a physical fact necessarily present in each machine made in accordance with his specification and is as much a part of the true nature of that machine as any other element in it.

So the 'forward push' had been anticipated, although its effect had not been realised because the effect would have been achieved in use of the Bonsack machine. The Court of Appeal did allow an amendment to the specification which restricted it to faster machines, avoiding the anticipating information. Similarly, in *Fomento Industrial v Mentmore Manufacturing* (1956), a few samples of the nib had been given away as samples, though the advantage of the new nib had not been appreciated. This anticipated the invention.



So far, these cases represent the high water mark of the right to work principle. Before 1977, patent law concentrated on prior use as the principal means of anticipation because the prime function of a patent was seen as introducing new industry to the UK. The emphasis under the new law of the EPC and PA 1977, however, is on the information contained in a patent and whether it has been contained in the prior disclosure. The information function has been stressed in s 14 of the PA 1977. It is a logical corollary that only if the new information or idea disclosed by an inventor has been revealed in the prior art should the invention be anticipated. Otherwise, the substance of invention (information) has not been made available to the public. The EPO has stated that the essence of a patent is the information that it contains.

The requirement that the invention be made available to the public before its priority date for it to have been anticipated has been interpreted to mean that an 'enabling disclosure' be made by the prior art. An unappreciated or inherent disclosure, such as that in *Fomento Industrial v Mentmore Manufacturing* (1956) or *Molins Machine Co v Industrial Machinery Ltd* (1938), is not enabling. Falconer J explained the changes made by the new law in *Quantel v Spaceward* (1990) and *Pall Corpn v Commercial Hydraulics* (1990). In *Pall Corpn v Commercial Hydraulics* (1990), the invention related to hydrophilic filters. The inventor had supplied a customer with experimental sample filters, containing the new membrane, for testing. The filters were contained in cartridges so that the inventive membrane could not be examined, though there had been a public demonstration of their use. Falconer J held that an enabling disclosure is:

... one sufficient in the case of a claim to a chemical compound to enable those skilled in the art to make the compound claimed, was required to make the claimed invention available to the public and so to anticipate it.

The disclosure had not been enabling. Neither use of the cartridges nor attendance at the demonstration would enable the public to recreate the invention. Falconer J had earlier applied the same principle to a disclosure by publication of a biochemical compound in *Genentech (Human Growth Hormone)* (1989).

That an enabling disclosure is required to anticipate, was confirmed by the House of Lords, in a case relating to a chemical compound, *Asahi Kasei Kogyo KK's Application* (1991). This was seen to be in accord with the EPO decisions of *ICI plc's (Herbicides) Application* (1986) and *Collaborative Research Inc (Preprorennin) Application* (1990).

The 'right to work' principle protects the public from having any activity in which they have freely participated being removed by the grant of the patent monopoly. This was secured by adopting a test of anticipation which required the invention to have been revealed, but not necessarily with all its advantages having been fully appreciated and then deciding whether the anticipation would 'infringe' the invention. The new 'enabling disclosure' test

of anticipation encroaches on the right to work, as use of an invention without explanation will not anticipate. Then, for the public to continue to do that which they had been doing will infringe the patent. The defence to infringement provided by s 64 of the PA 1977 will secure some protection for the right to work, but is of limited application (see 5.3.3). To seek an enabling disclosure also encroaches on the 'reverse infringement' test of anticipation as infringers are not required to appreciate the consequences of their activities.

The new situation has not always been welcomed (see White, A, 'The novelty - destroying disclosure: some recent decisions' [1990] EIPR 315). Nor is the interpretation of 'available to the public' as an 'enabling disclosure' inevitable. The reference to enabling disclosures in the EPO Guidelines refers to chemical compounds alone. There is good reason to apply special considerations to chemicals. It is possible to speculate on the creation of large numbers of new compounds purely by manipulation of chemical formulae, without showing any practical way how these compounds might be made. In these circumstances, there is no real anticipation in a mere paper formula.

The House of Lords reconsidered the question in *Merrell Dow Pharmaceuticals v HN Norton* (1996). They accepted Falconer J's approach to anticipation by a prior use of an invention, as applied in *Pall Corp v Commercial Hydraulics* (1990). But a distinction was drawn where the prior art was contained in a publication, an earlier patent specification. The House of Lords considered the single issue of novelty, in a judgment that repays careful reading. Merrell Dow discovered and patented a new anti-histamine drug, called 'terfenadine', for use in allergies and hay fever. Terfenadine had the advantage of being free of the side effect of causing drowsiness. The patent expired in 1992, and other drug manufacturers began to make terfenadine. Research subsequent to the terfenadine patent showed why it was effective. In use, the drug is metabolised in the liver and Merrell Dow were first to identify the composition of the acid metabolite formed in the liver. They patented the metabolite and the patent was granted in 1980. To take the drug inevitably resulted in the formation of the acid metabolite within the user. Thus, Merrell Dow claimed that to make and sell terfenadine infringed this second patent (the metabolite patent) under s 60(2) of the PA 1977 (see 5.2.2), by knowingly supplying the means for putting the invention (the metabolite) into effect.

It is worth examining the consequences of Merrell Dow's arguments. If the claim were to succeed, the effect would be to extend protection for terfenadine for a further eight years, to the year 2000. This would endorse a second monopoly, albeit indirectly, for the drug. In this particular case, Merrell Dow owned both patents. But the metabolite could have been discovered by independent researchers and the patent granted to them. Then, two concerns would effectively have patents protecting the same product. The facts of the case squarely raised the issue of the right to work. Lord Hoffmann said:

A patent is granted for a new invention. But, in 1980, there was nothing new about terfenadine. Full information about its chemical composition and

method of use had been published in its patent specification in 1972. Participants in clinical trials had actually been taking the drug. Making and using terfenadine was, therefore, part of the state of the art. What did the acid metabolite patent teach the person who was using terfenadine? It gave him some information about how the product worked in terms of chemical reactions within the body. But it did not enable him to do anything which he had not been doing before ... Why, therefore, should the later patent confer a right to stop people from doing what they had done before?

For Merrell Dow, it was argued that the PA 1977 introduced new law, that the test for novelty had changed (as it was required that information about the invention be found in the prior art for there to be anticipation) and that s 64 of the PA 1977 showed that Parliament had intended the change by providing protection for the prior user. However, the House of Lords found the metabolite patent to have been anticipated and upheld the decision of Aldous J and the Court of Appeal to strike out the action.

First, the House of Lords distinguished between anticipation by a prior use of the invention; and anticipation by disclosure: in this case, the publication in the first terfenadine patent specification. Secondly, they held that there had been no anticipation by use – the use being the actual taking of terfenadine by volunteers in clinical trials of the drug before the priority date of the metabolite patent, but without the opportunity to study the composition of the drug. The House of Lords confirmed that the law had changed in relation to ‘inherent’ use. The use must have formed the acid metabolite, but this was unappreciated until the later research. This was so because Art 54 of the EPC, as reproduced in s 2(2) of the PA 1977, requires that the invention must have been made public. They said ‘an invention is a piece of information’, so that: ‘The use of a product makes the invention part of the state of the art only so far as that use makes available the necessary information.’ Therefore, there was no enabling disclosure in the prior use. It was acknowledged that this introduced a ‘substantial qualification’ to the right to work principle and the reverse infringement test of novelty. Thirdly, the House of Lords held that there had been anticipation by disclosure in the terfenadine patent. This specification did not mention the metabolite in terms. But, applying the same principle that it is the invention which must be new, the House of Lords said that the invention would be anticipated if information disclosed in the state of the art enabled the public to know the product under ‘a description sufficient to work the invention’. The description need not be chemical ‘if the recipe which inevitably produces the substance is part of the state of the art, so is the substance as made by that recipe’. The distinction from the anticipating use was that the use conveyed no information which enabled the metabolite to be made, whereas the prior specification did communicate information which inevitably resulted in the formation of the metabolite. This did amount to an enabling disclosure in the prior art. Fourthly, the House of Lords distinguished the EPO case of *Mobil/Friction Reducing Additive* (1990)

(see 4.4.6). Where the invention is a use for a product, anticipation is only enabling if the use is revealed, and not just the product.

The House of Lords' decision in *Merrell Dow Pharmaceuticals v HN Norton* (1996) goes some way to avoiding the worst effects of the enabling disclosure approach, where the prior art includes 'anticipation by disclosure'. It reconciles the *General Tire v Firestone* (1972) test of anticipating prior art of clear instructions to make or a clear description with s 2(2) of the PA 1977. But there are hazards in the House of Lords' decision that inherent prior use does not anticipate. It enables an inventor to keep an invention secret and enjoy a *de facto* monopoly, applying for a patent only when it appears that the secret is in jeopardy and, so, extending that *de facto* monopoly at precisely the point when it would otherwise have come to an end: see Lim, HG, "Made available to the public" – the final saga? [1996] JBL 286. The doctrine of non-informing public use would prevent this in the US. The House of Lords' decision as to anticipation by disclosure also poses the hazard to patentees that a first application may act as a domino knocking out patents for subsequent research: Karet, I, 'A question of epistemology' [1996] EIPR 97. Note that Lord Hoffmann did state that there would have been no challenge to the novelty of a claim to the synthesis of the acid metabolite or to the product in isolation, the only respect in which it was not new was in relation to its manufacture by the ingestion of terfenadine in the human body. The area in which the judgment in *Merrell Dow Pharmaceuticals v HN Norton* (1996) may prove most significant is in relation to *Mobil/Friction Reducing Additive* (1990) (see 4.4.6).

### 4.4.4 Construing the claims

The second stage of determining whether an invention is new is to establish the boundaries of the invention being claimed and the prior art, so that they may be compared. The same process must be utilised when considering issues of infringement, and will be considered at 5.1.

### 4.4.5 Comparing invention and prior art

Just as testing novelty is a three step process, so the third of those steps, making the comparison between the state of the art and the claimed invention, is also a three pronged process. First, the prior art must be discovered; next the prior art must be interpreted through the eyes of the hypothetical technician; finally, the comparison is made.

The requirement for novelty has been criticised as counterproductive: it is a difficult judgment; the patent is open to challenge on these grounds throughout its life; and challenges are expensive and time consuming. The advocates of an innovation warrant or innovation patent (see 2.3.3) argue that the real issue is whether a viable innovation is the result of the patentee's activities, new only in the sense that the innovation is not already on the

market, as technology can be rediscovered and patents unexploited, making second patents a desirable proposition. The lengths that competitors will go to in order to protect their products by challenging a patent's novelty are well illustrated by *Windsurfing International v Tabur Marine* (1985). There, evidence of the holiday activities of a child on Hayling Island was sufficient to anticipate a patent for a windsurfer.

First, the art at the invention's priority date must be interpreted. In *General Tire v Firestone* (1972), the Court of Appeal said that 'the earlier publication must, for this purpose, be interpreted as at the date of its publication, having regard to the relevant surrounding circumstances then existing'. It is not permissible to combine different pieces of prior material in order to anticipate by collocation; this is known as 'mosaicing'. The prior disclosure must anticipate without addition from another source.

Secondly, the mantle of a technician skilled in the art must be taken on, as the comparison is made objectively through this hypothetical individual's eyes. In the words of Sachs LJ in *General Tire v Firestone* (1972):

The earlier publication and the patentee's claim must each be construed as they would be at the respective relevant dates by a reader skilled in the art to which they relate, having regard to the state of knowledge in such art at the relevant date. The construction of these documents is a function of the court, being a matter of law, but, since documents of this nature are almost certain to contain technical material, the court must, by evidence, be put in the position of a person of the kind to whom the document is addressed, that is to say, a person skilled in the relevant art at the relevant date. If the art is one having a highly developed technology, the notional skilled reader to whom the document is addressed may not be a single person but a team, whose combined skills would normally be employed in that art in interpreting and carrying into effect instructions such as those which are contained in the document to be construed.

Thirdly, the comparison is made. This is a question of fact. The process was explained by the Court of Appeal in *General Tire v Firestone* (1972) thus:

To anticipate the patentee's claim, the prior publication must contain clear and unmistakable directions to do what the patentee claims to have invented ... A signpost, however clear, upon the road to the patentee's invention will not suffice. The prior inventor must be clearly shown to have planted his flag at the precise destination before the patentee ...

If the prior inventor's publication contains a clear description of, or clear instructions to do or make, something that would infringe the patentee's claim if carried out after the grant of the patentee's patent, the patentee's claim will have been shown to lack the necessary novelty, that is to say, it will have been anticipated.

#### 4.4.6 New uses of a known thing

The case of *Molins Machine Co v Industrial Machinery Ltd* (1938) illustrates the difficulties encountered by an inventor discovering a new advantage in a process, or a new use for a known substance. But, just as the exclusions for patentability of certain categories of invention may be avoided by adopting a different form of claim, so too difficulties posed to an invention by the presence of prior art may sometimes be avoided. Three types of invention are apparently envisaged by s 60 of the PA 1977 – products (substances), processes (methods) and products obtained by a specified process (product by process). Where a new use for a substance that is known is discovered, a patent may still be achieved by making a different type of claim. It may be that claims of a type not itemised by s 60 of the PA 1977 may also be accepted by the Patent Office and the courts. This is not ‘cheating’. The distinction between these differing types of claim lies in the extent of the resulting monopoly (see 3.4.5). If the monopoly can be restricted to the new discovery made by the inventor, there is nothing objectionable in granting a patent.

Five alternatives, two which have already been considered, present themselves:

##### (1) A method claim

If a new use is discovered for a known substance, a method claim will restrict the monopoly to the new use. A substance claim would fail for lack of novelty. But such a claim will be of limited value, should the method of achieving the new use not differ from the prior art: *Shell’s Patent* (1960). The patentee claimed a particular mixture as a fuel, but the anticipating document (an unexploited patent) described the same mixture, though for different reasons. The application could not succeed merely by an adding a statement of the new advantage.

##### (2) A use claim

In *Mobil/Friction Reducing Additive* (1990), the EPO has accepted a new type of claim – a claim to a use for a substance, if the claims are correctly drafted, in circumstances which fall outside those of a selection patent. Mobil had attempted to patent a substance for use as a friction reducing additive in lubricating oil. This was opposed by a rival because the substance was known and used as an additive for inhibiting rust. Clearly, a product claim could not succeed as the substance was not new. Mobil sought to amend the application to a claim for the new use of the substance. The question of whether this could be done was referred to the Enlarged Board of Appeal. The Enlarged Board of Appeal accepted that, while using an old substance in a new way might be novel, to use an old substance in an old way would not, even if the reason for doing so was new. The only difference would lie in the mind of the user. However, they continued to say that the new effect might be regarded as a functional technical feature of the invention and not merely a motive of the

user and, if new, could constitute a patentable invention. This would be the case, even though the technical effect may have inherently taken place in the course of carrying out the previous method of use of the substance.

This case represents an extension of the reasoning of *Vicom* (1987), combined with that of the enabling disclosure approach (endorsed by the Enlarged Board of Appeal in *Vicom* (1987)) to novelty. It is only by defining the new use as a 'technical effect' (that is, as an 'invention'), reading the claims as a composite whole and transferring the novelty of use to the technical effect, that patentability can be achieved. And the use is only novel because its inherent, but unappreciated, part in the prior art is discounted by looking for enabling information of that use in the state of the art. It is not a wholly unjustifiable approach, if giving a patent to a new use stimulates a search for appreciating new and useful advantages. But two considerable difficulties are caused by a 'new use' claim.

First, there is the prejudice to those already using the substance, particularly if any patent protection it may have had has expired, as monopoly prices can be charged for the new use. And anyone using the substance for the old use will inevitably also achieve the new use, raising questions of infringement (see Chapter 5). Though s 64 of the PA 1977 provides as defence, it is of limited application (see 5.3.3).

Secondly, as the House of Lords discussed in *Merrell Dow Pharmaceuticals v HN Norton* (1996), determining infringement will pose problems. If the patent monopoly is confined to the use made of the substance, an element of *mens rea* must be introduced to infringement which will be very difficult to ascertain and prove, for only those using the substance with the intention of achieving the new use will infringe. In the UK, liability for infringement has always been absolute. *Mobil/Friction Reducing Additive* (1990) was distinguished on its facts in *Merrell Dow Pharmaceuticals v HN Norton* (1996): in *Merrell Dow*, the second patent concerned a new substance for an old use, rather than a new use for an old substance. However, as discussed by Floyd, C, 'Novelty under the Patents Act 1977: the state of the art after *Merrell Dow*' [1996] EIPR 480, to apply the House of Lords' test of novelty to the *Mobil/Friction Reducing Additive* facts gives the result that there was sufficient information in the prior art to enable working of the new use, (though without the knowledge that was the case, in the same way as the metabolite had been revealed in the terfenadine patent). This suggests that the cases are not distinguishable in substance. Consequently, *Mobil/Friction Reducing Additive* (1990), approved by the House of Lords, will allow remonopolisation of the state of the art. The real culprit in reaching this point is the dual willingness of the EPO to define an invention as a 'technical effect', departing from the product, process, product by process classification of inventions; and to regard an invention as a piece of information, thus turning the test of novelty into one of communication of that information, rather than finding the invention in the prior art.

### *(3) A selection patent*

The selection patent was developed by the courts (the phrase does not appear in the PA 1977) for the chemical industry, although it is not confined to chemicals. Many chemical substances are theoretically known and inventive activity lies in discovering new uses for known substances, rather than discovering new substances or finding better processes for making known substances. Commercially desirable development was, thus, falling outside the ambit of the patent incentive. Since 1949 in the UK, and now under the EPC, substance (product) claims for classes of chemicals have been permitted. Classes of chemicals may be very large indeed, although in practice only a few examples from the class will have been tested for use.

To accept a claim to a class of substances raised the issue of how wide a monopoly should result. To restrict the patentee to the few examples from the class actually tested would allow a competitor a free ride using the nearest alternatives from the class. However, to allow a monopoly for the whole class would be very wide indeed. In *Olin Mathieson Chemical v Biorex Laboratories* (1970), the patent was allowed for the whole class provided that it could not be shown that some members of the class did not have the advantage (use) claimed. In turn, the next problem to be resolved was that of further uses being discovered for other members of a class already claimed. The result was the selection patent. This allows a fair bite at the patent cherry for the second inventor. The first patentee is awarded a patent for the whole class of substances, so the second inventor may well have to pay royalties during the life of that patent. The second patentee is granted a patent for a selection of substances from the class, to protect the newly discovered use. The progenitor of the selection patent is the case of *IG Farbenindustrie's Patents* (1930). In that case, Maugham J justified the new device because: 'There is no short cut to knowledge of this kind. A labourious and systematic investigation of a long series of combinations becomes necessary.'

The purpose of the selection patent was the same as the *Mobil/Friction Reducing Additive* (1990) new use claim, to reward and stimulate the discovery of new uses for known substances. Where the selection patent differs, however, is in the remonopolisation of the prior art which *Mobil/Friction Reducing Additive* (1990) allows. If the selection patent is restricted to selected examples from the class previously claimed which were not previously tested and used, there is no remonopolisation in practice. Users of the class for the first patented use will not infringe the second, neither will users of the selection for the new use infringe the first patent (if still in force).

*IG Farbenindustrie's Patents* (1930) set out three conditions to be satisfied for the grant of a selection patent:

- (a) the new advantage must be claimed as a *quid pro quo* to grant;
- (b) all the examples in the selected group must show the new advantage; and
- (c) only those selected from the class must have it.



When applied in *Shell's Patent* (1960), little attention was paid to the second and third conditions. A selection patent was granted for the fuel mixture, with a disclaimer for the old use.

The selection patent is, therefore, clearly founded on the discovery of the new use and can be seen as a forerunner of the *Vicom* (1987) method of treating the use as an integral technical feature of the invention being claimed, provided that it can be clothed in a product claim, the novelty being derived from the use, not the product. A selection patent will be tested for novelty and inventive step in the normal way, but these may be found in the use: *Beecham Group's (Amoxycillin) Application* (1980). However, the House of Lords' decision in *El Du Pont's (Witsiepe) Application* (1982) appears to have widened the selection patent device. The House of Lords allowed the patent without restricting the claims to the new advantage, so that the patentee did gain a remonopoly over the substance. This decision was reached before the 'enabling disclosure' approach to novelty under the EPC and the PA 1977, and may foreshadow that change, but it was roundly criticised for giving the effect of remonopolisation of the polymer despite the expiry of the first patent: Jeffs, J, 'Selection patents' [1988] EIPR 291; Reid, B, 'Du Pont and ICI – chemical anticipation and prior patent specifications' [1982] EIPR 118. Jeffs argues that the selection patent should be limited to a selection which does not include any examples from the prior publication, and this is the position adopted by the EPO: *Bayer (Baarz's – Carbonless Copying Paper) Application* (1982). But Armitage and Ellis counter this by arguing that to restrain the patent to the discovered use is a disincentive to original research into substances, depriving the inventor of royalties from subsequent research: Armitage, R and Ellis, D, 'Chemical Patents in Europe' [1990] EIPR 119.

(4) A pack claim (see 4.3.3)

(5) A Swiss claim (see 4.3.3)

## 4.5 Inventive step

The final requirement of s 1(1)(b) of the PA 1977 for a patentable invention is that the invention involve an inventive step. This condition also serves the purpose of preserving what lies within the public domain, by refusing to patent whatever can be discovered by routine investigation and development. This is not to say that patents are not granted for developments, but the step forward must be more than could be routinely made. It is an evaluation, a question of fact, that renders vulnerable any application or patent, as the challenge of invalidity and revocation can be made, not only during the process of grant, but at any time throughout the patent's life. This

vulnerability is well illustrated both by *Genentech Inc's Patent* (1989) and *Biogen Inc v Medeva plc* (1997).

Guidance as to the meaning of 'inventive step' is laid out in s 3 of the PA 1977: an invention involves inventive step if it is not obvious to a person skilled in the art. Lack of inventive step is known as 'obviousness'. Once again, comparison must be made between the invention and the state of the art, through the eyes of a hypothetical skilled technician and a judgment reached as to whether the invention shows a sufficiently innovative step forward from the art. It is a particularly difficult judgment to make because the issue often arises long after the making of the invention and must, therefore, effectively be performed with hindsight, ignoring all developments since the invention's priority date.

### 4.5.1 Determining obviousness

This is a four step evaluation as set out by the Court of Appeal in *Windsurfing International v Tabur Marine* (1985):

The first is to identify the inventive concept embodied in the patent in suit. Thereafter, the court has to assume the mantle of the normally skilled but unimaginative addressee in the art at the priority date and to impute to him what was, at that date, common general knowledge in the art in question. The third step is to identify what, if any, differences exist between the matter cited as being 'known or used' and the alleged invention. Finally, the court has to ask itself whether, viewed without any knowledge of the alleged invention, those differences constitute steps which would have been obvious to the skilled man or whether they require any degree of invention.

This was decided under the PA 1949, but affirmed in relation to the PA 1977 by the Court of Appeal in *Molnlycke v Proctor and Gamble* (1994) and by the House of Lords in *Biogen Inc v Medeva plc* (1997).

### 4.5.2 The state of the art

The art is not co-extensive with that used for novelty. It will include all that falls within s 2(2) of the PA 1977, but excludes patent specifications not published at the invention's priority date (though bearing a priority date before the one at issue): s 3 of the PA 1977. It will also include common general knowledge of the art at the relevant priority date, as stated in *Windsurfing International v Tabur Marine* (1985), and all relevant literature whatever its source or language. This material must be read carefully: *John Manville's Patent* (1967). For inventive step documents may be 'mosaiced' together, although the EPO Guidelines provide that this may only be done if it would be obvious to do so: *Mobey Chemical's Application* (1982). The applicant claimed a process

for producing MBP, which was liquid and stable in storage, by heating the substance in the presence of a catalyst to a temperature of 180–360°C and then quenching it to 100°C or less. This was said to be an improvement over the prior art, in which quenching was not used and the catalyst had to be removed by using a poison, with undesirable side effects. The EPO said:

In summary, it is clear that, given the problem to be solved, neither the methods of the prior art individually, nor their respective combination with the generally available specialist knowledge, would make the solution according to the invention with the advantageous effects achieved foreseeable. While it is inadmissible to combine unrelated or conflicting documents in order to deny inventive step, it is indeed permissible to consider various documents together mosaically in order to prove a prejudice or a general trend pointing away from the invention. The idea of departing from the catalyst poison regarded as indispensable, in conjunction with the teaching that the catalysts decompose at higher temperature, represents a valuable simplification of the state of the art which could not have been found without an inventive step.

If the documents may only be combined to point to a trend away from the invention where it is obvious to do so, it does raise the question why this has not been done before.

### 4.5.3 The hypothetical technician

To make the assessment in this way avoids a subjective judgment by inventor, judge or patent office; however, the subjective element cannot be entirely dismissed. This lies in the choice of the relevant art, the appreciation of the information attributed to the hypothetical individual and the supreme difficulty that the assessment is always made with hindsight. The nature of the ‘person skilled in the art’ was described by Lord Reid in *Technograph Printed Circuits v Mills and Rockley (Electronics) Ltd* (1972):

It is not disputed that the hypothetical addressee is a skilled technician who is well acquainted with workshop technique and has carefully read the relevant literature. He is supposed to have an unlimited capacity to assimilate the contents of, it may be, scores of specifications, but to be incapable of a scintilla of invention.

Some documents may be very obscure. Before the PA 1977, there was judicial disagreement, *obiter*, in *Technograph Printed Circuits v Mills and Rockley (Electronics) Ltd* (1972), as to the level of knowledge to be attributed to this ‘person’. Lord Diplock favoured an ‘omniscient artisan’ – taken to have found and read everything, whereas Lord Reid favoured a ‘diligent searcher’ – described in *General Tire v Firestone* (1972) as knowing ‘what research groups employed by large scale concerns ... ought to know’. A compromise was postulated by Whitford J in *ICI (Pointer’s) Application* (1977): an omniscient

artisan, who would attach different significances to differing sources. The PA 1977 adopts the omniscient artisan, but does not make clear how much different weighting to different documents will be allowed. The EPO Guidelines suggest asking a series of questions in order to determine the requisite knowledge:

- (a) whether the hypothetical technician would regard the documents as a useful starting point;
- (b) how much similarity there is between the field of disclosure and the inventor's research;
- (c) how obscure or clear the particular art is;
- (d) whether the technician would have believed the document's teaching.

To adopt this approach would follow previous practice with respect to the weighting of documents.

*Genentech Inc's Patent* (1989) appears to have revised the standard of skill attributed to the hypothetical 'person'. The equivalent individual in German patent law is far from being a technician, being allowed some measure of creativity. In *Genentech Inc's Patent* (1989), Purchas LJ noted that the traditional model of a workshop technician, well read, but determinedly uninventive, was totally unrealistic in the field at issue – biotechnology:

... the artisan has receded into the role of the laboratory assistant and the others have become segregated into groups of highly qualified specialists in their own spheres all of whom must possess a degree of inventiveness.

It was recognised, in that case, that all researchers in the field were at a doctorate level and that the hypothetical 'person' must be attributed with some inventive ability. Such an apparent raising of the standard of skill for assessing inventive step only adds to the difficulties of securing patents in the biotechnological field. *Genentech Inc's Patent* (1989) also establishes that, where research in a field is carried out by teams of researchers, the hypothetical 'person' would actually constitute such a team – and would be a team equipped with the best equipment and materials.

#### **4.5.4 The relevant field**

When novelty is at issue, the state of the art includes all material that can be unearthed. But, for inventive step, it is obviousness within the field of research in which the invention lies that must be determined. Some of the information that exists, however relevant to the invention, may lie outside this field and be discounted from the skilled technician's attributed knowledge. This is illustrated by *ICI (Pointer's) Application* (1977). The patent being challenged lay in the field of electrical insulation. Two brochures revealed a different use for the same substance in different fields, those of the manufacture of inks and of

PVC. The patent was held to be valid (non-obvious) because the brochures were so unrelated to the problem being solved by the patentee.

#### 4.5.5 Making the comparison

Once the state of the art has been established and the appropriate hypothetical 'person' adopted, the question that is asked is whether that individual (or team) would think that the step identified as being inventive is obvious in the light of the prior art.

'Obvious' is given its normal dictionary meaning of 'very plain' (*General Tire v Firestone* (1972)) or 'worth a try' (*John Manville's Patent* (1967)). The EPO Guidelines define an obvious development as one not going beyond normal technical progress, or one following logically or plainly from the prior art with no exercise of skill or ingenuity. However, a lucky or accidental invention is not necessarily obvious merely because it was not deliberately achieved. It is the advance from what has gone before, and not the manner with which the progress was made, that is important. A small and simple step may nonetheless be inventive: *Haberman v Jackel International Ltd* (1999).

The first step laid down in *Windsurfing International v Tabur Marine* (1985) is to identify the inventive step in the invention claimed. This step can be vital to the eventual outcome. The House of Lords, in *Biogen Inc v Medeva plc* (1997), said that too general an inventive step had been identified by Aldous J and narrowed the step down to the specific choice of method adopted for achieving the desired goal by trying to express unsequenced eukaryotic DNA in a prokaryotic host.

In the same case, Lord Hoffmann attempted to define the nature of an inventive step:

Whenever anything inventive is done for the first time, it is the result of the addition of a new idea to the existing stock of knowledge. Sometimes, it is the idea of using established techniques to do something which no one had previously thought of doing. In that case, the inventive idea will be doing the new thing. Sometimes, it is finding a way of doing something which people had wanted to do but could not think how. The inventive idea would be the way of achieving the goal. In yet other cases, many people may have a general idea of how they might achieve a goal but not know how to solve a particular problem which stands in their way. If someone devises a way of solving the problem, his inventive step will be that solution, but not the goal itself or the general method of achieving it.

While clear guidance from the House of Lords as to the nature of the inventive step to be isolated from the specification in order to determine non-obviousness is to be welcomed, the importance of the first step from *Windsurfing International v Tabur Marine* (1985) was made clear by the case itself. If this 'definition' were to become a straitjacket, as technology advances,

it would be counterproductive. To have flexibility in determining the inventive step allows courts to adjust the monopoly the patentee gets for achieving an obviously desirable goal in order to facilitate continued research and competition, as Merges and Nelson suggest (Merges, R and Nelson, R, 'On the complex economics of patent scope' (1990) 90 Columbia L Rev 839). The biotechnology companies have been criticised for making broad patent claims, securing wide monopolies. To have a discretion in identifying the inventive step allows a court to effect a nice balance between monopoly and competition so as to forward the aims of the patent system without restricting competition unduly. If Lord Hoffmann's third category of inventive step accommodates the inventiveness of finding new advantages in known substances this guidance from the House of Lords may not prove over-restrictive.

There are no formal rules for making the assessment of inventiveness, but the courts have adopted a number of rules of thumb:

- (a) Close proximity between the invention and the prior art suggests obviousness. In *Williams v Nye* (1890), a sausage-mincing-and-filling machine was an obvious combination of known techniques. However, a 'cunning juxtaposition of ideas' may not be obvious if a new and surprising result is achieved. This was the case in *Hickman v Andrews* (1983), where the combination of a workbench, saw horse and vice, using a frame from the fishing industry, was sufficiently inventive.
- (b) If the invention is a commercial success, it is likely not to be obvious, the implication being that, if there was such a need for the invention and it was obvious how to satisfy the need, someone would have done it before. This is illustrated by *Hickman v Andrews* (1983) and *Rotocrop v Genbourne* (1982). However, the courts are careful to ensure that it is the invention and not commercial and marketing factors which are responsible for the success. Commercial success may also throw light on the thinking in an industry as a whole, as evidence from expert witnesses might have greater insight than that of the hypothetical technician: *Haberman v Jackel International Ltd* (1999).
- (c) If the inventor was seeking a solution to a problem and the resulting invention is no more than an idea that would have been 'worth a try', it is likely to be obvious: *John Manville's Patent* (1967) and *Parks-Cramer Co v Thornton* (1966). However, if the result is unexpectedly successful, there may be an inventive step: *Beecham Group's (Amoxycillin) Application* (1980).

## 4.6 Disclosure

The validity of an application for a patent, or a patent once granted, is also determined by the adequacy of the disclosure of the invention made in the specification and claims. Adequate disclosure is a condition of grant:

s 14 (3), (5) of the PA 1977. It is also a ground of challenge to a patent's validity and for revocation: ss 72(1)(c), 74(1) of the PA 1977. Because the patent is an important source of technical information, it is a condition of validity that the information is supplied in a form that the relevant technical public can understand and apply.

#### 4.6.1 The specification

A specification must 'disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art': s 14(3) of the PA 1977. The standard of clarity required is a relatively high one, as the disclosure must be capable of being understood not only by an expert, or research team, but an ordinary technician. The hypothetical technician is employed at three stages of the patentability of inventions. The state of the art is interpreted through his eyes for novelty (see 4.4.5); the judgment as to inventive step is undertaken through these hypothetical eyes (see 4.5.3); and he is brought into aid for the disclosure in the specification. However, it appears that the hypothetical technician is attributed with differing characteristics in each of these three roles. For the purposes of s 14(3) of the PA 1977, the technician does not have the inventive potential of *Genentech Inc's Patent* (1989), but is an ordinary workshop technician, one of the 'mechanical men of common understanding' (*per* Buller J, in *R v Arkwright* (1785)).

The specification is not required to spell out every detail if the normal skills of the hypothetical technician would enable these to be inferred. In *No Fume v Pitchford* (1935), Romer LJ explained:

Specifications very frequently contain mistakes; they also have omissions. But, if a man skilled in the art can easily rectify the mistakes and can readily supply the omissions, the patent will not be held to be invalid. The test to be applied for the purpose of ascertaining whether a man skilled in the art can readily correct the mistakes or readily supply the omissions, has been stated to be this: Can he rectify the mistakes and supply the omissions without the exercise of any inventive faculty? If he can, then the description of the specification is sufficient. If he cannot, the patent will be void for insufficiency.

The specification for a smokeless ashtray was held to be sufficient though the relative proportions of the elements involved were not specified, because the technician could readily discover these by trial and error.

In *Badische Anilin v Usines de Rhône* (1898), by comparison, the patent was insufficient. There, the specification did not specify that components must be heated in an iron autoclave. In fact, the process did not work in a better quality enamel lined autoclave, because the iron absorbed the hydrochloric acid produced by the process. The omission was unintentional, the patentee had not realised the role of the iron in the process and had only used iron autoclaves.

As not every detail is required to be laid out in the specification, an applicant or patentee may retain teaching on the best method of achieving the invention. This forces licensees also to seek and pay for know-how licences. The patent, therefore, only alerts the public to the source of the necessary supplementary information.

It is clear, albeit *obiter*, from *Biogen Inc v Medeva plc* (1997) that the disclosure made in the specification must be enabling in order to be sufficient. As the specification did not disclose any method for making the HBV antigens other than the one used, it was, therefore, insufficient to sustain claims to every recombinant DNA method.

It is quite possible for developments subsequent to the priority date of a patent specification to enable gaps and errors in a specification to be made good. An important question is, therefore, the date at which a specification must be sufficient. This was also at issue in *Biogen Inc v Medeva plc* (1997). The House of Lords decided that the right date was not the date of publication of the application, but the filing/priority date of the application.

### 4.6.2 The claims

Claims must 'be clear and concise': s 14(5) of the PA 1977. Under the PA 1949, these provisions were regarded as disciplinary in preserving clear claims, so that clear and accurate decisions could be made on issues of validity. Lord Loreburn objected to attempts to 'puzzle a student and frighten men of business into taking out a licence' (*Natural Colour Kinematograph v Bioschemes* (1915)) by using difficult language, though genuine difficulties of description would not be so penalised. General words can be used. 'Large' used with respect to electric filaments was upheld in *British Thomson-Houston v Corona* (1922), as it was to be read in the light of knowledge about filaments in use and would be clear to the informed worker. And the court will look for a meaning: *Henricksen v Tallon* (1965). The patent related to ball point pens. The claims did not specify what bore of tube should be used for the ink reservoirs, but the claims were upheld as valid. Two interpretations were possible, but the House of Lords said:

It is a general principle of construction that, where there is a choice between two meanings, one should, if possible, reject that meaning which leads to an absurd result. One must construe this claim with the knowledge that the skilled addressee would know that it would be absurd to claim that any kind of liquid plug could be effective in a jumbo tube.

Too stringent an application of the rule would make it easy for the competitor to 'invent round' the patent.

In *Genentech Inc's Patent* (1989), the Court of Appeal uncovered an apparent gap in the PA 1977. The condition as to sufficiency of disclosure in a specification laid down by s 14(3) of the PA 1977 is mirrored in the provisions



for revocation of a patent in s 72(1)(c) of the PA 1977. But there is no apparent reflection of s 14(5) of the PA 1977, with respect to the claims, in s 72(1) of the PA 1977. The real objection to Genentech's claims was their width, because they were unsupported by the description in the specification, but this apparent legislative lapse prevented revocation on this ground, unlike the PA 1949. This appeared to have the result, as the Court of Appeal acknowledged, that, once a patent with invalid claims had been granted, there was no possibility of revocation. Claims are not 'supported' by the specification if the description therein does not enable the invention claimed to be made. Applicants must take care not to claim more than their actual activities have established to be possible.

The House of Lords faced the *Genentech* conundrum again in *Biogen Inc v Medeva plc* (1997) and provided a solution. They held that a specification could not be sufficient if it did not provide an enabling disclosure of the invention (see 4.6.1) and that a specification could not be enabling if the claims were not supported by the description in the specification. And the House of Lords had interpreted the need for 'support' in s 5(2)(a) of the PA 1977 as requiring an enabling disclosure; therefore, claims which did not satisfy s 14(5) of the PA 1977 render the specification non-enabling and insufficient, revocable under s 72(1)(c) of the PA 1977.

The nature of a claim makes a difference to the question whether claims are supported by the description, depending on whether the claims disclose a principle of general application, or discrete products or processes. If the former, the claims may be in general terms, but, if the latter, the patentee must enable the invention to be performed in each case. Lord Hoffmann said:

Thus, if the patentee has hit upon a new product which has a beneficial effect, but cannot demonstrate that there is a common principle by which that effect will be shared by other products of the same class, he will be entitled to a patent for the product, but not for the class, even though some may subsequently turn out to have the same beneficial effect ... On the other hand, if he has disclosed a beneficial property which is common to the class, he will be entitled to a patent for all products of that class (assuming them to be new), even though he has not himself made more than one or two of them.

## 4.7 Genetic engineering and patentability

*Prima facie*, there is nothing about inventions involving genetic engineering and DNA sequences which bars them from patentability and such inventions fall within the policy objectives of granting patents, as made clear by *Diamond v Chakrabarty* (1980). In the UK, claims relating to plasmids were upheld in *Genentech Inc's Patent* (1989) and in *Genentech (Human Growth Hormone)* (1989).

However, the area remains controversial and the Biotechnology Directive is an attempt to resolve where the lines of patentability in this area should be

drawn. The Directive provides that Member States protect biotechnological inventions. It also confirms the exclusion of patentability for plant and animal varieties. However, Art 4.2 states that plants or animals shall be patentable if the technical feasibility of the invention is not confined to a particular plant or animal variety, which should reverse *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995). The Directive also repeats the exclusions on the grounds of morality and *ordre public*. Further guidance is provided though by examples of offending inventions in the Recitals. These include the production of chimeras (an animal or plant comprising tissue of diverse genetic constitution) from germ cells and interventions in the human germ line. Additionally, there are specific exclusions for processes for cloning human beings, for modifying the germ line genetic identity of humans and the use of human embryos for industrial and commercial purposes, as well as processes for modifying the genetic identity of animals which are likely to cause suffering without any substantial medical benefit. In the US, there has been much controversy over the patenting of human body parts. The Directive provides that 'an element isolated from the human body or otherwise produced by means of a technical process, including the sequence or partial sequence of a gene, may constitute a patentable invention, even if the structure of that element is identical to that of a natural element' (Art 5). But the human body, or the discovery of one of its elements is not patentable. One major criticism of efforts to resolve the difficulties by means of a directive is that it will only affect the domestic laws of the EU member states; the EPC is unalterable without agreement of all its members.

The biotechnology industry has also encountered other difficulties in securing patents, in the other conditions to be satisfied before a patent can be granted: novelty, inventive step, industrial application and sufficiency of disclosure. *Genentech Inc's Patent* (1989) and *Biogen v Medeva* (1997) are notable examples. Criticisms have also been made of claims made by the biotechnology companies which are felt to be too broad. Claims which are too broad inhibit further development of an invention and confer too much monopoly power. Such claims are made, though, because, in such, research the substance is often already known, as is its use and the methods of manufacturing and of using it. Narrower claims would, therefore, be caught by the requirements of novelty and inventive step. Yet the research is very costly and the results highly beneficial and, without the incentive of a patent, such research might be deterred, however humanitarian the objectives.

Patent law has shown an ability to stretch at its boundaries in the past. The courts have developed the device of selection patents (see 4.4.6) and claims for new uses of known things (see 4.4.6). It may be that judicial creativity is required in the sphere of biotechnology, or that the need is for the creation of a new *sui generis* right (as was created to protect semi-conductor chips). The purposes of granting a patent must be remembered – to stimulate research and innovation, in turn leading to useful products and processes (and uses),

without hindering the public from using what is already available to them. In a biotechnology 'race', perhaps the first comer should get a patent, with a compulsory licence to all others in the race, except those pursuing that line of research at the priority date of the invention.

It can be asked whether the standard of inventive step has not been pitched too high for biotechnological research (see 4.5.3). And, in *Chiron Corp v Murex Diagnostics* (1996), the Court of Appeal heard, but rejected, arguments that a less onerous test of disclosure should be applied to inventions which were 'akin to principle' or for 'something fundamentally new' (see 4.6).

## PATENTABLE INVENTIONS

A patent may only be granted for an invention which is:

- new;
- has taken an inventive step;
- is industrially applicable; and
- is not excluded.

It is a moot point whether a patent application must first surmount a hurdle of showing an 'invention'. Judicial *dicta* differ, but Lord Hoffmann's view in *Biogen Inc v Medeva plc* (1997) that the four conditions suffice to define patentability received majority support in the House of Lords.

A valid patent is one that satisfies these four conditions and that of sufficiency of disclosure.

### **Inventions excluded from patentability**

Section 1(2) and (3) of the PA 1977 excludes a number of inventions, either because they are abstract and intellectual creations or for reasons of policy. The s 1(2) exclusion is subject to the proviso that an invention is excluded only to the extent that the excluded thing is claimed 'as such'. A claim including an excluded category will not be refused if it has been included in a technical application. Tests for distinguishing between an excluded invention as such and one included in a technical application have developed in the context of computer programs and discoveries, but the proviso is equally applicable to each of the excluded inventions in s 1(2) of the PA 1977.

#### *Computer programs*

Earlier tests which focused on the location of novelty in a claim, including a computer program, or on the particular wording employed have been rejected in favour of the test developed by the EPO in *Vicom* (1987): that the claims be read as a whole and the purpose of the invention be ascertained, provided that, as a matter of substance, the claims relate to a new technical effect or result and that the requisite novelty may be derived from the program. If the purpose of the invention itself falls into another of the excluded categories of invention, a patent will be refused: *Fujitsu Ltd's Application* (1997).

### *Discoveries*

To allow a patent for a discovery would monopolise every use then found for it, so that a discovery is patentable only to the extent that it is clothed in a practical application: *Genentech Inc's Patent* (1989).

### *Mathematical methods, schemes, rules and methods, presentations of information and aesthetic creations*

The *Vicom* (1987) and *Genentech Inc's Patent* (1989) principles apply in the same way. It is only schemes, rules and methods for the purposes stated in s 1(2)(c) of the PA 1977 that are excluded. An objective view of a method for a mental act was taken in *Fujitsu Ltd's Application* (1997).

### *Moral objections*

An invention generally expected to encourage offensive, immoral or anti-social behaviour will be refused a patent. Although intended originally as a 'fail safe' provision for the really reprehensible, this exclusion has become significant in relation to biotechnological research and inventions resulting from genetic engineering. The EPO has stated that there is no objection to genetically engineered inventions *per se*, but that objections on moral and environmental grounds must be considered, despite the existence of alternative regulatory schemes: *Harvard/Onco-mouse* (1990). Moral objections could be outweighed by perceived benefits to mankind, but a balancing of risk and benefit is not the only way in which such objections may be considered: *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995).

### *Biological inventions*

Plant varieties may not be granted a patent, but have their own regime of rights. Inventions not falling into a definition of 'variety' may be patented, although in *Plant Genetic Systems/Glutamine Synthetic Inhibitors* (1995) the EPO took a narrow view of patentability. Animal varieties are also excluded, but not animals in general: *Harvard/Onco-mouse* (1990). Essentially, biological processes for the production of animals and plants are excluded. A process is not essentially biological where human intervention in the process ensures that it is not one which would occur naturally.

### *Microbiological inventions*

Microbiological products and processes may be patented, even if the invention also falls into the exclusions of the biological: *Harvard/Onco-mouse* (1990). The Biotechnology Directive will harmonise provisions of EU Member States.

## **Industrial application**

An invention must be capable of industrial application; industry includes agriculture and any area of the technical arts. An invention with no identified use may be refused a patent.

### *Medical inventions*

Methods of treatment on the human or animal body are excluded for reasons of policy; such treatment should be unfettered and available for all. The exclusion relates to preventative and curative methods of treatment of disease: *Salminen-Pigs III* (1989). A claim to a pack may overcome the grounds of objection to a method of treatment: *Organon's Laboratory* (1970). Substances and devices for use in methods of treatment remain patentable. A relaxation of the requirement of novelty applies to medical substances, so that the first medical use of a known substance may be patented: s 2(6) of the PA 1977. Claims to second and subsequent medical uses of known substances may succeed if made in the 'Swiss' form: *Eisai* (1987). Evidence that the use is more than speculative will be required.

### **Novelty**

An invention must be new, or the patentee would be monopolising something already within the public domain. Novelty is determined by finding the state of the art, defining the invention claimed and comparing the invention to the art in order to establish whether the invention has been revealed before its priority date. The art includes all matter at the priority date, including specifications with an earlier priority date but which have not been published at that date, but not disclosures made within the preceding six months in breach of confidence (s 2(3), (4) of the PA 1977). The matter must be available to the public: one individual unfettered by confidence will suffice. But it is not available where its significance would not be understood, a departure from old patent law: *Asahi Kasei Kogyo KK's Application* (1991). This is based on the EPO's assertion that the substance of an invention is the information it conveys. The House of Lords distinguished unappreciated disclosure by use and by publication in *Merrell Dow Pharmaceuticals v HN Norton* (1996), the former not making information about the art available to the public, but the publication doing so, albeit in different terms.

The prior art is interpreted through the eyes of a hypothetical technician skilled in the art. An invention is anticipated if the art reveals a clear description or clear instructions to make the invention, an enabling disclosure of it.

### **New uses of a known thing**

Although an invention may be known, making an appropriate claim may still secure a patent.

#### *A method claim*

A new use for a known substance may secure a patent if a novel method of use may be claimed.

*A use claim*

The EPO is prepared to accept claims to a use for a known substance, where both the substance and its method of use are known: *Mobil/Friction Reducing Additive* (1990). The new use is regarded as a technical feature of the invention, novelty and inventive step being derived from the use. Difficulties as to infringement where the substance is used for the old use have yet to be resolved. It was distinguished in *Merrell Dow Pharmaceuticals v HN Norton* (1996).

*A selection patent*

Selection patents were developed to accommodate the chemical industry. Where a class of substances has been claimed, but only a few examples used, a selection patent enables a second patentee to claim a selection from the class which show a new advantage not revealed by the preceding patent.

*A pack claim*

*A Swiss claim*

## **Inventive step**

A patent is not available for mere routine or obvious development; the invention must show an inventive step. The inventive step must be identified, the invention compared to the prior art (which included common general knowledge), through the eyes of a hypothetical technician skilled in the art (an 'omniscient artisan') and will be refused if it is very plain or obvious. For this purpose, items of prior art may be 'mosaic'd' if they suggest a trend away from the applicant's step. The technician may represent a team of researchers, equipped with the best equipment available to real life researchers and of the level of skill of researchers in the particular art: *Genentech Inc's Patent* (1989). The technician is not expected to be aware of entirely unrelated 'arts'.

Whether an invention is obvious may be assessed according to rules of thumb: the closer the invention to the prior art, the more likely it is to be obvious, inventive step may be suggested by commercial success not attributable to other factors and steps 'worth a try' to solve a problem may be obvious unless the result is unexpected.

## **Disclosure**

The invention must be sufficiently disclosed for a patent to be granted and this is also a ground for revocation. The specification must disclose the invention

in a manner clear enough and complete enough for it to be performed by a person skilled in the art (an enabling disclosure), but need not include details that the technician would infer, nor the best method for performing the invention. The claims must be clear and concise, but general words may be used where they would be understood by the technician. They must be supported by the description. Claims revealing a principle of general application may be in general terms, but those revealing discrete products or processes must enable the invention to be performed for each: *Biogen Inc v Medeva plc* (1997).

### **Invention and genetic engineering**

Special provision for genetic engineering may be necessary as claims, though *prima facie* patentable, often encounter difficulties with novelty and sufficiency of disclosure.





## INFRINGEMENT, VALIDITY AND REVOCATION

Once a patent has been granted, the patentee enjoys a piece of property. This property can both be exploited (see 3.6) and be protected from trespass by the unauthorised. This trespass is termed 'infringement'. For trespass to be determined, the boundaries of the patentee's property must be marked out. This is done both by the claims, which define the invention, and by the infringing acts which are defined in s 60 of the Patents Act (PA) 1977. Consequently, when allegations of infringement arise, there are two issues which must be resolved:

- (a) whether the activities of the alleged infringer fall within the boundaries of the patentee's claim or claims. This is a matter of construing the claims and specification to determine their extent;
- (b) whether the acts committed by the infringer fall within the prohibited territory defined in s 60 of the PA 1977.

### 5.1 Construction of claims

The claims within the specification act as a map of the patentee's territory. This is provided by s 125(1) of the PA 1977. It is, therefore, largely a linguistically drawn map and must be interpreted accordingly. The claims form a part of the specification, which also includes a description, and may include drawings: s 14(2)(b) of the PA 1977. These may also be used in the process of interpretation, as s 125(1) of the PA 1977 provides. The process of interpretation is usually necessary because the scope of an invention is rarely crystal clear from the specification and the defendant's version is rarely a carbon copy of the patentee's. But interpreting, or construing, the claims is one of the most difficult issues in patent law. The process has recently been complicated by the existence of different traditions for performing this function in the Member States to the EPC, despite the necessity for interpreting the PA 1977 in conformity with the EPC: s 130(7) of the PA 1977.

The importance of the claims' role in the specification to the process of interpretation was initially set out by the House of Lords in *Electrical and Musical Industries Ltd v Lissen* (1939). Reading, as should now be familiar, the claims as they would be by a technician skilled in the art, Lord Russell said:

The Court of Appeal have stated that in their opinion no special rules are applicable to the construction of a specification, that it must be read as a whole and in the light of surrounding circumstances; that it may be gathered from the specification that particular words bear an unusual meaning; and that, if

possible, a specification should be construed so as not to lead to a foolish result, or one which the patentee could not have contemplated. They further point out that the claims have a particular function to discharge. With every word of this I agree; but I desire to add something further in regard to the claim in a specification.

The function of the claims is to define clearly and with precision the monopoly claimed, so that others may know the exact boundaries of the area within which they will be trespassers. The primary object is to limit and not to extend the monopoly. What is not claimed is disclaimed. The claims must undoubtedly be read as part of the entire document, and not as a separate document; but the forbidden field must be found in the language of the claims and not elsewhere.

The same applies today, governed by s 125(1) of the PA 1977. The ‘flagpost’ approach to anticipation (see 4.4.5) is also applied to the construction of claims; Lord Russell explained this as follows:

A claim is a portion of the specification which fulfils a separate and distinct function. It, and it alone, defines the monopoly; and the patentee is under a statutory obligation to state in the claims clearly and distinctly what is the invention he desires to protect ... If the patentee has done this in a claim the language of which is plain and unambiguous, it is not open to your Lordships to restrict or expand or qualify its scope by reference to the body of the specification.

However, in Europe, the ‘flagpost’ approach was not adopted; instead, the claims were treated as a ‘signpost’ to the invention’s boundaries. It was left to the court to decide where those boundaries lay, and whether a ‘non-literal’ infringement lay within them. The British approach has the advantage of certainty for competitors, who can read and interpret the specification with some confidence as to the territory being marked out. It has the disadvantage for the patentee that language in the claims which is too limiting may make inventing round the invention all too easy, particularly as technology advances and alternatives become apparent. The European approach was seen as providing a fair protection for the patentee, who may not have foreseen simple equivalents which could be substituted for integers within the claims. But it also leaves a competitor with fine judgments to make in order to avoid infringement, and at risk of serious consequences if he guesses incorrectly. An attempt to reconcile these differences of approach has been made by the Protocol to Art 69 of the EPC (see 5.1.4 below).

### **5.1.2 Non-literal infringement and the ‘pith and marrow’ doctrine**

The difficulties of interpretation have become obvious in relation to products or processes produced by a defendant which are not an exact or ‘literal’ copy of the patentee’s. It is, then, essential for the court to determine whether the defendant’s activities fall within the boundaries of the invention claimed, by

determining precisely where those boundaries lie. The claims would be read according to *Electrical and Musical Industries Ltd v Lissen* (1939), and the 'essential integers' of the invention identified. Then, the so called 'pith and marrow' doctrine is applied – the defendant's infringement would fall within the claims even if it contained additional elements, or a best selection from the claims, but would not do so if an 'essential integer' of the patentee's claims had been left out (*Clark v Adie* (1877)). This prevented 'colourable evasions' of a patent escaping infringement. It was not a different method of interpretation for giving a sympathetic construction of unclear claims, but an application of the approach subsequently explained in *Electrical and Musical Industries Ltd v Lissen* (1939).

Whether an element in the claims constituted an essential integer was determined by the express wording of the claims as understood through the eyes of a skilled technician. It was not the function that that element performed within the invention that rendered an integer essential or inessential. The results could sometimes be harsh. This is illustrated by the House of Lords' decision in *Van der Lely v Bamfords* (1963). The patentee claimed a mechanised hayrake. One feature of the hayrake (found to have been anticipated) was that it could also be turned to use as a swathe turner. This was done by moving some of the wheels, arranged in a line longitudinally behind the machine, laterally to lie side by side with the remaining wheels. The claims stated that the 'hindmost' wheels be moved forwards. The defendant's hayrake served the same dual function, but the foremost wheels were moved backwards. The House of Lords held that did not infringe. The patentee had rendered the movement of the hindmost wheels essential by the wording adopted in the claims. A similar decision was reached in *Rodi and Weinberger v Showell* (1969) by the House of Lords. The patent related to an expanding watch strap. Each link was connected to its neighbours by 'U-shaped connecting bows'. The top and bottom of each link was joined to its neighbour by a separate connector. The defendant's straps replaced the U-shaped bows lying along the top and bottom of the strap with C-shaped connectors which joined the links at top and bottom by running inside the link. This made no difference to the way the strap worked. The majority of the Lords (Lords Upjohn, Morris and Hodson) held that U-shaped connectors were an essential integer of the invention. But Lords Reid and Pearce dissented. The difference represented a difference of policy. The majority emphasised the patentee's statutory duty to be clear, the minority were concerned that too strict an approach deprived the patent of any practical effect. It was these decisions, and a similar one in *Henricksen v Tallon* (1965), in the 1960s which alarmed the Europeans as to the British approach to construing claims. In fact, they were all decisions relating to simple mechanical inventions.

In more complex areas, the House of Lords proved more accommodating. In *Beecham v Bristol Laboratories* (1978), the defendant imported a semi-

synthetic penicillin called 'hetacillin'. The plaintiff held four patents to a new class of these semi-synthetic penicillins and methods for their manufacture. One was known as 'ampicillin', a valuable antibiotic. Hetacillin was merely a masked version of ampicillin and converted itself into Ampicillin when placed in water. Importing hetacillin was held to infringe the patent. The House of Lords were not prepared to confine the pith and marrow doctrine to mechanical inventions, or to inventions comprising a new combination of elements, and so applied it to a new product. Lord Diplock said that: 'The substitution for the postulated amino group of the variant incorporated in hetacillin is evanescent and reversible and, for all practical purposes of use, can be regarded as the equivalent of the amino group in ampicillin.' This appears to be taking a much more functional approach to the variant adopted by the defendant. They had argued that the claims expressly claimed the presence in ampicillin of an amino group in the alpha position, a feature absent in hetacillin.

The American approach is to apply a 'doctrine of equivalents', which protects the patentee beyond a literal interpretation of the claims to include equivalent features which serve the same purpose or function. The Germans apply a doctrine of obvious equivalents, allowing a competitor only to adopt non-obvious equivalent integers from the claims. In both cases, patent protection extends to functional equivalents, whereas the pith and marrow doctrine concentrated on equivalents to the claimed integers as a matter of the terminology used.

### 5.1.3 Purposive construction

The question was raised again before the House of Lords in *Catnic Components Ltd v Hill and Smith* (1982). This was a decision relating to a patent granted under the PA 1949. The plaintiff had been granted a patent for galvanised steel lintels for doors and windows, to be used in cavity walls. The lintel was a breakthrough in the industry and a huge commercial success. The claims read:

A lintel for use over apertures in cavity walls having an inner and outer skin comprising a first horizontal plate or part adapted to support a course or a plurality of superimposed units forming part of the inner skin and a second horizontal plate or part substantially parallel to the first and spaced therefrom in a downward vertical direction and adapted to span the cavity in the cavity wall and be supported at least at each end thereof upon courses forming parts of the outer and inner skins respectively of the cavity wall adjacent an aperture, and a first rigid inclined support member extending downwardly and forwardly from or near the front edge adjacent the cavity of the first horizontal plate or part and joining with the second plate or part at an intermediate position which lies between the front and rear edge of the second plate or part and adapted to extend across the cavity, and a *second rigid support member extending vertically from or from near the rear edge of the first horizontal plate or part to join with the second plate or part adjacent its rear edge.* [Emphasis added.]

The defendant introduced a variation into his lintel so that the second support member was inclined at six degrees to the vertical for a lintel three bricks high, and eight degrees from the vertical for a lintel two bricks high. Lord Diplock adopted a ‘purposive construction’, rather than a purely literal one; the question to be asked was, he said:

... whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention, so that any variant would fall outside the monopoly claimed, even though it would have no material effect upon the way the invention worked.

The word ‘vertical’ to a builder would not imply a literal interpretation, in order to achieve the strength intended, and the defendant’s lintels were infringing.

It is important to understand what ‘purposive’ means in the ‘Diplock Question’. Purposive construction of a statute allows a court to interpret a word in it in the light of the function it was intended to serve. This could be applied to mean that the court must determine whether the function of the integer claimed was being achieved by the defendant, as did the minority in *Rodi and Weinberger v Showell* (1969). There are hints of this in Lord Diplock’s speech, as he interprets ‘vertical’ within the context of a specification for a box girder to ‘enable it in actual use to perform satisfactorily all the functions it could perform as if it were precisely vertical’. Lord Diplock also provides a second explanation: ‘... putting the same thing in another way, it would be obvious to him that the patentee did not intend to make exact verticality ... an essential feature of the invention claimed.’ This is to apply a linguistic purposiveness – looking at the word or phrase in the light of the understanding of the technician skilled in the art and concentrating on the essentiality of the language chosen by the patentee to achieving the function of that integer as part of the invention. Linguistic essentiality is the foundation of the majority decisions in *Van der Lely v Bamfords* (1963) and *Rodi and Weinberger v Showell* (1969).

### 5.1.4 Article 69 of the EPC and the Protocol

Following the formulation of the Diplock Question, the governing provisions became s 125 of the PA 1977, taken from Art 69 of the EPC and the Protocol to Art 69. The Protocol represented an attempt by Europe to reconcile what was seen as the strict British approach with the signpost approach of other Member States. It states:

Article 69 should not be interpreted in the sense that the extent of protection conferred by a European patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity

found in the claims. Neither should it be interpreted in the sense that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patentee has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

As a statement of objectives, it is admirable, but in terms of guidance to courts as to a method for interpreting claims as they appear in patent specifications, it leaves much to be desired. It is from this base that construction of claims under the PA 1977 must begin. The courts stayed with purposive construction and the Diplock Question was reformulated by Hoffmann J in *Improver Corp v Remington Consumer Products Ltd* (1989). The plaintiff had been granted a European patent for a depilatory (hair removing) device, marketed as the 'Epilady'. It consisted of an electric motor contained in a hand held housing, to which was attached a helical steel spring in a looped shape. It was a substantial commercial success. The defendant produced the 'Smooth and Silky', replacing the helical spring with a looped cylindrical rod of elastomerised synthetic rubber. The rubber rod was functionally equivalent to the helical spring. The plaintiff claimed a 'helical spring'. The plaintiff's specification also contained an 'equivalents clause', by which the draftsman hoped to claim any equivalent to the spring that could be used.

Hoffmann J considered himself bound by earlier Court of Appeal authority to apply a purposive construction of the plaintiff's claims. He held that the patent had not been infringed by the use of a rubber rod. Though the rubber rod was a functional equivalent to the helical spring, the word 'spring' had been expressly claimed and no wide generic construction could be given to this word to include 'slitty bendy rubber rod'. He also held that the equivalents clause could not mean any more than that the language of the claims would be interpreted in accordance with s 125 of the PA 1977 and the Protocol to Art 69 of the EPC. He distinguished *Catnic Components Ltd v Hill and Smith* (1982), where the word 'vertical' was capable of bearing a meaning to include slightly off the vertical within a building trade context. This was not, however, true of 'spring' and 'rubber rod', no matter what the context.

In the course of his judgment, Hoffmann J recast the Diplock Question as a series of three questions; these have subsequently met the approval of patent practitioners, because they give a structured and methodical approach to claim construction, resulting in predictable and accurate decisions. The three questions are:

- (1) Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no –
- (2) Would this (that is, that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes –

- (3) Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.

The first two questions are questions of fact that enable the third to be asked. Clearly, any non-functional equivalent and a non-obvious functional variant will fall outside the claims because they would represent an inventive advance on the claims. But, if the variant is functionally equivalent and obvious, then the third, linguistic, question needs to be asked: whether the variant falls within the language used by the patentee in the claims. This puts a heavy burden of precision and foresight on the patentee to choose clear, but accommodating, language. It may be asked whether the test does provide fair protection for the patentee, as the Protocol demands.

### 5.1.5 A new approach?

The *Improver Corp v Remington Consumer Products Ltd* (1989) case gave rise to concern because the patent was held to have been infringed in Germany and Holland, where there was not the same heavy reliance on the patentee's actual wording in the claims. The Court of Appeal reconsidered the question of construction in *PLG Research Ltd v Ardon International* (1995). They stated that attention must be confined to the Protocol because the Diplock Question was formulated under earlier law. The Court of Appeal rejected arguments that the Protocol substitutes a test of functional equivalence for a linguistic equivalence of the claims' wording. They held that the scope of a patent must be determined by the language of its claims, but that the claims extended to functional equivalents 'deducible by a person skilled in the art from the wording of the claim'. This replaces the subjective element of Hoffmann J's third question (which fixes on the patentee's intentions in the wording chosen) with the objective understanding of the technology involved possessed by the omniscient hypothetical technician.

Practitioners did not welcome the new test; several difficulties with it were identified. What may be deduced from claims will increase the later the point at which the deducing must be done after the date of the claims. This will effectively widen the ambit of a patent during its lifetime unless the test must be complicated by confining the hypothetical skilled addressees to their understanding at the priority date. It was also seen as a less structured approach, giving rise to the danger of inconsistent decisions, as had been the case before *Catnic Components Ltd v Hill and Smith* (1982). The Court of Appeal does not dictate whether it is a linguistic or a functional equivalent which must be deduced. Nor do they indicate how easily it may be deduced – a remote possibility, or one which is highly likely? Neither Aldous J (as he then was) nor Jacob J followed *PLG Research Ltd v Ardon International* (1995) in *Assidoman Multipack Ltd v The Mead Corp* (1995) and *Beloit Technologies Inc v*



*Valmet Paper Machinery* (1995). It was reconsidered by the Court of Appeal in *Kastner v Rizla* (1995), in a decision given by Aldous LJ. The patent related to a process for cutting and stacking cigarette papers. The claim related to the separate steps involved in the process. The defendant's process was substantially similar, but had two differences. The knife used for cutting the interleaved paper was a crescent shaped rotary blade, as opposed to the plaintiff's knife, which moved towards and away from the moving strips of paper. And the respective 'pushers' (which moved the separated stacks of papers after cutting by the knives) moved in different ways to match the knives along with which they operated. Aldous LJ applied the three Hoffmann questions. He adhered to the view he had expressed as Aldous J in *Assidoman Multipack Ltd v Mead Corp* (1995) that the Court of Appeal's opinion in *PLG Research Ltd v Ardon International* (1995) was *obiter*, and held that the Court of Appeal was bound to apply the *Catnic* test (as interpreted by Hoffmann J in *Improver*) to questions of the ambit of a patent claim.

The decision is controversial, though, on a different ground. The issue was not one of the meaning of a word or phrase, as it had been in *Catnic Components Ltd v Hill and Smith* (1982) and *Improver Corp v Remington Consumer Products Ltd* (1989), but of the separate mechanical components of a process. Additionally, Aldous LJ differed from the trial judge by taking a very general view of the nature of the invention before asking whether the equivalent features adopted by the defendant's process fell within the plaintiff's claims. Yet the plaintiff had claimed very specific means of achieving each stage of the process. The decision comes close to extending patent protection to any functional equivalent, and has been criticised for doing so: Oliver, P, '*Kastner v Rizla*: too far, too fast' [1996] EIPR 28.

## 5.2 Infringing acts

Once it has been determined that the defendant's product or process falls within the patentee's claims, it remains to be established whether the defendant's activities with that product or process are activities which will infringe the patent. Patent infringement is a statutory tort. Where infringement is alleged, civil proceedings may be brought by the proprietor of the patent (or an exclusive licensee) for an injunction, an order for delivery up, damages, an account of profits or a declaration that the patent is valid and has been infringed: s 61(1) of the PA 1977. Damages and account of profits may not be awarded in respect of the same infringement: s 61(2) of the PA 1977. A patentee suspecting infringement must remember the remedy against groundless threats provided by s 70 of the PA 1977 before issuing warnings to the potential infringers (see 15.8).

Intellectual property infringements can be divided into acts of primary, secondary and contributory infringement. In the PA 1977, primary and secondary acts of infringement are treated together. Primary infringement

relates to direct infringement by making or using the patented invention. Secondary infringement relates to commercial dealings with infringing products or processes, which may have been made by another. Contributory infringement relates to the supplying of the means to another in order to enable that other to infringe.

### 5.2.1 Primary and secondary infringement

The infringing acts are set out in s 60 of the PA 1977. Infringement must take place while the patent is in force, in the UK, and without the consent of the patentee. An act will infringe:

- (a) where the invention is a product, to make, dispose of, offer to dispose of, use, import or to keep the product, whether for disposal or otherwise;
- (b) where the invention is a process, to use the process or offer it for use in the UK, where the infringer knows, or it would be obvious to a reasonable person in the circumstances, that its use there without the consent of the proprietor would be an infringement of the patent;
- (c) where the invention is a process, to dispose of, offer to dispose of, use or import any product obtained directly by means of that process, or to keep any such product, whether for disposal or otherwise.

It is important to note the differences of each sub-section of s 60(1) of the PA 1977. There is no requirement of knowledge where a product patent is at stake, or a product has been directly obtained through use of a patented process; liability is absolute. But knowledge is required if the invention is a process. Where a process patent is at issue, both the infringing offer and the subsequent use made by the purchaser must be in the UK. Section 100 of the PA 1977 provides a presumption that, where a patented invention is a process for obtaining a new product, production of that product by another without authority shall be taken to be by means of the process.

Section 60(1) of the PA 1977 includes all the usual commercial activities of the infringer, but has presented some difficulties of interpretation.

#### *'Keeps'*

In *Smith Kline and French v Harbottle* (1980), the word 'keeps' was in issue because the equivalent provision in the CPC uses the word 'stocks'. The plaintiff held a patent in the UK for a drug. The defendant ordered the drug from Italy, to be imported into the UK, intending to re-export it. British Airways carried the offending drug to the UK and stored it in their bonded warehouse at Heathrow Airport. The plaintiff alleged that British Airways was keeping the drug in the UK. The plaintiff argued that the choice of a different word in the PA 1977 implied that a wider infringement had been intended, but Oliver J held that the otherwise close similarity of the PA 1977 to the CPC provisions indicated that the draftsman had 'keeping in stock' in

mind, and applied s 130(7) of the PA 1977, requiring harmony of interpretation between the EPC, CPC and PA 1977. In addition, the dictionary definition of 'keep' included 'stock'.

#### *'Dispose'*

The PA 1949 used the term 'sale', which raised the question of the meaning of 'dispose' and 'disposal' in the PA 1977. Disposal will include a transfer of physical possession in the course of trade, but doubts arise as to whether this would extend to a gift, lease or exchange. It was held, *obiter*, that 'dispose' included sale and lease in *Kalman v PCL Packaging* (1982), but that delivery in the UK when property and possession had already passed did not infringe. The infringing act must take place in the UK, so that if a chain of disposal (offer, acceptance, shipment, delivery, for example) begins abroad, it is only those steps which take place within the jurisdiction which will infringe: *Badische Anilin v Johnson* (1897). An order for an infringing dye was made from the UK, and a forwarding agent transported the dye from Switzerland to London. The defendant was held liable because, though sale and delivery took place in Switzerland, the offer was made in the UK.

#### *'Import'*

Where an infringing product has been imported, the purposes for which it is resold are of no avail to the importer where the resale is made as a matter of commerce and profit. In *Hoffmann-La Roche v Harris Pharmaceuticals* (1977), an infringing drug, Diazepam, was imported by the defendant, and resold to three purchasers: one for experimental purposes (acts which in themselves would not infringe: s 60(5)(b) of the PA 1977); one to compulsory licensees; and one exported direct to a foreign customer. Whitford J held that, though the rights of a mere carrier must be protected, possession 'with the intention of using the articles for trade purposes and for the securing of a profit' amounted to infringement.

#### *'Uses'*

Use does not include mere possession: *British United Shoe Manufacturers v Collier* (1910). The defendant held a patented sole making machine, but had not used it. This did not infringe.

#### *'Makes'*

Making does not include repair; in fact, the owner of a patented product or process has an implied licence to repair his property: *Solar Thomson v Barton* (1977). The plaintiff licensed a patented pulley and repaired the pulleys without infringing the patent. It was held that the implied licence included repair, but did not extend to making a new product. However, modifying a product does not constitute repair: *Dellareed v Delkin* (1988). The defendant described their treatment of the patented fishing reels as a 'complete rebuild'. This was held to go beyond merely prolonging the life of the product.

### *'Directly'*

Section 60(1)(c) of the PA 1977 may have restricted the earlier position with respect to products obtained from a patented process, by precluding infringement where the patented process is only employed at an initial or intermediate stage of the production of the product. Previously, if earlier steps in the process of producing a product were sufficiently significant to the process as a whole, infringement might be found. This was known as the 'Saccharin doctrine' after *Saccharin Corp v Anglo-Continental Chemical Works* (1900). Now, the product must be obtained 'directly' by use of the process. The change could be of some significance in a multistep chemical process if an alternative final step can be found. The sub-section was tested in *Pioneer Electronics Capital Inc v Warner Music Manufacturing* (1997). The plaintiff held patents relating to steps taken within the process of manufacturing compact discs. The defendant manufactured discs in Germany and sold them in the UK. It was agreed that the defendant had used the patented steps, but they argued that the resulting compact discs had not been obtained directly by means of the processes. There are many steps involved in the manufacture of a compact disc. In this case, a metallic film was evaporated on to the recording layer of a master recording (known as a 'father'), this was used to make a number of positive impressions of the recording layer ('mothers'), each of which was used to produce a number of negative impressions ('sons'). The sons were then used in a pressing process to mass produce the compact discs. The step used by the defendant was the one involved in the production of the father. The Court of Appeal upheld the striking out of the infringement claim by Aldous J. They held that s 60(1)(c) of the PA 1977 had altered the previous law and adopted a 'loss of identity' test for determining whether a product remained a direct product of a process. This stemmed from European law. It was found that 'directly' was derived from the EPC, and in turn from German law, where the equivalent word used was '*unmittelbar*', and that this meant that German authorities could and should be taken into account. These authorities were consistent in requiring that a product obtained directly from a process was the product with which the process ended. It did not cease to be directly obtained if subjected to further processing, provided that processing did not cause it to lose its identity. Identity was to be determined by the product's 'essential characteristics'. The same 'loss of identity' test could be found in other European jurisdictions and could be taken to represent the European law. They held that the finished compact disc sold to the consumer was not the direct product of the process. It was not an identical copy of the master, which differed in material, and had been subjected to three further processes. The master was incapable of performing the same function as the compact disc (it could not be played in a compact disc player). Each stage in the full process produced a new product which was necessary to the creation of the final compact disc. The Court of Appeal concluded that the 'loss of identity' test was one of fact and degree, to be determined on the facts of each

case; but, on the evidence given, the result was clear in this case and the action could be struck out.

### 5.2.2 Contributory infringement

It will infringe a patent if, while it is in force, and without the patentee's consent, a person supplies, or offers to supply anyone in the UK who does not have authority to work the invention with any of the means relating to an essential element of the invention for putting the invention into effect. But this will be so only when the person knows, or it would be obvious to a reasonable person in the circumstances, that those means are suitable for putting, or are intended to put, the invention into effect in the UK: s 60(2) of the PA 1977.

Both the supply, and the putting into effect of the invention by the person supplied must take place in the UK; if the infringement takes place in another jurisdiction, it is in that jurisdiction that proceedings must be brought. This was made clear in *Kalman v PCL Packaging* (1982), where the supply of the filters took place in the US.

Neither the Act, nor the case law, elaborates on the 'reasonable person' for s 60(1)(b) and 60(2) of the PA 1977. The level of knowledge of patent law that should be attributed to the reasonable person, whether that of the ordinary man in the street, or the ordinary commercial man or the ordinary dealer in that product, remains to be clarified by the courts. Questions of interpretation also arise with respect to 'means', 'suitable' and, in particular, 'essential'; does 'means' include know-how? Doubts also arise if only one of the uses (among many) of the thing supplied infringes the patent. A further query, if the thing supplied must relate to an essential element of the invention, is whether it is essentiality to that element's function or essentiality determined by the language with which that element has been claimed which is required. The same inquiry must be made in construing the claims (see 5.1).

Section 60(3) of the PA 1977 provides that contributory infringement does not apply to staple commercial products, unless the offer is an inducement to infringement.

## 5.3 Defences

A defendant has a number of ways in which to defend against an action of infringement.

### 5.3.1 Putting the validity of the patent in issue

It is provided in s 74(1)(a) of the PA 1977 that the validity of a patent may be put in issue by way of defence in proceedings for infringement. The grounds upon which this may be done are set out in s 74(3) as being the same grounds

on which revocation of a patent may be sought (see 5.4.2). To sue for infringement is to risk such a challenge to the patent.

### 5.3.2 Section 60(5) of the PA 1977

Section 60(5) of the PA 1977 lists otherwise infringing acts for which a defence is provided. In particular, it will not infringe to do acts:

- (a) privately and for purposes which are not commercial; or
- (b) for experimental purposes relating to the subject matter of the invention.

In *Monsanto v Stauffer* (1985), the defendant sought to vary an interlocutory injunction preventing them from using the allegedly infringing product TOUCHDOWN, a herbicide, in order to allow field trials and experiments on the product. They had already carried out some field trials in the UK and obtained limited clearance under the relevant non-statutory scheme (PSPS) for use on stubbles and non-crop areas. Now they wished to carry out renewed trials in order to secure further pre-harvest PSPS clearances. They argued that they were entitled to such trials under s 60(5)(b) of the PA 1977. The subsection was held not to extend to such trials, intended to widen the commercial market for the product. It was held that s 60(5)(b) of the PA 1977 limits experimental purposes to those relating to the subject matter of the invention. Falconer J said:

As a matter of language, that limitation seems to me to restrict the paragraph to experiments directed to the patented invention as such, experiments such as testing whether a patented product can be made, or a patented article made to work, as described in the patent specification, or experiments to see whether the patented invention can be improved or testing the effect of a modification in some particular to see whether it is an improvement or not. But the limitation would, it seems to me, as a matter of language, exclude from the exemption of the paragraph use of a patented article or process in experiments to test or evaluate some other product or process – the purpose of any such experiments would not relate to the subject matter of the patented invention.

Again, it seems to me that the limitation would exclude tests or trials having as their purpose achieving or extending the commercial acceptance of some commercial embodiment of the patented invention – such tests or trials would not, it seems to me, as a matter of language, be for purposes related to the subject matter of the patented invention.

### 5.3.3 Prior use

The principle of the ‘right to work’ was explored in relation to novelty (see 4.4.1). With the advent of novelty being tested by the absence of an enabling disclosure of the invention in the prior art (see 4.4.3), it has been argued that this principle has been abandoned, subject only to the protection conferred by

s 64 of the PA 1977. This section purports to enable acts prepared for, or begun, before the priority date of an invention, to be continued, despite the fact that they would infringe a patent subsequently granted. However, the wording of the section is such that the protection it gives is of limited application. It is only acts done in the UK in good faith or effective and serious preparations made in good faith which fall within s 64 of the PA 1977. The section will not enable the person to license others to do those acts, nor will it extend to an individual who begins the acts or preparations after the invention's priority date, but before publication of the patent.

A final limitation was revealed by the case of *Helitune v Stewart Hughes* (1991). The patent related to a method of detecting the degree of unbalance in helicopter rotor blades by directing light or other radiation at the blades and measuring the reflected signals (an active system). The defendant pleaded s 64 of the PA 1977 in defence to allegations of infringement. The infringing act which the defendant wished to continue was to sell an active tracker. However, at the patent's priority date, all that the defendant had done was to produce a prototype with a view to further development. They had not sold a tracking device and, in fact, were concentrating their efforts on developing a passive system in which the rotors' interruptions of ambient light were measured. In these circumstances, it was held that they had not reached the stage of effective and serious preparations to sell an active tracker and could not rely on the 'statutory licence' provided by s 64 of the PA 1977.

### 5.3.4 Exhaustion

In UK law, no doctrine of exhaustion applied to patents; a patentee was able to place further restrictions on sale or use, as a condition of sale of patented goods or a patented process: *Betts v Willmott* (1871). This is now subject to the European Community Treaty's policies of competition and free movement of goods (see 16.2 and 16.3) in relation to exports within the EU and European Economic Area (EEA). When the CPC comes into effect, it will introduce a doctrine of exhaustion which also relates to national patents and will provide that, once the patented goods have been put on to the EU and EEA market, the patent rights can no longer be applied to them.

### 5.3.5 The 'Gillette defence'

The *Gillette* defence is not another ground of defence, but a shortcut to proving that a patent has not been infringed. It derives from the case of *Gillette Safety Razor v Anglo-American Trading* (1913). If a defendant raises as a defence the argument that the patented invention is novel and/or obvious, the court must make a comparison of three 'versions' of the invention. The first is that revealed in the prior art; the second is the patented invention as claimed; and the third is the defendant's version which is alleged to be infringing the patent. The laborious method for dealing with a claim of infringement, and

the defence that the invention is not patentable, would be to compare the patented invention with the defendant's, to determine whether it fell within the claims; and, then, to compare the patented invention with the prior art to determine whether the patent was valid or not. This makes for extended, time consuming and expensive proceedings.

But the double comparison can be avoided by merely comparing the defendant's version of the invention with the prior art. If the defendant's invention falls within the prior art, it is obvious or anticipated. In that case, if the defendant's invention is the same as the patentee's, the patent cannot be valid; but if the patent is valid, then the defendant's invention cannot fall within the claims. Either way, if the defendant's invention is found to fall within the prior art, the plaintiff cannot win, the patent is either invalid or has not been infringed. This illustrates the drafting dilemma of a patentee (see 3.4.5) and the importance of seeking professional help in doing so.

### **5.4 Revocation and opposition**

Not only may a potential infringer retaliate by challenging the validity of a patent in infringement proceedings (see 5.3.1), but the validity of a patent may be challenged in three other ways: third party observations during the application process; revocation; and opposition of a European patent.

#### **5.4.1 Third party observations**

After publication of a patent application, but before any patent has been granted, any other person may make written observations to the comptroller on the question of whether the invention is a patentable invention, stating reasons: s 21 of the PA 1977. This allows competitors and other interested parties to participate in the granting process. The comptroller shall consider the observations in accordance with the relevant rules.

#### **5.4.2 Revocation**

Any person may apply to the comptroller or the court, after the patent has been granted, for an order revoking the patent, at any time during the life of the patent: s 72(1) of the PA 1977. The only grounds on which a UK patent may be revoked are:

- (a) that the invention is not a patentable invention;
- (b) that the patent was granted to a person who was not entitled to be granted that patent;
- (c) that the specification of the patent does not disclose the invention clearly enough and completely enough for it to be performed by a person skilled in the art;



- (d) that the matter disclosed in the specification of the patent extends beyond that disclosed in the application for the patent, as filed; and/or
- (e) that the protection conferred by the patent has been extended by an amendment which should not have been allowed.

### **5.4.3 EPO opposition**

The European patent differs from a domestic UK patent in that it can be revoked centrally by the EPO for all the countries for which it was granted, but only in the first nine months after grant, as a result of opposition by interested parties: Art 99 of the EPC.

It is set out in Art 100 of the EPC that opposition may be made on three grounds:

- (a) that the subject matter of the European patent is not patentable within the criteria of Arts 52–57;
- (b) that the European patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art; and/or
- (c) that the subject matter of the European patent extends beyond the content of the application as filed.

Opposing a patent has proved to be a long, protracted process in the EPO.

## **INFRINGEMENT, VALIDITY AND REVOCATION**

Determining infringement of a patent involves two issues:

- establishing the boundaries of the monopoly from the claims;
- establishing whether an infringing act has been committed.

### **Construction of claims**

The claims determine the limits of patent protection. They must be read as a whole in the light of the circumstances as addressed to a hypothetical technician skilled in the art. Where claims are clear, ambiguities cannot be read into them from the rest of the specification: *Electrical and Musical Industries Ltd v Lissen* (1939). Purposive construction of the claims' language (replacing the pith and marrow doctrine) must be adopted, according to Art 69 of the EPC and its Protocol. This is interpreted to mean the application of the Diplock Question, as defined in *Improver Corp v Remington Consumer Products Ltd* (1989) where infringement is not literal. It has been applied not only to ambiguous words or phrases, but also to components of a process: *Kastner v Rizla* (1995).

### **Infringing acts**

Primary and secondary acts of infringement are defined in s 60 of the PA 1977. Infringement must take place in the UK while the patent is in force and without the patentee's consent. No requirement of knowledge applies to infringement of a product patent, but actual or constructive knowledge is required in relation to a process. To offer to supply, or to supply, in the UK, essential means relating to an invention amounts to contributory infringement.

### **Defences**

A defendant may put the validity of a patent in issue in infringement proceedings; it also provides a defence if infringing acts are done privately and for non-commercial purposes, or for experimental purposes. Prior use also amounts to a defence, but within constrained limits: s 64 of the PA 1977. The *Gillette* Defence enables a defendant to show non-infringement by proving that his product or process is anticipated or obvious.

### **Revocation and opposition**

Third parties may make written observations after publication of a patent application. Anyone may apply for a patent's revocation on the grounds set out in s 72 (1) of the PA 1977. A European patent may be opposed up to nine months after its grant for all the countries for which it is granted, by interested parties, on the grounds that the invention is unpatentable, inadequately disclosed, or that its subject matter extends beyond the content of the application filed.

## BREACH OF CONFIDENCE

### 6.1 The nature of the action

Unlike the statutory intellectual property rights, the action for breach of confidence was developed by the common law. The result has been an action which carries the blessings of flexibility, but also the concomitant burden of uncertainty. The protection which is given against unauthorised disclosure or use by anyone who owes an obligation of confidence to the impartor of information applies to any type of information, whether commercial, private or governmental. In the intellectual property field, the action stands as an alternative, or an adjunct, to statutory design, copyright or patent protection. Confidence has the advantage of not needing any formalities of application or registration, or the payment of fees. It also has the advantage that it can be implied from the circumstances in which information is divulged between the parties to an action. However, the obligation to preserve confidence is dependent on there being a relationship between those parties and, once the information has been disclosed to the public, there can be no effective further secrecy.

The action for breach of confidence's modern origins can be traced to *Prince Albert v Strange* (1849), as can the obscurity that still clouds the juridical basis of the action. Lord Cottenham based his action on 'breach of trust, confidence or contract'. Two years later, Turner VC referred to the doubts surrounding the courts' jurisdiction in *Morison v Moat* (1851). He said:

In some cases, it [the jurisdiction of the court] has been referred to property, in others to contract, and in others, again, it has been treated as founded upon trust or confidence, meaning, as I conceive, that the court fastens the obligation on the conscience of the party, and enforces it against him in the same manner as it enforces against a party to whom a benefit is given the obligation of performing a promise on the faith of which the benefit has been conferred; but, upon whatever grounds the jurisdiction is founded, the authorities leave no doubt as to the exercise of it.

The modern development of the action lay in a growing appreciation of the value of technical information after the Second World War. And, in *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948), the Court of Appeal dismissed any need for a contractual nexus between the parties in order to found the necessary relationship of confidence. The remedy most often sought for threatened breaches of confidence was an injunction, and the action is founded on a fundamental basis of a relationship which gives rise to an

obligation in conscience to maintain confidence. *Dicta* in modern cases suggest that the consensus now reached by the courts is that breach of confidence is an equitable jurisdiction founded on 'good faith'. Lord Denning MR said in *Seager v Copydex Ltd* (1967) that: 'The law on this subject ... depends on the broad principle of equity that he who has received information in confidence shall not take unfair advantage of it.'

This was the preferred conclusion of Professor G Jones in his seminal article 'Restitution of benefits obtained in breach of another's confidence' (1970) 86 LQR 463. However, it has also been argued that to recognise a tortious liability for breaches of confidence would have the advantage of importing a right to damages and the accepted parameters of a remedy in tort by North, P, 'Breach of confidence: is there a new tort?' [1972] JSPTL 149. The Law Commission recommended the enactment of a statutory tort in their report, *Breach of Confidence* (Cmnd 8388 (1981)). The remedy could also be based on a proprietary right in information; Libling argues that there can be a proprietary right to the commercial exploitation of an intangible distinct from ownership in the entity itself in 'The concept of property: property in intangibles' (1978) 94 LQR 103.

While the existence of the remedy can no longer be disputed, the obscurity of its origins have led to uncertainty at the fringes of the action; a clear foundation in tort, contract, property or equity would provide clear answers to new combinations of circumstances. Instead, the action has developed on a case by case basis, leaving unanswered questions as to the extent of liability of third party recipients of confidential information, liability where confidential information was received unsolicited or was taken by the defendant, rather than having been imparted by the information's owner, and where the defendant is innocent of fault.

## 6.2 The conditions for a remedy

Despite the confusions concerning the origins and juridical nature of the action for breach of confidence, Megarry J laid a clear three sided structure of necessary conditions for the action in *Coco v AN Clark (Engineers) Ltd* (1969). He said:

Where there is information that is confidential, an obligation to maintain that confidence has come into being, and the information has been used or disclosed without authority, an action for breach of confidence will lie.

But Megarry J himself was careful to point out that the authorities from which he could derive these conditions did not lay down clear tests for establishing how that confidentiality nor the necessary obligation is established, nor whether the breach need be detrimental to the plaintiff in order for him to secure a remedy. And, given that the common law has the capacity to develop

by analogy as new circumstances arise, the boundaries of breach of confidence remain blurred and open to interpretation by subsequent courts. The uncertain nature of the juridical base for the action provides courts with the flexibility to take advantage of the indefinite boundaries of the action. The positive effect of this is to allow judicial development, or just interpretation, of the action to accommodate new situations; the negative effect is the uncertainty that must accompany any legal advice in those situations.

### 6.3 Confidential information

The subject matter of the action is confidential information. This makes it necessary to discuss, first, the type of information that is to be protected and, secondly, the test of its confidentiality. In *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948), Lord Greene MR described this subject matter as information which was not common knowledge and which ‘must have the necessary quality of confidence about it’.

#### 6.3.1 Information

‘Information’ carries its general meaning, there is apparently no restriction on the content of protectable information: whether industrial (*Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948); *Coco v AN Clark (Engineers) Ltd* (1969)); commercial (*Faccenda Chicken v Fowler* (1986); *Roger Bullivant Ltd v Ellis* (1987)); personal (*Duchess of Argyll v Duke of Argyll* (1967); *Stevens v Avery* (1988)); political (*Fraser v Evans* (1969); *Attorney General v Jonathan Cape Ltd* (1976)); or literary or artistic (*Attorney General v Guardian Newspapers (No 2)* (1988); *Prince Albert v Strange* (1849)).

There has been a suggestion that ‘tittle tattle’ may not be protected as confidential information. Megarry J said, *obiter*, in *Coco v AN Clark (Engineers) Ltd* (1969): ‘I doubt whether equity would intervene unless the circumstances are of sufficient gravity – equity ought not to be invoked merely to protect trivial tittle tattle, however confidential.’ This should not be understood to mean that salacious gossip or personal secrets will go unprotected. In *Stevens v Avery* (1988), Sir Nicholas Browne-Wilkinson VC accepted the principle that a court of equity will not enforce copyright relating to matters with a grossly immoral tendency, and presumed that the same would apply to confidential information. But, in the absence of any generally accepted moral code in 1988, and in the face of a claim that the information should not be protected being made by the very party who had published it in a major national Sunday newspaper, he declined to dismiss the information at issue as immoral. Moreover, he doubted whether wholesale revelations relating to the lesbian conduct of an individual could properly be described as ‘tittle tattle’ in any case.

However, at first instance, Gouling J, in *Faccenda Chicken v Fowler* (1986), separated confidential information into three categories, the first of which was unprotectable trivia or tittle tattle. This is not inconsistent with *Stevens v Avery* (1988), where Sir Nicholas Browne-Wilkinson VC offered an explanation of Megarry J's *dictum*: that it is not the content of the information which is significant (although Megarry J's *dictum* did appear in the portion of his judgment in *Coco v AN Clark* (1969) dealing with confidential information), but that Megarry J was considering when equity, in its discretion, would be prepared to give a remedy, and would not be prepared to do so for a trivial breach.

Just as the content of the information is immaterial, so, too, there is no restriction on the form in which the information is embodied. Ideas can be the subject matter of protection. Copyright protects form, or expression (the particular way in which an idea had been recorded in a work), but not the underlying ideas. Users of the copyright work may employ these unhindered by copyright. No such restriction applies to breach of confidence. Where a limit is drawn, it is not in the form of the information, but in its clarity. In *Fraser v Thames Television Ltd* (1983), the plaintiff had communicated an idea for a programme based on the activities of a rock group to the defendant. The defendant eventually made the programme without authority. In an action for breach of confidence, it was argued for the defendant that a literary or dramatic idea could not be protected unless fully developed in the form of a synopsis and recorded, by analogy with copyright law. Hirst J held that confidential information included orally communicated information and that ideas were capable of protection, provided that they were sufficiently developed, had some element of originality not already in the public domain, were of potential commercial attractiveness and were capable of being realised.

This was distinguished on the facts in *De Maudsley v Palumbo* (1996). The plaintiff's action for breach of confidence was based on an idea for a nightclub which was alleged to have five features:

- (a) that the club would operate all night, legally;
- (b) be big, with novel decor in a 'high tech industrial' warehouse style;
- (c) incorporate separate spaces for dancing, resting and socialising, with a 'VIP lounge';
- (d) the dance area would have excellent sound, light and atmosphere which did not penetrate into the surrounding elements;
- (e) top disc jockeys worldwide would appear.

Knox J was not prepared to treat such an idea as protectable. Though some elements of the features enumerated were novel, all were too vague and general to constitute confidential information. He identified three points from Hirst J's judgment:

- (a) It is not essential for confidential information to be in writing or other permanent form.
- (b) It is essential for the information to 'have at least some attractiveness to an end user and be capable of being realised as an "actuality"', in the sense of a finished product in the relevant medium. This does not preclude simple confidential information: '... vagueness and simplicity are not the same.'
- (c) A trade or industry practice of treating an idea as confidential information was a significant part of the result in *Fraser v Thames Television Ltd* (1983).

Confidential information includes matter which has been observed by the defendant. In *Printers and Finishers v Holloway (No 2)* (1965), the manager of the plaintiff's printing plant showed members of a rival concern around the factory despite instructions to keep the processes there secret. Cross J held that an injunction could be granted where the information had been carried away in the defendant's memory.

### 6.3.2 Confidentiality

The second criterion to be satisfied before information is protected is that it is confidential. In Lord Greene MR's view, information had the necessary quality of confidence where it was not 'something which is public property and public knowledge'. This suggests that if the public have access to the information it cannot be regarded as confidential. However, the concept of publicity being applied is relative, rather than absolute. If information is related to an invention, the law takes a notional view of the public's access to the invention (see 4.4.3), whereas, for confidence, a realistic attitude is adopted to the public availability of the information. There are three ways in which this is apparent – the numbers of the public having access to the information, the treatment of what might be termed 'composite information', and the treatment of information communicated for limited purposes.

#### *The relative nature of confidentiality*

Confidentiality may be relative. Where the information sought to be treated as confidential has been revealed to a number of people, but in a limited manner, confidentiality can survive. As put by Cross J in *Franchi v Franchi* (1967), 'it must be a matter of degree, depending on the particular case, but if relative secrecy remains, the plaintiff can still succeed'. If, relative to the public at large, the matter is not widely known, it may remain protected. It is a matter of having regard to all the circumstances of the case. In *Dunford and Elliott v Johnson and Firth Brown* (1978), the plaintiff company were attempting to raise money by a rights issue to shareholders. The company's institutional shareholders, who held 43% of the shares, were shown a confidential report on the company's prospects under an obligation of confidence. These shareholders approached the defendant and another company in an attempt



to secure further funding, doing so without consulting the plaintiff. Representatives of the defendant and the company were allowed to study the report. The defendant made a takeover bid for the plaintiff, who sought an injunction restraining the use of the confidential information in the report. Having referred to use of the information by the plaintiff's own directors in buying shares when the share price was at a very low point, Lord Denning MR said:

The widespread use of the information drives a hole into the blanket of confidence; especially when that information is being used – or, shall I say, misused – for the benefit of some potential shareholders, and not for the benefit of the others. So much so that it would not be reasonable that the stipulation for confidence should be enforced.

In fact, Lord Denning added a fourth condition to Megarry J's three in *Coco v AN Clark (Engineers) Ltd* (1969): that the stipulation for confidence be reasonable. This has not been generally adopted by the courts because the relative nature of confidentiality achieves the same result. Whatever the stipulations for confidence made by Dunford and Elliott, the dissemination of the report was too wide for any real secrecy to remain.

Conversely, in *Schering Chemicals Ltd v Falkman Ltd* (1982), the fact that the information sought to be protected had been previously available in the press was not enough to destroy its confidentiality when the story was revived by the defendant. The plaintiff had manufactured and sold a drug, Primodos, used as a pregnancy test. This was withdrawn in 1978, after concerns that it was related to abnormalities in new-born babies. There was much media coverage of the story and, in 1979, the defendant company was employed by the plaintiff to train executives in presenting the company's view. To this end, information was given to the defendant in confidence. Later, one of the defendant's employees made a film for television about the drug, using information given by the plaintiff for the training. It was claimed that all of this information could have been obtained from public sources. The plaintiff sought an injunction against broadcast of the film, and the grant of this injunction by McNeill J was upheld by the Court of Appeal. The majority held that, where information was communicated in a commercial context in confidence and that information had a material connection with the commercial interests of its communicator, a fiduciary duty to observe the confidence arose in the recipient, whether or not the information was available from other sources.

The second situation which displays confidence's relative nature is that of 'composite information'. In *Coco v AN Clark (Engineers) Ltd* (1969), Megarry J said:

Something that has been constructed solely from materials in the public domain may possess the necessary quality of confidence: for something new and confidential may have been brought into being by the application of the

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skill and ingenuity of the human being. Novelty depends on the thing itself, and not upon the quality of its component parts.

The situation he had in mind was that of *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948). The defendant had been engaged on the plaintiff's behalf to make leather punches from the plaintiff's copyright drawings for the tool. These drawings were given to the defendant in circumstances implying confidence. Later, the defendant made a punch. The Court of Appeal held that it was an unjustified shortcut to use the drawings for the defendant's own purposes, even though a competent draughtsman could have replicated the drawings after studying one of the plaintiff's punches, which were freely available on the market. A similar result can be seen in *Interfirm Comparison (Australia) Pty Ltd v Law Society of New South Wales* (1977).

A third way in which confidence can be regarded as relative to the circumstances relates to information disclosed for limited purposes. Should the recipient make use of the information for purposes other than those intended when the information was communicated, this may amount to a breach of confidence. This was the situation in *Schering Chemicals Ltd v Falkman Ltd* (1982) and *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948).

### *Objective or subjective test?*

The test to be applied in determining whether information is confidential is to ask whether it has become public property and public knowledge. It remains to be seen whether this is a subjective test of the information owner's intention or an objective test of the reasonable man's appreciation of the status of the information. Megarry J stated his first condition in objective terms in *Coco v AN Clark (Engineers) Ltd* (1969). Later, however, he added a subjective element to the test in *Thomas Marshall (Exports) v Guinle* (1979). He said:

First, I think that the information must be information the release of which the owner believes would be injurious to him or of advantage to his rivals or others. Second, I think the owner must believe that the information is confidential or secret, that is, that it is not already in the public domain. It may be that some or all of his rivals already have the information: but, as long as the owner believes it to be confidential, I think he is entitled to try and protect it.

This is a test of the plaintiff's subjective belief. However, Megarry J went on to add two further conditions to his test:

Third, I think that the owner's belief under the two previous heads must be reasonable. Fourth, I think that the information must be judged in the light of the usage and practices of the particular industry or trade concerned.

The objective element of the test is embodied in these two conditions; but it remains possible under these conditions for a plaintiff to have a mistaken, but

entirely reasonable belief, that the secret is confidential, when, on a fully objective test, a reasonable man would not do so. Carnwath J points out in *Lancashire Fires Ltd v SA Lyons and Co Ltd* (1996) that *Thomas Marshall (Exports) v Guinle* (1979) was specifically concerned with the construction of a particular provision in the Guinle's contract of employment with Thomas Marshall (Exports).

The first advantage of an objective test is that it can prevent over zealous attempts to protect the unprotectable. The British Government's attempts to prevent the publication of *Spycatcher*, when the book was freely available in Australia and the US, is a case in point: *Attorney General v Guardian Newspapers Ltd (No 2)* (1988). Secondly, an objective test allows the defendant to predict, or be advised, with some degree of accuracy, how far information received from another may be utilised. In *Lancashire Fires Ltd v SA Lyons and Co Ltd* (1996), the Court of Appeal followed an objective test of confidentiality. The plaintiff's belief was treated as a relevant consideration, but could not be decisive.

#### *Residual confidentiality in published information*

It might be thought that any confidence would automatically be destroyed where information is published to an extent beyond that in which any relative confidentiality might remain. But it is necessary to examine the circumstances in which publications of information are treated as having reached the public domain, contrary to what we might have expected. There are three situations which require examination: publication of the information by its owner; publication by the defendant; and publication by a third party.

Where information is published by its owner, the confidentiality, as one would expect, is destroyed. Thus, in *Mustad v Allcock and Dosen* (1928), the House of Lords held that the fact of the plaintiff's patent application, after disclosure by the defendant, prevented any grant of an injunction. Lord Buckmaster said: 'The secret, as a secret, had ceased to exist.'

Publication by the defendant should have the same result: if the information has been too widely distributed for any confidentiality to remain on any objective view. The initial publication by the defendant will be a breach of any confidential obligation owed to the plaintiff. But no future protection should lie for the information. This was the view, *obiter*, of Lord Goff in *Attorney General v Guardian Newspapers Ltd (No 2)* (1988). However, to allow the defendant free further use of the information might appear to sanction the initial breach, or at least enable a cynical defendant to calculate that further use might make the initial breach worth paying for in damages in view of the ultimate profits to be made. Conversely, to restrain the defendant once other competitors become able to make free use of the (now published) information, would prejudice the defendant. The Court of Appeal, in *Speed Seal Products v Paddington* (1986), refused to strike out a claim in these circumstances, holding that breach of confidence was arguable, citing *Cranleigh Precision Engineering v Bryant* (1964). To do so either reinforces the relative nature of confidentiality or

is to substitute breach of confidence for a remedy against unfair competition. To adhere to Megarry J's three conditions in *Coco v AN Clark (Engineers) Ltd* (1969) would confine the test of confidentiality of information to the extent to which it has been disclosed to the public, and not to take into account the individual responsible for that disclosure. Although continuing confidentiality was considered arguable in *Speed Seal Products v Paddington* (1986), it was doubted whether any injunction could be obtained to restrain further breaches, leaving only a remedy in damages. Rather than arguing that the information was confidential despite its publication, a better explanation for the continued protection in *Speed Seal Products v Paddington* (1986) would lie in the 'springboard doctrine'. The springboard doctrine continues to protect information released into the public domain against those who obtained the information in confidence where an advantage is still gained compared to those who secure the information from the public domain.

The third situation to be considered is that where information is published by a third party. To take a strict *Coco v AN Clark (Engineers) Ltd* (1969) approach, again, the information should no longer be capable of being treated as confidential. However, in the case of *Cranleigh Precision Engineering v Bryant* (1964), *Mustad v Allcock and Dosen* (1928) was distinguished. Bryant acted as Managing Director for the plaintiff, who manufactured swimming pools to Bryant's design. While so employed, Bryant discovered the existence of the 'Bischoff' patent, which covered features of his design. Accordingly, the plaintiff needed a licence. However, the defendant did not inform them of this, but instead left their service and set up a rival business, in the process purchasing the Bischoff patent. Cranleigh sought to restrain use of confidential information by an injunction. Roskill J distinguished *Mustad v Allcock and Dosen* (1928) because in that case the publication had been by the employer (the plaintiff), and went on to grant the injunction. This could be taken to suggest that, in these circumstances, the information remained confidential despite its publication in the patent. However, this case can be interpreted in one of two ways: either that the information was still confidential; or that Bryant's breach was that he did not disclose the existence of the patent to his then employer which, as an employee, he had a duty to do. And Roskill J said:

Mustad's case was, as I have said, a case where the employer made the publication in question. In the present case, Bryant, as possessor of what I have held to be the plaintiff's confidential information, is seeking to free himself from his obligation of confidence, not because of what the plaintiffs have published, for they have published nothing, but because of what Bischoff published – a publication of which Bryant only became aware because of his contractual and confidential relationship with the plaintiffs.

The latter interpretation has the advantage of reconciling the *Coco v AN Clark (Engineers) Ltd* (1969) and *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* (1948) test of confidentiality of information with the injunction imposed on

Bryant. Interestingly, it was the case of *Terrapin Ltd v Builders' Supply Co (Hayes) Ltd* (1960) which led Roskill J to his conclusion. And *Terrapin Ltd v Builders' Supply Co (Hayes) Ltd* (1960) is the progenitor of the springboard doctrine. If *Cranleigh Precision Engineering v Bryant* (1964) can be explained in these terms, the decision in *Speed Seal Products v Paddington* (1986) can equally be interpreted as a 'springboard breach' by the former employee.

### *The Springboard doctrine*

Where the information has been published, protection can still be obtained through the springboard doctrine. At this point, the action for breach of confidence, while maintaining its origins in a breach of trust, departs from its boundaries within the confidential. It does so for the purpose of remedying acts of unfair competition by those abusing a formerly confidential relationship. In the process, information which is at least partially in the public domain receives protection. The origins of the doctrine can be traced to *Terrapin Ltd v Builders' Supply Co (Hayes) Ltd* (1960). Roxburgh J said:

As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains, even when all the features have been published or can be ascertained by actual inspection by any member of the public.

The 'springboard' that the defendant would otherwise have is a head start over other users who have obtained the information from the public source. The doctrine was applied in *Coco v AN Clark (Engineers) Ltd* (1969) and *Seager v Copydex (No 1)* (1967). In *Seager v Copydex (No 1)* (1969), Lord Denning MR held that there had been a breach of confidence. The plaintiff had invented and patented a carpet grip, and discussed with the defendant the possibility of them marketing his invention. During these discussions, the plaintiff disclosed in confidence an idea for another grip and its characteristics. The negotiations came to nothing, but later the defendant produced a grip very like the alternative which Seager had disclosed, even, he said, using the name, 'Invisigrip', which he had suggested. Although much of the information divulged was public – the first grip was patented – Lord Denning found that some of the information was not public, and, in the case of such 'mixed' information, the defendant should 'take special care to use only the material which is in the public domain ... He should not get a start over others by using the information which he received in confidence'.

But, if the springboard were to be eternal, the defendant would continue to be penalised long after legitimate competitors had entered the market. There is an inconsistency between the doctrine that information which is in the public domain cannot be confidential and the springboard doctrine. This raises the question of how long the springboard lasts. Lord Denning faced this

question in *Potters-Ballotini v Weston-Baker* (1977). The defendants were former employees of the plaintiff, who, while working out their notice, had formed a rival company along with an employee of the firm which had installed the plaintiff's furnace. This meant that they were ready for production almost before the plaintiff became aware of their activities. Lord Denning said:

Although a man must not use such information as a springboard to get a start over others, nevertheless that springboard does not last for ever. If he does use it, a time may come when so much has happened that he can no longer be restrained.

Covenants in the employees' contracts of employment prevented the use of confidential information after the end of the employment for a year. The case was heard by the Court of Appeal shortly before the end of that year. In those circumstances, Lord Denning refused to grant an injunction. It would seem that the springboard lasts until other competitors, obtaining the information from the public domain, would be in a position to compete with the plaintiff.

A further question hangs over the springboard doctrine: that of the appropriate remedy, given the public element to the information involved. In *Coco v AN Clark (Engineers) Ltd* (1969), Megarry J expressed his doubts as to what was to be expected of the conscientious holder of springboard information. Taking a hypothetical example of a recipient of partly public, partly private information to which had been added the recipient's own ideas, after the parties have parted company without any agreement, he said:

How is a conscientious recipient of [the] ideas to comply with the requirements that equity lays upon him? ... Communication thus imposes upon him a unique disability. He alone of all men must for an uncertain time abjure this field of endeavour, however great his interest ... The relevance of the point, I think, is this. If the duty is a duty not to use the information without consent, then it may be the proper subject of an injunction restraining its use, even if there is an offer to pay a reasonable sum for that use. If, on the other hand, the duty is merely a duty not to use the information without paying a reasonable sum for it, then no such injunction should be granted ... But I do feel considerable hesitation in expressing a doctrine of equity in terms that include a duty which law abiding citizens cannot reasonably be expected to perform. In other words, the essence of the duty seems more likely to be that of not using without paying, rather than of not using at all.

This was also the view of Lord Denning MR in *Seager v Copydex (No 1)* (1967). In a subsequent case, however, an injunction was granted: *Roger Bullivant v Ellis* (1987). The injunction was granted to last the length of the springboard advantage, again using the defendant's contract of employment as a guide to that period of advantage. The injunction was carefully worded on appeal to allow the defendant to continue his business, while restraining use of confidential information.

### 6.3.3 Information in the public interest

There is a further consideration to be made before information can be said to be protectable, although the type of information sought to be protected is immaterial (beyond the level of ‘tittle tattle’, and provided that it can be shown to be confidential and concrete enough to constitute information). If all information will be protected by a court, no matter what its content, there would be nothing to stop an unscrupulous plaintiff preventing the use or disclosure of information that ‘should’ be available to the public for a variety of reasons, by imposing obligations of confidence on those with access to it. There is no legal right of free speech in English law to prevent such a bar to publication. It would seem that some limit is essential in the public interest.

In *Gartside v Outram* (1856), Page Wood VC said: ‘... the true doctrine is that there is no confidence as to the disclosure of an iniquity. You cannot make me the confidant of a crime or a fraud, ... such a confidence cannot exist.’ ‘Iniquity’ is not a concept well adapted to definition, and one that appears to be based on perceptions which might fluctuate with public mores. Salmon LJ pointed out in *Initial Services Ltd v Putterill* (1967) that opinions change on matters of public policy. An absence of protection for information relating to an iniquity could be achieved in one of three ways: by being removed from the category of information that can be protected by breach of confidence or providing that such an obligation cannot arise or by providing a defence to any allegation of breach. Page Wood VC’s *dictum* does not make clear which method is intended.

Subsequent case law defined ‘iniquity’ as information about a crime, a tort or other legal wrong; so that, in *Hubbard v Vosper* (1972), Megaw LJ held that books which indicated medical quackeries of a sort which might be dangerous if practised behind closed doors were ‘so dangerous’ that it was in the public interest that they be made known. Ungood-Thomas J defined iniquity to mean ‘misdeeds of a serious nature and importance to the country’ in *Beloff v Pressdram* (1973). However, Lord Denning MR took a wider view. He held, in *Fraser v Evans* (1969), that wherever there was any ‘just cause and excuse’ for breaking confidence no confidence should lie, and said, in *Initial Services Ltd v Putterill* (1967):

[Counsel] suggested that this exception was confined to cases where the master has been ‘guilty of a crime or a fraud’. But I do not think that it is so limited. It extends to any misconduct of such a nature that it ought to be in the public interest to be disclosed to others ... The exception should extend to crimes, frauds and misdeeds, both those actually committed as well as those in contemplation, provided always – and this is essential – that the disclosure is justified in the public interest. The reason is because ‘no private obligations can dispense with that universal one which lies on every member of the society to discover every design which may be formed, contrary to the laws of the society, to destroy the public welfare’: see *Annesley v Anglesea (Earl)* (1743).

This shifts the focus of concern from the nature of the information to the justification for revealing it to the public. 'Just cause and excuse' for disclosure in the public interest has now received the sanction of other members of the Court of Appeal and of the House of Lords in *British Steel Corporation v Granada Television* (1981) and *Attorney General v Guardian Newspapers Ltd (No 2)* (1988). The clearest example of a disclosure made in the public interest which would not also fall within the traditional parameters of 'iniquity' as a crime, fraud or misdeed is the case of *Woodward v Hutchins* (1977). Tom Jones, and other pop stars, sought unsuccessfully to prevent their former manager, Hutchins, revealing their discreditable antics observed during the course of his employment. It was the hypocrisy of the plaintiffs' attempt to preserve a carefully nurtured, but untrue, image that justified disclosure.

To focus on the justification for disclosure explains the balancing act that courts are asked to perform when a public interest is pleaded. In practice, there are frequently several conflicting public interests at stake, including the public interest in preserving confidence, and a court is required to reconcile these interests in deciding whether confidence or disclosure should prevail. It was, again, Lord Denning MR who articulated this balancing function of the court, in *Initial Services Ltd v Putterill* (1967). It allows the court to take every circumstance into consideration, and seek to do justice in every case, as might be expected of an action rooted in equity. This balancing function does give the courts a discretion which was described by Lord Griffiths in *Attorney General v Guardian Newspapers Ltd (No 2)* (1988):

This involves the judge in balancing the public interest in upholding the right to confidence, which is based on the moral principles of loyalty and fair dealing, against some other public interest that will be served by the publication of the confidential material ... Judges are used to carrying out this type of balancing exercise and I doubt if it is wise to try to formulate rules to guide the use of this discretion that will have to be exercised in widely differing and as yet unforeseen circumstances.

Examples of other public interests taken into account in breach of confidence cases include the public interest in the freedom of the press to publish information concerning matters of real public concern in *Lion Laboratories Ltd v Evans* (1984) (inaccuracy in breathalyser readings); the public interest in the administration of justice in *British Steel Corporation v Granada Television Ltd* (1981) (disclosure of the source of leaked secret documents); and the public interest in knowing the truth behind a public image in *Woodward v Hutchins* (1977).

In *British Steel Corporation v Granada Television Ltd* (1981), Lord Wilberforce pointed out that a public interest in the truth must not be confused with what the public is interested in knowing. And where the public interest can be served without a breach of confidence, the confidence will prevail. In *Schering Chemicals v Falkman* (1982), the majority of the Court of Appeal affirmed the



injunction granted at first instance because an injunction would not interfere with the freedom of the press to inform the public by obtaining the necessary information about the Primodos drug from a public source.

A further principle applied by the courts in considering whether a publication, otherwise in breach, should be sanctioned as being in the public interest, is that the disclosure should only extend as far as the proper recipient of the information. That the information is in the public interest will not necessarily permit publication to all the world through the press, if a more limited disclosure to a responsible authority able to tackle the problem is possible. So, in *Cork v McVicar* (1984) an injunction was varied to allow disclosures about alleged miscarriages of justice and corrupt police practices in *The Daily Express* because the press are major exposers of corruption. So were disclosures in the press relating to the breathalyser sanctioned in *Lion Laboratories Ltd v Evans* (1984); but, in *Francome v Mirror Group* (1984), disclosures of breaches of Jockey Club rules were confined to the Jockey Club and not the general press. Lord Goff said the same of breaches of public security in *Attorney General v Guardian Newspapers Ltd (No 2)* (1988), where extensive alternative controls and channels for complaint existed through the Director General of MI5, the Security Commission and the provisions of the Interception of Communications Act 1985.

It might be tempting to think that a defence of disclosure in the public interest would provide security to a 'whistle blower' exposing the secrets of an employer, or former employer. This might particularly be the case if a court were to be willing to take into account the discloser's motives, as might be expected in an equitable remedy. As already seen, there must be an appropriate public interest in the information to be balanced against the public interest in confidence. And Lord Goff, in *Attorney General v Guardian Newspapers Ltd (No 2)* (1988), emphasised that the:

... mere allegation of iniquity is not of itself sufficient to justify disclosure in the public interest. Such an allegation will only do so if, following such investigations as are reasonably open to the recipient ... the allegation in question can reasonably be regarded as being a creditable allegation from an apparently reliable source.

Moreover, the public interest will only sanction disclosure to the right source. And *dicta* in the case law are ambivalent as to the relevance of the defendant's motives. In *British Steel Corporation v Granada Television Ltd* (1981), Lord Fraser refused to take into account that the documents were revealed without request for payment; but, in *Woodward v Hutchins* (1977), Lord Denning did pay attention to motive, as did Templeman LJ in *Schering Chemicals v Falkman* (1982).

Pleading public interest may have a bearing on the remedy available for a breach. Where disclosure in the public interest is pleaded, an injunction may

be refused. In defamation, an injunction will not be granted where the defendant pleads justification; in copyright, a defence of public interest may amount only to a refusal of an injunction (rather than a defence to infringement at all). In *Woodward v Hutchins* (1977), the interlocutory injunction against publication granted at first instance was discharged by the Court of Appeal for the breach of confidence. The plaintiffs had issued a writ for libel against the defendant, and the defendant proposed to plead justification. In these circumstances, an injunction for breach of confidence would have frustrated the principle applied in cases of defamation. But no general principle was established for other cases of disclosure in the public interest, or breach of confidence generally.

### 6.4 The obligation of confidence

The action for breach of confidence protects the transfer, or flow, of information. Without such protection, the temptation for the information's 'owner' would be to keep the information secret, thereby depriving the public of its usefulness. No duty to maintain the confidentiality of a piece of information which is to be transferred can come into being unless an obligation to do so arises between the person confiding the information and the recipient of that information. It is the circumstances in which information is imparted that create such an obligation, including the nature of the relationship between 'confider' and 'confidee'.

If liability is based on an obligation, the action for breach of confidence is not conferring a proprietary right in information, in contrast to the property right in goodwill conferred by the common law tort of passing off. Owners of land have a remedy against unauthorised invasions of their property regardless of any relationship with the invader. Although Megarry J refers to the 'owner' of confidential information in *Coco v AN Clark (Engineers) Ltd* (1969), this is not ownership in the true sense.

Information may be imparted directly or indirectly. And information can also be transferred by being 'taken' from its owner by the recipient. This raises the question whether any obligation can arise in these circumstances. Any answer must depend on the source of the obligation, whether it is the good faith of the parties concerned, as might be expected from an equitable remedy, or the type of relationship concerned or, perhaps, merely the knowledge of the recipient that the information is confidential.

In *Coco v AN Clark (Engineers) Ltd* (1969), Megarry J stated the need for an obligation thus:

The second requirement is that the information must have been communicated in circumstances importing an obligation of confidence. However secret and confidential the information, there can be no binding obligation of confidence if that information is blurted out in public or is communicated in other

circumstances which negative any duty of holding it confidential ... It seems to me that, if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence.

Necessary conditions appear then to be, at least, both the privacy of the circumstances of communication and the fact of a transferring of information, such that the recipient is aware of its confidentiality. Not so clear is whether it is essential that the communication must be from owner to recipient, rather than a taking by recipient from owner. We shall examine each of these circumstances in turn.

### **6.4.1 The direct recipient**

Where the information is transferred by owner to recipient, an obligation may be created expressly, or inferred from the circumstances. Obligations of confidence are often created expressly by contract. This has the advantage of providing the parties with the opportunity to define precisely the information which to be protected, and the uses that can be made of it by the recipient. Such a contractual obligation will also act as a warning to the recipient against any potential breach. Contractual agreements may also determine the boundaries of the obligation being imposed. It would be prudent to provide that the obligation should not arise if the information was known to the recipient prior to the disclosure, and should cease if the information comes into the public domain otherwise than by the recipient's breach, or if it were to be acquired by him from a third party who was not bound by obligations of confidence to the discloser.

Contracts can also negate any obligation, in circumstances where it might otherwise be employed. In *Fraser v Evans* (1969), the plaintiff was commissioned to write a report for the Greek military government. The contract expressly imposed a duty of confidentiality on the plaintiff, but provided for no reciprocal confidentiality on the other party. Restrictive covenants against competition with the employer, which may include prohibition against the disclosure or use of confidential information, by an employee on leaving employment, are common in contracts of employment, though subject to the contractual doctrine of contracts in restraint of trade. Express obligations can also be laid down in letters. But an express obligation need not be written, it may be informal.

Megarry J's test of obligation in *Coco v AN Clark (Engineers) Ltd* (1969) also envisages an obligation arising if it can be implied from the circumstances, on the basis of the understanding of a reasonable man. This appears to be an objective test of acceptance of obligation, based on knowledge of the relevant

circumstances. But, if the action for breach of confidence is based on good faith, a subjective test of acceptance of obligation might have been expected.

Jacob J queried the objective test in *Carflow Products (UK) Ltd v Linwood Securities (Birmingham) Ltd* (1996) because 'equity looks at the conscience of the individual', and preferred the subjective view. The plaintiff had showed a prototype for a car steering lock to a company buyer without any express obligations of confidence, knowing that the buyers were apt to leave samples in their offices on view to all comers. On the facts, Jacob J held that no obligation of confidence sprang into being, whether an objective or a subjective test were to be applied. It may be that, in most cases, the result of either test would be the same, particularly if the appropriate objective test is of the reasonable individual invested with any special characteristics of the parties. The difficulty posed by a subjective test lies in showing evidence of the parties' intentions.

One circumstance that will be relevant is the relationship of the parties, because some relationships are recognised as giving rise to a duty to maintain confidentiality. This is so for fiduciary relationships, such as that of partner to partner, trustee to beneficiary, agent to principal; it is also so for other common relationships, such as marriage (as in *Duchess of Argyll v Duke of Argyll* (1967)), employment and commercial negotiations. Ungood-Thomas J recognised that the list of confidential relationships is not closed in the *Argyll* case.

The circumstances in which negotiations take place will be relevant, as was significant in *Coco v AN Clark (Engineers) Ltd* (1969) itself; Megarry J said:

In particular, where information of commercial or industrial value is given on a business like basis and with some avowed common object in mind, such as a joint venture or the manufacture of articles by one party for the other, I would regard the recipient as carrying a heavy burden if he seeks to repel a contention that he was bound by an obligation of confidence: see the *Saltman* case, p 216.

Jacob J distinguished this case in *Carflow Products (UK) Ltd v Linwood Securities (Birmingham) Ltd* (1996), on the basis that another significant circumstance to be taken into account was the reasonable man's knowledge that the law provided alternative means of protecting a prototype through design law. It would seem that Jacob J was taking the understanding of the reasonable designer, rather than the reasonable man in the street, who may know little or nothing of intellectual property or, more specifically, design protection. The relationship between the plaintiff and the buyer to whom the prototype had been shown also differed from that between the parties in *Coco v AN Clark (Engineers) Ltd* (1969) in that it was a one-off meeting between designer and buyer, whereas the plaintiff and the defendant had built up a relationship over several months of (eventually fruitless) negotiations in *Coco v AN Clark (Engineers) Ltd* (1969).

The test of obligation propounded by Megarry J has the potential to cause difficulties to companies which are sent unsolicited information. To use the

information could be regarded as acceptance of obligation, if the circumstances otherwise were sufficient to suggest that the information had been sent in confidence. Yet the recipient may have already been in possession of the information, or may receive it later, from another source, and possibly at a lower price. In fact, an unscrupulous communicant could 'plant' information on an unwilling recipient, purely in order to prevent that recipient making use of the information in order to preserve a competitive advantage. And the dangers to the unwilling recipient could be exaggerated by the finding in *Seager v Copydex Ltd (No 1)* (1967) that unconscious use was a breach.

The problem of unsolicited information being received was considered by the Law Commission in their report on the action for breach of confidence: *Breach of Confidence* (Cmnd 8388 (1981)). Evidence to the Law Commission showed that some companies were taking elaborate precautions to ensure that no obligation arose in such circumstances. They recommended that an obligation should only come into existence if there had been an express representation of confidence, or if one could be inferred from the relationship or conduct of the parties. Given that the statutory tort of breach of confidence recommended by the Law Commission has not been enacted, it remains prudent to take precautions, such as adopting 'clean room' tactics for the opening of mail, by individuals kept entirely separate from design teams or by requiring the sender to sign a document repudiating any obligation of confidence.

One relationship in which duties of confidence are significant is that between employer and employee. However, the interests at stake conflict. As well as the employer's private interest in maintaining confidentiality, there is a public interest in the freedom of movement of labour, and of competition. One obvious way of reconciling these conflicts of interest is to distinguish between the serving employee and the ex-employee, as the balance of interests shift with the ending of the employment relationship.

An employee may have express obligations of fidelity, and confidentiality, to the employer. And such obligations will also be implied into the contract of employment. The principles to be employed in relation to an employee were set out by Neill LJ in *Faccenda Chicken v Fowler* (1986):

- (1) Where the parties are, or have been, linked by a contract of employment, the obligations of the employee are to be determined by the contract between him and his employer (see *Vokes v Heather* (1979)).
- (2) In the absence of any express term, the obligations of the employee in respect of the use and disclosure of information are the subject of implied terms.
- (3) While the employee remains in the employment of the employer, the obligations are included in the implied term which imposes a duty of good faith or fidelity on the employee. For the purpose of the present appeal, it is not necessary to consider the precise limits of this implied term, but it may be noted:

## Breach of Confidence

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- (a) that the extent of the duty of good faith will vary according to the nature of the contract (see *Vokes v Heather* (1979));
- (b) that the duty of good faith will be broken if an employee makes or copies a list of the customers of the employer for use after his employment ends or deliberately memorises such a list, even though, except in special circumstances, there is no general restriction on an ex-employee canvassing or doing business with customers of his former employer (see *Robb v Green* (1895) and *Wessex Dairies Ltd v Smith* (1935)).

The duty of fidelity involves the protection of trade or commercial secrets, but also involves a duty not to compete with the employer: *Hivac Ltd v Park Royal Scientific Instruments Ltd* (1946). This does not preclude the taking of preliminary steps for starting a competitive business, but the dividing line between legitimate preparation and actual competitive activity is crossed if an employee's activity creates a conflict of interest between the employee's interests and duties as an employee: *Lancashire Fires Ltd v SA Lyons and Company Ltd* (1996).

The duty of confidentiality extends to information expressly indicated to be confidential to the employee or satisfying the general test of confidentiality (see 6.3.2).

The ex-employee is differently constrained. The courts have been challenged by the need to draw a distinction between skills and knowledge acquired during employment, which an employee must be free to continue to use, and specific information which may remain protected on the former employer's behalf. That the information remaining protected after the employment ends is more restricted than that protected during it is clear from *Printers and Finishers v Holloway* (1965) and *Faccenda Chicken v Fowler* (1986):

- (4) The implied term which imposes an obligation on the employee as to his conduct after the determination of the employment is more restricted in its scope than that which imposes a general duty of good faith. It is clear that the obligation not to use or disclose information may cover secret processes of manufacture such as chemical formulae (see *Amber Size and Chemical Co Ltd v Menzel* (1913)), or designs or special methods of construction (see *Reid and Sigrist Ltd v Moss and Mechanism Ltd* (1932)), and other information which is of a sufficiently high degree of confidentiality as to amount to a trade secret.

The obligation does not extend, however, to cover all information which is given to or acquired by the employee while in his employment and, in particular, may not cover information which is only 'confidential' in the sense that an unauthorised disclosure of such information to a third party while the employment subsisted would be a clear breach of the duty of good faith.

In the absence of a line expressly drawn by the contract of employment, two approaches to distinguish information protected during employment, and that remaining to be within protection when the employment ends, have

offered themselves as an appropriate test. The court can either define which particular types of information which could be obtained by an employee during employment fall into the more restricted post-employment category of confidential information; or it can lay down a general test of discretion to use according to the circumstances.

Earlier cases adopt the second of these approaches, distinguishing between information which is 'separable' from the ex-employee's knowledge and skill, and that which has merged with those skills gained during the employment. This allows the court to take into account the position held by the employee, the efforts to preserve secrecy made by the employer, and other relevant circumstances. In *Printers and Finishers v Holloway* (1965), Cross J adopted a reasonable man test so that if 'a man of ordinary honesty and intelligence would recognise [information] to be the property of his old employer' the information would remain confidential. Any other information could continue to be protected by a restrictive covenant in the contract of employment. In *Potters-Ballotini v Weston-Baker* (1977), the Court of Appeal equated the judgment to be made with the test applied to the legitimacy of restrictive covenants; protection reasonably necessary to protect the employer against unfair competition.

However, the Court of Appeal apparently adopted the first approach in *Faccenda Chicken v Fowler* (1986), stating that post-employment confidentiality was restricted to 'trade secrets'. In *Printers and Finishers v Holloway* (1965), two areas of protection regarded as legitimate for the employer were trade secrets (in the sense of secret process or formulae) and commercial information relating to the employer's goodwill with customers. But the phrase 'trade secret' had not been understood in any more defined sense than as information to be found in the employment and industrial context. However, in *Faccenda Chicken v Fowler* (1986), Neill LJ explained the category of 'trade secret' in terms that appeared to equate it with the patentable, saying:

- (5) In order to determine whether any particular item of information falls within the implied term so as to prevent its use or disclosure by an employee after his employment has ceased, it is necessary to consider all the circumstances of the case. We are satisfied that the following matters are among those to which attention must be paid.
  - (a) The nature of the employment. Thus, employment in a capacity where 'confidential' material is habitually handled may impose a high obligation of confidentiality because the employee can be expected to realise its sensitive nature to a greater extent than if he were employed in a capacity where such material reaches him only occasionally or incidentally.
  - (b) The nature of the information itself. In our judgment, the information will only be protected if it can be properly be classed as a trade secret or as material which, while not properly to be described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a

trade secret *eo nomine*. The restrictive covenant cases demonstrate that a covenant will not be upheld on the basis of the status of the information which might be disclosed by the former employee if he is not restrained unless it can be regarded as a trade secret or the equivalent of a trade secret: see, for example, *Herbert Morris Ltd v Saxelby* (1916) *per* Lord Parker and *Littlewoods Organisation Ltd v Harris* (1978) *per* Megaw LJ.

It is clearly impossible to provide a list of matters which will qualify as trade secrets or their equivalent. Secret processes of manufacture provide obvious examples, but innumerable other pieces of information are capable of being trade secrets, though the secrecy of some information may only be short lived. In addition, the fact that the circulation of certain information is restricted to a limited number of individuals may throw light on the status of the information and its degree of confidentiality.

- (c) Whether the employer impressed on the employee the confidentiality of the information. Thus, though an employer cannot prevent the use or disclosure merely by telling the employee that certain information is confidential, the attitude of the employer towards the information provides evidence which may assist in determining whether or not the information can properly be regarded as a trade secret. It is to be observed that, in *E Worsley and Co Ltd v Cooper* (1939), Morton J attached significance to the fact that no warning had been given to the defendant that the 'source from which the paper came was to be treated as confidential'.
- (d) Whether the relevant information can be easily isolated from other information which the employee is free to use or disclose. In *Printers and Finishers v Holloway* (1964), Cross J considered the protection which might be afforded to information which had been memorised by an ex-employee.

For our part, we would not regard the separability of the information in question as being conclusive, but the fact that the alleged 'confidential' information is part of a package and that the remainder of the package is not confidential is likely to throw light on whether the information in question is really a trade secret.

Staughton LJ emphasised in *Lansing Linde Ltd v Kerr* (1991) that information might be protected on this basis though it may not 'ordinarily be called a trade secret'. *Faccenda Chicken v Fowler* (1986) may be criticised if protectable confidential information is confined to 'secret processes of manufacture' and their equivalent. Nor does the judgment meet the criticism that the separability test is not conducive to certainty, being dependent on a detailed assessment of all the circumstances, as the Court of Appeal itself admits the impossibility of listing all information capable of being regarded as a trade secret.



*Faccenda Chicken v Fowler* (1986) may also be criticised for misunderstanding the field of operation of the restrictive covenant. Neill LJ suggests that the information to which such a covenant may apply is the same as the so called trade secret. Yet, if this were so, the ambit of the express obligation after employment through the restrictive covenant and the implied post-employment obligation, would be co-extensive. That this was not the case was observed by Scott J in *Balston v Headline Filters* (1987).

That the decision is one dependent on the facts can be seen in *Poly Lina Ltd v Finch* (1995), where *Faccenda Chicken v Fowler* (1986) was distinguished, on its facts, and the commercial information used by the defendants held to be 'trade secrets *eo nomine*'. To confirm this conclusion, Judge Phelan applied the reasonable man separability test from *Printers and Finishers v Holloway* (1964). In the event, the question that a court must ask was expounded by Sir Thomas Bingham MR in *Lancashire Fires Ltd v SA Lyons and Co Ltd* (1996) as being 'whether an ex-employee has illegitimately used the confidential information which forms part of the stock in trade of his former employer, or whether he has simply used his own professional expertise, gained in whole or in part during his former employment'. This can be said to combine the requirements of *Faccenda Chicken v Fowler* (1986) and *Printers and Finishers v Holloway* (1964).

One very relevant circumstance will be the express efforts made by an employer to emphasise the confidentiality of defined pieces of information. At first instance, in the *Lancashire Fires Ltd* case, Carnwath J had held that the information taken was not protected because the employer had not 'defined expressly those parts of his operations which he regard[ed] as entitled to protection, and instructed his employees accordingly'. The Court of Appeal took a more realistic view of the employers' need to define confidentiality expressly, holding that 'it would be unrealistic to expect a small and informal organisation to adopt the same business disciplines as a larger and more bureaucratic concern'.

#### **6.4.2 The indirect recipient**

Information may be imparted by the owner of confidential information, in circumstances importing an inference of confidentiality, which subsequently is further communicated to a third party: an indirect impartation from owner to recipient. Can the indirect recipient be subject to obligations of confidence? It might be expected that no obligation would arise where no direct relationship between owner and recipient is created by the communication of the information. If an obligation is found, this is significant in an analysis of the juridical basis of the action for breach of confidence. A third party recipient of information may be subject to any breaches of copyright or passing off involved.

But an indirect recipient was found liable for breach of confidence both in *Prince Albert v Strange* (1849) and *Morison v Moat* (1851). In the latter case, a partner's son used a secret formula employed by the two partners. The secret had been transferred from one partner to the other on the condition that it would never be revealed to anyone, but was divulged to the partner recipient's son. It was held that the plaintiff had a right of action against the defendant because the secret had been divulged in breach both of contract and of faith.

Given that there must be a chain of impartation of the information from the original owner to the final recipient, to find a breach, in such circumstances, suggests that it is not so much the act of imparting information in suitably confidential circumstances that gives rise to the obligation which is the source of the obligation, as the eventual recipient's knowledge that the information was confidential. Had the final recipient received the information from another source, either the information would be in the public domain, or the obligation be owed to another.

Liability based on knowledge of confidentiality, that knowledge being tested objectively, is consistent with an action founded on good faith. If this is the case, a distinction should be made between the situation where the third party acts either deliberately or negligently in breaching the confidence of which they are aware, and an innocent breach. To restrain an innocent breach would be to give a property right in the confidential information. It has been argued that *Seager v Copydex (No 1)* (1967) did do so (see 6.5.1). Liability has been imposed on third party recipients who were unaware of the confidentiality at the time the information was received, but only from the time at which that recipient became aware of the confidentiality. This tends to confirm that the obligation is an equitable one. In *Printers and Finishers Ltd v Holloway* (1965), an injunction was granted against the third party employers of the direct recipient of the confidential information, their employee who had been shown around the plaintiff's plant. In *Stevenson Jordan and Harrison v MacDonald Evans* (1951), the defendant contracted with an employee of the plaintiff for a book written by that employee. One issue centred on the liability of the third party publishers. When the contract was made, the publishers were unaware that the book contained confidential information. Lloyd-Jacob J held that the wrong to be restrained was not the entry into the contract of publication, but the act of publishing, and that an innocent mind at the time of the contract could not overcome the consequences of full knowledge at or before the time of the publishing.

In *Morison v Moat* (1851), Turner VC doubted whether any obligation would have been owed by a third party purchaser for value of the secret without notice of any obligation affecting it. But, as a mere volunteer, the defendant was liable. Such a defence would be consistent with the equitable nature of the action for breach of confidence. However, in *Stevenson Jordan and*

*Harrison v MacDonald Evans* (1951), Lloyd-Jacob J did not recognise such a defence and the Court of Appeal left the point open.

Professor Jones argued that to base breach of confidence in equity would provide a framework for resolving such questions in 'Restitution of benefits obtained in breach of another's confidence' (1970) 86 LQR 463. Equity would recognise a defence both for the *bona fide* purchaser for value without notice, and for a defendant who had irrevocably changed his position to his detriment before becoming aware of the confidence. The Supreme Court of New South Wales was not prepared to provide such a defence in *Wheatley v Bell* (1984). The plaintiff had developed a system of providing information about businesses in a defined suburban area. The system was marketed by granting franchises in each such area of a city. Bell learnt about the system as a potential franchisee in Perth, Western Australia. He exploited the idea for his own benefit in Sydney, New South Wales, marketing to franchisees in advance of the plaintiff's introduction of their scheme there. One issue for the court was whether the defendant's franchisees, who were the purchasers of the information, but did not know of its confidential nature at the time of purchase, were liable for breach of confidence. Helsham J considered whether injunctions should extend to the franchisees, but rejected the analogy to *bona fide* purchasers for value without notice. That was a device for adjusting competing claims to property rights in equity, he said, and inappropriate to breach of confidence where property rights were not at stake. Injunctions were granted against the franchisees. Liability was imposed on the indirect recipients because of their knowledge of the information's confidentiality. The position of the innocent indirect recipient remains unresolved. It could be argued that if the disclosure is to a wide circle of third party recipients that the information has reached the public domain, and that no liability could lie against the indirect recipients for that reason. On the facts, Helsham J rejected such an argument in *Wheatley v Bell* (1984).

The Law Commission considered the position of third party recipients acquiring confidential information for value in its report *Breach of Confidence*, Cmnd 8388 (1981). Their view was that, while this was a pertinent circumstance for the court to take into account, the court's discretion should not be fettered by a definite rule in favour of the *bona fide* purchaser for value without notice. They did, however, suggest adopting a new discretionary remedy, an adjustment order. Had the suggestion been enacted, this would have enabled a court to do justice between the conflicting interests of two 'competing innocents'.

### **6.4.3 No relationship**

It also needs to be considered whether any obligation of confidence can arise when the defendant has improperly acquired, or 'stolen' the information from its owner. If liability is founded on a relationship created by the plaintiff

communicating that information to the defendant, then it would be expected that no obligation would be created in such circumstances. Yet, indirect recipients of confidential information are liable, given that there has been a chain of communication from plaintiff to defendant, because of their knowledge of that information's confidential nature. And the 'taker' of confidential information may well have equivalent knowledge if the circumstances of acquisition are such as to suggest to the reasonable man that the information is not intended for the public's eyes. There is also a form of communication, though in the reverse direction, as it were, by defendant from plaintiff, rather than from plaintiff to defendant.

Where confidential information had been overheard by a third party when being communicated, Megarry J rejected the creation of an obligation of confidence. In *Malone v Metropolitan Police Commissioner* (1979), he held that the plaintiff could not protect information obtained by a lawful police 'tap' of his telephone. This can be defended to the extent that it is a decision that to communicate secrets over the telephone did not do so in circumstances which 'import an obligation of confidence' because the risks of being overheard were such that the reasonable man would not regard such communication as secure. The examples Megarry J used to illustrate his finding suggest that was what he intended. He went on to suggest that there would be just cause and excuse for such action by, or on behalf of, the police; in other words, use of the information, had there been any confidentiality, would have fallen within the public interest.

It is unfortunate, however, that this decision stands in the way of importing an obligation where confidential information has been 'taken' without authority. Neither does it distinguish between inadvertent overhearing and deliberate eavesdropping. In *Francome v Mirror Newspapers* (1984), the Court of Appeal held that there was a serious issue to be tried, and granted an interlocutory injunction. Information was obtained by an illegal tapping of the plaintiff's telephone line and passed to the defendant. *Malone v Metropolitan Police Commissioner* (1979) was distinguished on the ground that it would be questionable whether the user of a telephone could reasonably be said to be taking the risk of being overheard by an illegal eavesdropper, rather than the ordinary 'accidents and imperfections of the telephone system itself'. Unauthorised taking of confidential information may amount to trespass and other criminal offences. If the information is contained within an item of property, its unauthorised acquisition may amount to theft, for example. However, the appropriate remedies for these wrongs do not prevent subsequent use or disclosure of the information.

The Law Commission identified this gap in the action for breach of confidence as a 'glaring inadequacy' in their report *Breach of Confidence*, Cmnd 8388 (1981). They proposed that an obligation of confidence should arise where information was improperly obtained in a number of specified circumstances.

In Australia, the courts have found another solution to this problem, by treating confidential information as being tantamount to a piece of property. In *Franklin v Giddins* (1978), the plaintiff bred a new form of nectarine. The defendant stole a budwood cutting from the plaintiff's nectarine orchard, and developed an orchard in direct competition. Dunn J said:

I find myself quite unable to accept that a thief who steals a trade secret, knowing it to be a trade secret, with the intention of using it in commercial competition with its owner, to the detriment of the latter, and so uses it, is less unconscionable than a traitorous servant. The thief is unconscionable because he plans to use and does use his own wrong conduct to better his position in competition with the owner, and so to place himself in a better position than that of a person who deals consensually with the owner.

He imposed a constructive trust, a proprietary remedy, on the defendant's trees and fruit, and granted an order for delivery up of the trust property. However, in English criminal cases, confidential information has not been treated as property: *Oxford v Moss* (1978). It was held that theft requires the misappropriation of another's property. But to read an examination paper, although improperly obtained, did not amount to theft because there was no property in the information and the paper was not misappropriated.

In 1997, the Law Commission issued a Consultation Paper: *Legislating the Criminal Code: Misuse of Trade Secrets*, Law Commission Consultation Paper No 150, 1997. They proposed criminal sanctions for the use or disclosure of trade secrets belonging to another without that other's consent. 'Trade secret' would not take the restrictive meaning of *Faccenda Chicken v Fowler* (1986), but would comprise information not generally known whose owner had expressly or impliedly expressed a wish that it remain secret. A criminal remedy may act as a deterrent, and allow for the use of public authorities to detect and enforce the offence, although to extend the offence to the acquisition of trade secrets (as well as their use and disclosure) would go further towards preserving the secrecy of the information. However, the Law Commission has not proposed that the mere unauthorised acquisition of trade secrets should amount to an offence.

Article 40 of the TRIPS Agreement may lead to further change, containing a wide provision that persons who have confidential information legally within their control should be able to prevent its unauthorised disclosure, acquisition or use in a manner contrary to honest commercial practices.

## 6.5 Breach

Megarry J's third condition for the action of breach of confidence in *Coco v AN Clark (Engineers) Ltd* (1969) requires 'an unauthorised use of the information to the detriment of the person communicating it'. Use will include disclosure of the information, but apparently not its unauthorised acquisition.

### 6.5.1 Subconscious breach

There is no necessity for the breach to be either deliberate or conscious. In *Seager v Copydex (No 1)* (1967), the Court of Appeal held that the plaintiff was in breach of confidence despite acting honestly. The same was held by Harris J at first instance in the Australian case of *Talbot v General Television Corp Pty Ltd* (1981). However, this is not consistent with an action based on good faith, as the honest and innocent defendant has not broken good faith, although it is consistent with the imposition of liability imposed on an indirect recipient who receives the information innocent of its confidentiality. In this latter circumstance, though, liability only lies from the time that the defendant becomes aware of the information's confidentiality. To make the entirely innocent defendant liable is to treat the information as property.

A different interpretation of *Seager v Copydex (No 1)* (1967) is that the defendants were aware of the confidential source of the information, but unaware that its use constituted a wrong. Lord Denning MR said:

They were quite innocent of any intention to take advantage of him. They thought that, as long as they did not infringe his patent, they were exempt. In this they were in error. They were not aware of the law as to confidential information.

And on appeal, in *Talbot v General Television Corp Pty Ltd* (1981), the court expressed reservations about the finding of subconscious copying, while upholding the decision. Murphy J preferred the inference from *Seager v Copydex (No 1)* (1967) that the defendant used the idea without realising the plaintiff's rights rather than not realising that they were copying at all.

### 6.5.2 Detriment to the plaintiff

Although Megarry J stipulated that the breach should be to the detriment of the plaintiff in his three conditions, he himself did not preclude the conclusion that the detriment might be to an individual other than the plaintiff. He noted that, *prima facie*, a remedy based in equity should be founded on a detriment, but could envisage situations where the detriment might be incurred by a third party, such as a relative of the owner of the information. In *Stevens v Avery* (1988), the damage was to the reputation of the deceased subject of the information. Lord Keith considered this issue in *Attorney General v Guardian Newspapers (No 2)* (1988) and took the view that the relevance of detriment was to the remedy sought. Where damages were claimed, compensatory, damages (other than nominal damages) would be unlikely if no detriment had been suffered. If an injunction was sought, he felt that the definition of detriment ought to be wide enough to include invasions of privacy, and include accounting for any profit made by the defendant, or that no detriment should be required. Where the government was the plaintiff, the required detriment would be harm to the public interest.

### 6.5.3 Inducing breach of contract

Where confidential information has been communicated, but no use or disclosure made of it, the plaintiff may secure protection through the tort of inducing breach of contract. In *Hivac v Park Royal* (1946), five of the plaintiff company's skilled workers worked on Sundays for the defendant company. No confidential information had been disclosed or used, nor was such a breach of confidence threatened. Yet the plaintiff feared that eventual use was inevitable. The employees could not be dismissed under wartime restrictions, and the plaintiff successfully sought interlocutory relief preventing the defendant procuring a breach of the employees' contracts of employment.

### 6.5.4 Defences

It is not clear whether the disclosure in the public interest provides a defence to a breach of confidence, or whether this constitutes information which is regarded as falling outside the category of information with the necessary quality of confidence. The difference lies in the burden of proof. If a defence, the obligation will lie on the defendant to make out the public interest. In *Commonwealth of Australia v Fairfax* (1980), the High Court of Australia held that the onus lay on the defendant, as did Lord Griffiths in *Attorney General v Guardian Newspapers Ltd (No 2)* (1988). But, if the information is not within the sphere of protection, the obligation will lie on the plaintiff to make out the lack of any public interest in the information, as is suggested by *Attorney General v Jonathan Cape* (1976). It has been suggested that a willingness to regard public interest as a defence has grown with the recognition of breach of confidence as an equitably based remedy. The discretionary nature of equity enables the courts at once to recognise the existence of an obligation, while refusing to enforce it: Cripps, Y, *The Legal Implications of Disclosure in the Public Interest: An Analysis of Prohibitions and Protections with Particular Reference to Employers and Employees*, 1994, London: Sweet & Maxwell.

The English approach has not always received approval, as evidenced by the judgment of Gummow J in *Smith Kline and French Laboratories (Australia) Ltd v Secretary to the Department of Community Services and Health* (1990):

... (i) an examination of the recent English decisions shows that the so called 'public interest' defence is not so much a rule of law as an invitation to judicial idiosyncrasy by deciding each case on an ad hoc basis as to whether, on the facts overall, it is better to respect or to override the obligation of confidence, and (ii) equitable principles are best developed by reference to what conscionable behaviour demands of the defendant, not by 'balancing' and then overriding those demands by reference to matters of social or political opinion.

### 6.5.5 Remedies

The usual intellectual property remedies apply also to an action for breach of confidence. Equity has no difficulty providing the equitable remedies of injunction, account of profits, and an order for delivery up. In *Peter Pan Manufacturing v Corsets Silhouette* (1963), the plaintiff sought an account of profit. Pennycuik J awarded the plaintiff the whole of the defendant's profit on the product, made using confidential information belonging to the plaintiff. The defendant had argued unsuccessfully that only the profit attributable to the confidential information should be awarded.

The injunction, particularly the interlocutory injunction, is attractive to the plaintiff anxious to prevent threatened disclosure of confidential information, as the only means of preserving the information's value.

Doubts were expressed about the appropriateness of an injunction in 'springboard' breaches of confidence in *Coco v AN Clark (Engineers) Ltd* (1969), as we have seen (see 6.3.2). Only damages were awarded in *Seager v Copydex (No 1)* (1967), but an injunction, but of limited duration, was discussed in *Roger Bullivant Ltd v Ellis* (1987).

Damages can be awarded where the breach of confidence is also a breach of contract or tort on normal common law principles. Where the action is based purely in equity, damages can be awarded in lieu of, or in addition to, an injunction (s 50 of the Supreme Court Act 1981), and damages were awarded for harm already incurred; in addition, an injunction was granted to prevent future breaches in *Peter Pan Manufacturing v Corsets Silhouette* (1963). It is doubtful if damages could be awarded if the only possible breach has occurred, for then no injunction lies in lieu of which damages can be granted.

Damages will be awarded to put the plaintiff in the position that he would have been in had there been no breach of confidence. Guidelines for awarding damages for future injuries in lieu of an injunction were laid down in *Seager v Copydex (No 2)* (1969). Lord Denning MR said that, where the information could have been obtained by employing a consultant, damages should reflect a consultant's fee, but, where the information was inventive and not available elsewhere, its value would be much higher. This would be estimated by the price payable for it as between a willing buyer and willing seller – a notional royalty. The result, however, said Lord Denning, would give the information to the defendant as though it had been paid for, allowing its use by the defendant, and, if appropriate, the ability to apply for a patent for it. Such a result frustrates any wish retained by the plaintiff to continue to utilise the information.





## BREACH OF CONFIDENCE

This action has obscure origins, but is now accepted to be based in equity. It provides a flexible remedy. The conditions are laid down in *Coco v AN Clark (Engineers) Ltd* (1969):

- confidential information;
- an obligation of confidence between plaintiff and defendant; and
- breach of this obligation by unauthorised use or disclosure of the information.

### Confidential information

Any type of information may be protected, including ideas, provided that they are of commercial potential and capable of realisation. Trivial information does not give rise to a remedy.

The information must be confidential, not public knowledge, but this is a relative concept, so that a slight level of disclosure does not preclude confidence, nor does the fact that the components of a composite piece of information may lie in the public domain, or that it has been disclosed if the disclosure was only for limited purposes. Whether information is confidential is an objective test. It may be that not all publication (at a level to constitute public knowledge) destroys confidentiality. Disclosure by the information's owner will do so, but confidentiality has been considered arguable where disclosure was made by a defendant (*Speed Seal Products v Paddington* (1986)). This is better explained as a breach of the springboard doctrine. A breach of obligation was found where the disclosure was made by a third party; but can be justified as an employee's breach of the duty of fidelity (*Cranleigh Precision Engineering v Bryant* (1964)).

Information which has reached the public domain may continue to be protected where a defendant has gained a springboard advantage from the information during its confidence. Damages are the more appropriate remedy, but carefully constrained injunctions have been granted.

If the disclosure of confidential information is in the public interest, no breach may be found. The public interest is defined as any just cause and excuse for disclosure which does not extend to all information in which the public may be interested. Courts must balance the public interest in preserving confidence against that in disclosure. The public interest may not extend as far as disclosure to the general public, being restricted to revelation to the appropriate authorities.

## The obligation of confidence

An obligation of confidence may be expressly created between confidor and confidee, but may also be implied from their relationship, or from the circumstances in which the information is communicated. An objective test is applied to implied confidence, which has the potential to impose an obligation on the recipient of unsolicited information unless deliberate steps are taken to refute the implication.

Where there are no express provisions, employees are subject to implied duties of fidelity and confidence, and the duty of confidence survives the end of employment. Once employment ends, the amount of information which continues to be protected diminishes to allow the ex-employee to continue to use information that has become an integral part of his knowledge and skill. Distinguishing between protected and unprotected information was a challenge faced by the Court of Appeal in *Faccenda Chicken v Fowler* (1986) and *Lancashire Fires Ltd v SA Lyons and Co Ltd* (1996). Further protection for general knowledge and skill may be secured by the employer's use of reasonable restrictive covenants in the contract of employment.

An indirect recipient of information imparted in confidence by its owner is bound by an obligation of confidence, provided that the recipient is aware of the information's confidentiality. It is not clear whether a *bona fide* purchaser for value of the information would also owe an obligation of confidence.

Where information has not been imparted by its owner, but taken without authority by the recipient, it would appear that there is no obligation according to the objective test in *Coco v AN Clark (Engineers) Ltd* (1969); but the recipient must be aware of the information's confidential nature and cannot be acting in the good faith. It is on this absence of good faith on which the remedy is to be based. In Australia, such conduct has been regarded as unconscionable, and a constructive trust is imposed on the recipient. The lack of clear protection has been identified as a gap in the UK remedy and the Law Commission proposes to make the unauthorised acquisition of confidential information a criminal offence.

## Breach

Any unauthorised use or disclosure of confidential information where there is an obligation of confidence constitutes a breach. Subconscious breaches may also create liability. It is not clear whether the breach need to be to the detriment of the plaintiff: detriment to a third party may suffice.

The tort of inducing breach of contract may provide a remedy where confidential information is at risk, but before any use or disclosure has been made of it.

## **Remedies**

The usual remedies (damages, injunctions, account of profits and delivery up) are available. An injunction may not lie where public interest is pleaded, or for a springboard breach. Damages will be awarded to put the plaintiff in the position as if there had been no breach, on the basis of a consultant's fee or a notional royalty.



## **COPYRIGHT PRINCIPLES AND COPYRIGHT WORKS**

Copyright is a statutory property right. It is conferred by the Copyright, Designs and Patents Act 1988 (CDPA 1988) and subsists in a work, thereby conferring exclusive rights on the copyright owner for a sustained period. The period varies according to the type of work. This allows a copyright owner to exploit ideas once they have been embodied in a work, and provides the means for allocating the risks of doing so. Works are created by authors, but copyright will only subsist if the work qualifies for protection by a factor connecting it with the UK. The exploitation of copyright in a work may be divided up by act, place or time, and may be separately assigned or licensed.

Copyright differs from a patent, registered design and trade mark in that, although it is a statutory right, the protection arises automatically once the work has been created and recorded. Copyright subsists without any formality, there is no application, examination or registration. This means that there is no register that can be consulted in order to ascertain the rights subsisting in a work. Although copyright notices (© Cavendish 1999, for example) are common, there is no requirement for them to be placed on a work unless protection is sought in a Member State of the Universal Copyright Convention. Such notices do, however, have evidential value: ss 104–06 of the CDPA 1988.

Modern developments are having a profound effect on copyright law. The rapid development of technology, which allows easy copying, and high quality copies in particular, has meant an explosion of the activities of copyright pirates and bootleggers (those who make unauthorised copies of copyright works or performances). The so called ‘global information society’, in which information is of increasing value and wide availability, also poses increasing challenges to copyright. The Internet allows global dissemination of works which may have been uploaded without authority. Yet, resulting infringement, although very widespread, is often almost impossible to detect. Protection for computer software and databases has resulted (see 7.3.1). The definition of copying has been adapted (see 8.6.1). The problem remains one of great concern to copyright owners and pressure is mounting for further protection. The EU is proposing a Directive on Copyright in the Information Society (see 8.6.8).

### **7.1 Basic principles**

Copyright subsists in certain descriptions of work: s 1(1) of the CDPA 1988. Before describing these works, certain basic principles, which are not always

embodied in the statute, need explanation. These principles apply to the works described in 7.2.

### 7.1.1 A work

There is no statutory definition of 'work', but case law suggests that some minimum amount of effort must have been expended in the author's creation. A similar principle is attached to the requirement of originality (see 7.1.3) and the same conclusion is often reached: either that there is nothing existing which is substantive enough to be protected as a work, or that it is not 'original'. Copyright protection has been refused to works which are very trivial or very small (in terms of effort applied in creation). In *Sinanide v La Maison Kosmeo* (1928), the advertising slogan 'Beauty is a social necessity, not a luxury' was held to be too slight a work to found allegations of infringement by use of the rival slogan 'A youthful appearance is a social necessity'. The court may also apply the maxim *de minimis non curat lex*.

A single word was refused copyright protection in the controversial case of *Exxon v Exxon Insurance* (1982). The plaintiffs incurred considerable cost in having the name EXXON invented for their business. This was held not to constitute an 'original literary work' (although it was, if each element of the phrase be taken separately, original and literary) because it conveyed no information, provided no instruction and gave no pleasure. The statutory phrase must be read as a composite entity: original-literary-work. In addition, the court noted that other protection was available for names. The policy behind this decision is clear; to have allowed copyright would have conferred a long term monopoly over the name for all uses, whereas trade mark registration is made within classes of goods and services (see Chapter 13) and passing off is otherwise confined (see Chapter 12). However, the word did provide information, and dual protection of artistic works as trade marks is countenanced. The case must be distinguished from *Express Newspapers v Liverpool Daily Post* (1985). Here, a simple grid containing randomly selected numbers and letters constructed for a newspaper game was held to have the sole purpose of conveying information. It was also held that 'skill, labour and judgment' had been exercised in its production (see 7.1.3).

Titles and names have been refused copyright. In *Francis Day and Hunter v Twentieth Century Fox* (1940), no protection was given to the name of the song 'The man who broke the bank at Monte Carlo'; nor to the WOMBLES name in *Wombles v Wombles Skips* (1975), or the KOJAK name in *Tavener Rutledge v Trexpalm* (1977). Material that is trite and obvious has fallen at the same hurdle, so that, in *Cramp v Smythson* (1944), there was held to be no copyright in the tables included in the plaintiffs' Liteblue Diary 1933 where no skill or judgment had been exercised in their compilation.

### 7.1.2 Fixation of a work

It is a statutory requirement that literary, dramatic and musical works must have been recorded (or fixed) in a tangible form before copyright can subsist: s 3(2) of the CDPA 1988. This ensures that there is an entity capable of being regarded substantively as a work in those situations where creation without producing anything external is possible, as, for example, in the composition of music, or a poem or improvised dramatic action. The other copyright works necessarily have tangible form: films, videos, sound recordings, broadcasts. In a case where there might have been doubt in relation to an artistic work, the requirement that there be a work was applied. In *Merchandising Corp of America v Harpbond* (1983), it was held that facial make up used by the pop star Adam Ant was not a painting because 'a painting is not an idea: it is an object; and paint without a [permanent] surface is not a painting'. This decision and the requirement of recording are a reflection of the principle that copyright does not protect ideas, but the expression of ideas (see 7.1.6).

The work must be recorded 'in writing or otherwise'. Writing is defined in s 178 of the CDPA 1988. It includes any form of notation or code, whether by hand or otherwise, regardless of the medium in or on which the recording is made. This was amended in 1988 to accommodate new technologies, so that a work is recorded as soon as it is stored on a computer, for example, it does not have to be printed out. Notation and code will include, for example, the symbols used for the choreography of a ballet. The amended definition also allows for the creation of a greater number of works than was previously the case. Previously, it was not clear that a literary work could be fixed by tape recording, for example, but the new definition encompasses tape or video recording as fixation for a literary, dramatic or musical work. If the person making such a recording also secures a copyright right in the recording, as opposed to the underlying work, the recording of one work may generate multiple copyrights (see 7.1.4).

If, as now seems to be the case, a literary, dramatic, or musical work may be fixed by recording it (for example, as a sound recording, film or broadcast), it is possible for a very ephemeral work to be recorded and for copyright to arise. This would be the case even for a mere improvised performance of dance, poetry or music, for example. Copyright would arise despite the fact that the performer may not otherwise have been able to repeat the work. This will be so unless the requirement that there be a 'work' serves to exclude the extempore performance. That this may be so is suggested by s 180(2) of the CDPA 1988, which contemplates that a performance may be made without there being an underlying work to perform. Two early cases relating to dramatic works lead to a similar conclusion. The issue to be decided was whether characters, acting style and scenic effects could be protected as copyright dramatic works before the Copyright Act 1956 introduced the requirement of recording in writing. It was held that they could not because they were not capable of being printed: *Tate v Fulbrook* (1908); *Tate v Thomas*



(1921). The implication is that an *extempore* performance can only constitute a work to the extent that it is capable of being recorded in writing. Dworkin, G and Taylor, R, *Blackstone's Guide to the Copyright, Designs and Patents Act 1988*, 1989, London: Blackstone, state that a 'work is a distinct thing from the performance of it and also from the recording of that performance, but if the recording is the only evidence of the existence of the work, these latter two are likely to become confused'. In other words, the mere fact that a performance is possible does not imply the necessary presence of a work. Similarly, the arrangement of everyday objects, albeit in an unusual setting, to be photographed for an Oasis album cover, was held to be too ephemeral to be protected as an artistic work of collage in *Creation Records Ltd v News Group Newspapers Ltd* (1997), although the photograph recording the arrangement had been taken.

### 7.1.3 Originality

Literary, dramatic, musical and artistic works must be original (s 1(1) of the CDPA 1988), but 'originality' is not defined in the statute. This judicially initiated principle has two aspects: a work must emanate from its author, and the author must have exercised a modicum of 'skill, labour, and judgment' in the work's creation.

First, to be original a work must not be a copy, but this is not a difficult standard to meet (unlike displaying 'novelty' for a patent). The leading case is *University of London Press v University Tutorial Press* (1916). Deciding whether examination questions were copyright original literary works, Petersen J said:

The word 'original' does not in this connection mean that the work must be the expression of original or inventive thought. Copyright Acts are not concerned with the originality of ideas, but with the expression of thought ... the work must not be copied from another work – it should originate from the author.

This aspect of the requirement of originality has four consequences:

- (a) no evaluation of merit need be made before a work can be protected in copyright, which would not be practical without a regime of application and examination;
- (b) protection is given for authors' effort as much as creativity, which has the effect of protecting against unfair competition in some circumstances, and extends protection to the non-aesthetic (such as the newspaper game grids in *Express Newspapers v Liverpool Daily Post* (1985));
- (c) prevents indefinite extensions of copyright in a work; and
- (d) overlapping of copyrights is possible where copyright sources are reworked by an author rather than merely copied.

The concept of originality applied in some European jurisdictions is a more stringent one, requiring an element of creativity on an author's part, and is

incorporated into UK law in relation to databases. As a result of harmonisation resulting from the EU Directive on the Legal Protection of Databases (96/9/EC), s 3A(2) of the CDPA 1988 provides that a database, unlike other literary works, including compilations, is original only if its selection or arrangement constitutes the author's own intellectual creation (see 7.3.1).

Secondly, works may be regarded as original if an element of 'skill, labour and judgment' have been expended in their creation, and this remains so even if the work has been derived from other sources. *University of London Press v University Tutorial Press* (1916) also expresses this principle as the examination papers involved 'selection, judgment and experience', but the leading case is *Ladbroke (Football) v William Hill* (1964). The House of Lords held that coupons for football pools constituted original literary works. It was accepted that the 'vast amount of skill, judgment, experience and work' employed in building up the coupon constituted an original work. This was so although the effort and skill had not gone into the production of the literary work itself, but into the commercial selection of bets to offer, providing a remedy against unfair competition. And the principle applies however commonplace the sources used: *Macmillan v Cooper* (1923).

The work at issue in *Ladbroke's* case was a compilation, but this aspect of the originality principle does not appear confined to compilations. It has also been applied to what might be termed secondary works. In *Warwick Films v Eisinger* (1969), the defendant made a film of the trials of Oscar Wilde, using two books as verbatim sources for the words of counsel, the judges and Wilde himself in the trials. They argued that the books were not original works because they were taken from the trial transcripts and other sources. Plowman J held that there was copyright in both books. In the first, there had been considerable selection from the transcripts, sufficient to confer originality; in the second, although much had been copied from the first, there had also been considerable editing, the author had included his own contributions, and 'he had added material, omitted material, made verbal alterations, re-arranged material, transposed material and abbreviated material'. It is also the case that copyright may subsist in a secondary work, even though the author has infringed copyright subsisting in the sources used for it, provided that the 'skill, labour and judgment' employed in the creation of the secondary work is sufficient to create a new work.

The new copyright does not prevent others using the same sources, but prevents copying of the effort made in creating the secondary work. The subsequent author must go back to the original sources. The consequences can be profound where a work is created from sources to which others do not have access. This was evidenced in *ITV Publications v Time Out* (1984). The defendants published television listings for BBC and ITV channels, infringing the broadcasters' copyright. No other source existed for the information, so that a monopoly was conferred on the broadcasters' own publications of programme listings. Whitford J upheld copyright in the compilations of

programme information, rejecting the argument that they were merely information in which no copyright could subsist. It took legislation in the form of the Broadcasting Act 1990 to end this monopoly. The consequences in *Elanco v Mandops* (1980) were also controversial, when the same reasoning was applied to a secondary work, and have led to arguments that the 'skill, labour and judgment' principle should be confined to compilations. The plaintiffs had copyright in instructions for the use of a weedkiller, drawn from public sources. The defendants produced instructions using the plaintiffs' material. After objections from the plaintiffs, they recast these instructions several times. Despite these revisions, in an interlocutory application, the final version was treated as arguably infringing because the defendants did not return to the public sources. Elanco effectively secured a monopoly over the information contained in their instructions.

In the US, protection is not so easily secured for collections of information: *Feist Publications Inc v Rural Telephone Co* (1991). At issue were the 'white pages' of a telephone directory and it was held that the minimal arrangement that such subscriber information requires did not reach the level required for originality. The same now appears to apply to databases in the UK: s 3A(2) of the CDPA 1988. It may be that the Privy Council decision in *Interlego v Tyco Industries* (1989) has introduced a limitation for other works in the UK. An alternative conclusion, however, is that 'original' is to be interpreted differently for artistic works, although Lord Oliver stated that there was no distinction in principle in the case of artistic copyright. The plaintiffs attempted to establish copyright as original artistic works in drawings for the DUPLO children's construction toy had been copied from design drawings, and information added as to dimensions, which had been slightly changed. Lord Oliver said:

Similarly, in the speeches of Lord Reid and Lord Hodson in *Ladbroke (Football) Ltd v William Hill (Football) Ltd* (1964), it is stressed that the amount of skill, judgment or labour is likely to be decisive in the case of compilations. To apply that, however, as a universal test of originality in all copyright cases is not only unwarranted by the context in which the observations were made, but palpably erroneous. Take the simplest case of artistic copyright, a painting or a photograph. It takes great skill, judgment and labour to produce a good copy by painting or to produce an enlarged photograph from a positive print, but no one would reasonably contend that the copy, painting or enlargement was an 'original' artistic work in which the copier is entitled to claim copyright. Skill, labour or judgment merely in the process of copying cannot confer originality ... There must, in addition, be some element of material alteration or embellishment which suffices to make the totality of the work an original work.

Dworkin and Taylor point out that there is little difference between a skilful copy of an artistic work and the copyright conferred on a 'shorthand writer's copyright in his report of someone else's speech' (see 7.1.4 and 8.2.2). It is

possible to distinguish *Ladbroke* and *Interlego*. In the latter, all the skill went into the copying of the drawings, whereas, in the former, the skill employed resulted in a new work being created. That this is the correct principle may be suggested by Goff LJ, in *Elanco v Mandrops* (1980), where he said 'the compilation cases ... all go on there being skill and labour involved in making the compilation, as distinct from skill and labour in ascertaining the information'. That the issue is relevant is shown by *The Reject Shop v Robert Manners* (1995), in which enlarged photocopies of designs used in the production of handmade tiles were held not to be original.

#### 7.1.4 Reporter's copyright

A related question is that of the originality of a work which is a record of another's work. Section 3(3) of the CDPA 1988 provides that it is immaterial who makes the recording requisite to fix a copyright work, nor need the work's author consent to the recording being made. The making of a record of a hitherto unrecorded work may, therefore, result in the creation of two copyrights. It may confer copyright on the work's author, and confer another copyright on the recorder's record, provided that 'skill, labour and judgment' have been exercised during the making of the record. In *Walter v Lane* (1900), a reporter from *The Times* recorded a speech made by Lord Rosebery. This was copied by the defendant. The House of Lords held that copyright subsisted in the transcribed speech, overruling the Court of Appeal's finding that the speech must be original in the sense of containing the author's own words and ideas. Earl Halsbury LC was unconcerned about the multiplicity of copyrights that might ensue:

It is said that in the view I have suggested there would be as many copyrights as reporters. I do not see the difficulty. Each reporter is entitled to report, and each undoubtedly would have a copyright in his own published report; but where is the difficulty?

The reporter had edited the speech before publication. Section 3(3) of the CDPA 1988 leaves open the question whether *Walter v Lane* (1900) is to be followed. In *Robertson v Lewis* (1960), it was argued that the plaintiff had copyright in the printed record which he had made of a folk tune in the same way as the *Times* reporter. *Obiter*, Cross J said that this was unlikely. He distinguished *Walter v Lane* (1900) both as having been decided before the statutory requirement of originality had had to be satisfied and on its facts. Lord Rosebery's speech was recorded for the first time, whereas the tune must have been written down previously by others. This may represent the extent of a reporter's copyright, but *Walter v Lane* (1900) was approved in *Express Newspapers v News UK Ltd* (1990), where the record of an interview was the first report of it to be made.

### 7.1.5 Independent creation

The interpretation given to 'original' has a further consequence in that, provided that the works have been created without copying, it is quite possible for copyright to subsist in two identical works. For example, pictures simultaneously taken by press photographers from the same vantage point and in the same lighting conditions may bear a very close resemblance, yet, provided that they are taken individually, each photographer will secure copyright (the qualification provisions being satisfied (see 8.1)).

### 7.1.6 The idea-expression dichotomy

Another fundamental copyright principle not expressed in the CDPA 1988 is the tenet that 'there is no copyright in an idea, copyright only subsists in its expression'. This can be illustrated by imagining a piece of narrative writing. The storyline originates in the author's idea, it is the particular words used that are the expression which the author has adopted. Anyone may write a story generally along the same lines, but they must not adopt the first author's particular choice of words. Consequently, a work needs to be fixed before copyright subsists because it must have a particular form of expression. The principle can be traced to the US decision in *Baker v Selden* (1879), where it was held that no copyright could subsist in the system of accounting described in Selden's book, which remained free for anyone to use (this principle is now embodied in s 102(a) of the US Copyright Act 1976). It was expressed in the UK by Petersen J in *University of London Press v University Tutorial Press* (1916). *Walter v Lane* (1900) can be explained on this basis. Lord Rosebery's speech constituted the idea, but it was the *Times* reporter who gave it particularity of expression. The House of Lords confirmed the application of the rule in *LB Plastics v Swish* (1979). The plaintiffs made 'knock down' furniture with drawers, for which there were copyright drawings. The defendants copied the actual made up drawers, rather than the drawings, though they had had access to them. They argued that they had merely used the plaintiffs' idea and the similarity of their own drawers was attributable to the need to make them compatible with the plaintiffs' furniture. It was held that, although there is no copyright in an idea, on the facts, the defendants had copied details of expression. Lord Wilberforce said:

There can be no copyright in a mere idea, so if all that the respondents had done was to take from the appellants the idea of external latching, or the 'unhanding' of components, or any other idea implicit in their work, the appellants could not complain. Nor is there any infringement if a person arrives by independent work at a substantially similar result to that sought to be protected. The protection given by the law of copyright is against copying, the basis of the protection being that one man must not be permitted to appropriate the result of another's labour.

However, the line between idea and expression can be a very fine one, giving courts a certain leeway in determining where the boundaries of copyright protection lie, as Lord Wilberforce suggests, so that, to an extent, the rule makes up for the lack of any general principle of unfair competition. To draw the line involves a process of abstraction, as described in *Nichols v Universal Pictures Corpn* (1930) in relation to a play:

Upon any work ... a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his 'ideas', to which, apart from their expression, his property is never extended.

However, no one layer of abstraction clearly represents a distinction between an idea and its specific expression. This was illustrated in *Plix Products v Winstone* (1986), in which it was found necessary to distinguish between two sorts of 'ideas': the 'general idea or basic concept of the work', and the idea formed of how to express this basic concept in concrete form. This was, however, said to be 'an ill defined boundary'. In addition, the complexity of the general concept will influence how the distinction is drawn. Pritchard J said:

The way the author treats the subject, the forms he uses to express the basic concept, may range from the crude and simplistic to the ornate, complicated – and involving the collation and application of a great number of constructive ideas.

It is in this area that the author expends the skill and industry which (even though they may be slight) give the work its originality and entitle him to copyright ... So he who seeks to make a product of the same description as that in which another owns copyright must tread with care. If he copies the details which properly belong to the expression and not the basic concept, he will infringe the copyright. That is why, when the basic idea is expressed in a crude or simplistic form, the potential plagiarist or business competition can, without offending, come very close to an exact reproduction of the copyright work. But where the expression is ornate, complex or detailed, then he must keep his distance: the only product he can then make without infringing may bear little resemblance to the copyright work.

The rule's main significance lies in determining issues of infringement when the defendant's copy is not a literal one, and it must be found to what extent the copyright owner's 'skill, labour and judgment' have been taken. The imprecision of the rule has made its application difficult and uncertain in relation to infringements of copyright computer software, in particular: *Ibcos Computers Ltd v Poole* (1994); *John Richardson Computers v Flanders* (1993). In the US, the maxim is employed differently; rather than being significant to the

determination of infringement, it has the effect of denying that any copyright subsists at all in a work. The consequence is that, if a work takes on the only form possible to express the underlying idea, idea and expression are taken to have merged, and no copyright subsists. A similar conclusion is reached in the UK, without denying copyright, by concluding that no infringement has taken place if only idea is copied. The results have seemed generous on some occasions: *Elanco v Mandrops* (1980); *ITV Publications v Time Out* (1984). That the dichotomy is not absolute can be seen in the fact that to adapt a work infringes even where a change of expression is involved, as does a change of dimension in relation to an artistic work (ss 16(1)(e), 17(3) of the CDPA 1988). Should the distinction between idea and expression be eroded too much, more emphasis may be placed on the need for a 'work'.

### 7.1.7 Overlapping copyrights

A product may contain more than one copyright. Take, for example, a compact disc of popular music. Copyright will subsist in the music for the songs as musical works, and it will subsist in the songs' lyrics as literary works. The disc itself will have copyright as a sound recording, and there may be copyright both in literary and artistic works making up the cover design and any written and pictorial material inserted in the case. Should the compact disc be broadcast, copyright will also arise in the broadcast. In the same way, photographs, and other illustrations will constitute separate copyright works to the literary copyright in the text in an illustrated book. Separate copyrights, literary and artistic, will subsist in the text and drawings in a map or diagram.

Further 'overlap' is possible. Each of these copyrights is divisible, and may be licensed or assigned separately for different times, places, and activities. So, for example, the French, German and Spanish translation rights in a book may be dealt with separately, as may the adaptation and broadcast rights, each transaction being for a different period during the full life of the copyright.

## 7.2 Copyright works

It is only those works described by s 1(1) of the CDPA 1988 to which copyright extends. The first class is: literary, dramatic, musical and artistic works, all of which must be original (known as 'authors' rights' in civil law). The second class is the derivative or neighbouring works: sound recordings, films, broadcasts, cable programmes, and the typographical arrangement of published editions. Often, the latter category are the means for exploiting and disseminating an underlying original work, such as an album of modern music, or a video recording of a recent film. The Berne Convention applies only to original works, which might be regarded as the raw material of authors' creativity.

## 7.3 Original works

Literary, dramatic, musical and artistic works must satisfy the requisite standard of originality (see 7.1.3).

### 7.3.1 Literary works

Section 3(1) of the CDPA 1988 states that literary work means any work that is written, spoken or sung, other than a dramatic or musical work. It might be tempting to read 'literary' as implying that an element of merit is required in a piece of writing in order to be treated as a copyright work, but case law establishes that this is not a qualitative standard, merely an indication that the work be recorded by means of letters or numbers. In *University of London Press v University Tutorial Press* (1916), Petersen J explained a literary work to be a work 'expressed in print or writing, irrespective of the question whether the quality or style is high', and s 3(1) of the CDPA 1988 continues with examples of works included in this category: tables and compilations other than databases, computer programs, preparatory design material for computer programs and databases. Literary works, therefore, include the very mundane, such as tide tables, mathematical tables, examination papers, television schedules, football pools coupons and the like.

#### *Databases*

Copyright for databases as literary works was harmonised by the EU Directive on the Legal Protection of Databases (96/9/EC). This was implemented by the Copyright and Rights in Databases Regulations 1997, which came into force on 1 January 1998. A copyright database comprises a collection of independent works, data or other materials which are arranged in a systematic or methodical way and are individually accessible by electronic or other means: s 3A of the CDPA 1988. A copyright database must satisfy a different standard of originality: whether by reason of the selection itself or arrangement of the contents, it must constitute the author's own intellectual creation: s 3A(2) of the CDPA 1988. Like copyright in an original compilation, this is protection for the effort of collation, but potentially to the civilian standard (see 7.1.3). Protection for the database as a literary work then extends to individual entries in the database, whereas a compilation is a composite work and protection only extends to the work as a whole, or to a substantial part of it (see 9.2.3).

Databases not reaching this standard may be protected by the new database right. This is a property right in a database (whether or not the database or any of its contents is a copyright work), provided that there has been a substantial investment in obtaining, verifying or presenting the database's contents. It was introduced by the Directive and Pt III of the Copyright and Rights in Databases Regulations 1997. It will infringe this right



to extract or re-utilise all or a substantial part of the database's contents without the owner's consent.

### *Computer programs*

Copyright for computer programs as literary works was confirmed by the Copyright (Computer Software) Act 1985, and this was re-affirmed by the CDPA 1988. Preparatory material is included. Harmonisation by the Council Directive on the Legal Protection of Computer Programs (91/250/EEC) did not affect the principles applied to copyright software, although it is arguable that the originality standard of the author's own intellectual creation should have been implemented as requiring a greater level of creativity than the traditional UK standard of 'not copied'. It is taken to indicate a higher standard in relation to databases.

### *The internet*

Works incorporated into websites retain their characteristics as copyright works in the usual way and normal copyright principles apply. Collections of works available on the internet may also constitute databases, such as bulletin board services. A website itself may constitute a copyright work as a typographical arrangement of a published edition, as suggested by Holyoak, J and Torremans, P, *Intellectual Property Law*, 1998, London: Butterworths. In *Shetland Times v Wills* (1997), a Scottish case, a website was found to be a cable programme service or a cable programme, by rejecting the argument that a website is a two way system. This may not be true of all websites, some of which are interactive, such as mail order catalogues, but may extend to others. The case was an interim (interlocutory) hearing, however, and may provide little authoritative guidance to the resolution of copyright problems concerning web links.

### **7.3.2 Dramatic works**

Section 3(1) of the CDPA 1988 includes works of dance and mime as dramatic works, but provides no other definition of this type of work. The sub-section suggests that the categories of literary and dramatic work are mutually exclusive. This could be interpreted to mean that any record of words intended to be performed (such as a television script) is to be treated as a literary work and that the category of dramatic works is confined to those elements peculiar to dramatic performance (such as stage directions or the choreography for a dance), but a better view is that any literary work intended to be performed is a dramatic work. It is clear from the inclusion of dance and mime that a dramatic work does not necessitate any 'literary' or verbal element. Other systems of performance, such as skating and gymnastic routines, should fall within the category of a dramatic work because systems exist for recording them. In any case, protection for literary and dramatic works is co-extensive.

The means of recording a dramatic work, and the dramatic work itself, must not be confused. The work must be recorded (see 7.1.2), in writing or otherwise, but it is the sequence of words or actions so recorded that constitute the dramatic work. Consequently, if a sequence of dance is recorded on film, the film does not constitute a dramatic work, even if it is the only record made (although a separate copyright will subsist in the film): *Norowzian v Arks Ltd* (1998). The dramatic work exists apart from the recording of it.

The nature of a dramatic work has yet to be fully determined. It was an issue in two earlier cases. In both, suggestions had been made to the authors of plays. For such contribution to constitute grounds for a claim to joint authorship and a copyright interest, the contribution had to be to a dramatic work. In *Tate v Thomas* (1921), suggestions as to ‘such accessorial matters such as scenic effects, or stage “business”’ were found not to be the subject matter of copyright. However, this was only because they were too insignificant or negligible in relation to the subject matter to be capable of being printed and published. Similarly, in *Wiseman v George Weidenfeld and Nicholson* (1985), Whitford J held that, although ‘a dramatic work involves ... not only dialogue but a series of incidents – dramatic situations – which in a particular order or occurrence can form the backbone of a piece’, on the facts, the plaintiff’s suggestions had not proved sufficient to earn an interest in the copyright. Dramatic works clearly extend beyond dialogue to other stage effects, but it would appear that they must be capable of being recorded in some way.

The question was raised recently in *Norowzian v Arks Ltd* (1998), with the result of leaving an apparent gap in copyright protection for some kinds of work. The plaintiff was a film director who produced a short length of film depicting a dancer performing a routine. This was edited and cut using known and common techniques, including jump cutting, to produce a striking sequence in which the dancer apparently made movements which in reality could not have physically been successively made. Rattee J held that the subject matter depicted by showing the film did not constitute a dramatic work because the actions depicted were not capable of physical performance. He said that ‘to be a dramatic work, a work must be, or capable of being, physically performed’, following *Green v Broadcasting Corporation of New Zealand* (1989). Copyright in the film was not infringed because the film itself had not been copied (though the idea, style and techniques had been used by the defendant (see 9.2.1)), but the argument that Parliament intended the CDPA 1988 to protect works of originality from copying did not succeed, although Rattee J recognised that this left works deserving of protection unprotected. It may be queried whether the conclusion that the performance depicted in the edited version of the film could not be physically performed is correct. The sequence could be recreated by more than one dancer acting in concert.

*Green v Broadcasting Corporation of New Zealand* (1989) revealed another gap in protection. The Privy Council refused to treat the format for a television talent contest (which consisted of repeated catch phrases, the show's title, and the use of a 'clapometer' to measure audience reaction) as a dramatic work. Three reasons for this can be discerned. First, Lord Bridge did not appear to regard the repeated, but unconnected, use of such features in conjunction with the changing material for each show as constituting a 'format' and, therefore, as not substantial enough to be regarded as a work (see 7.1.1). Secondly, he said that the features argued to make up the show's format did not have sufficient certainty to found a copyright monopoly. Finally, he said:

... a dramatic work must have sufficient unity to be capable of performance and ... the features claimed as constituting the 'format' of a television show, being unrelated to each other except as accessories to be used in the presentation of some other dramatic or musical performance, lack that essential characteristic.

### 7.3.3 Musical works

Section 3(1) of the CDPA 1988 defines a musical work as 'a work consisting of music, exclusive of any words or action intended to be sung, spoken or performed with the music'. However, the elements excluded from the musical work may qualify as literary or dramatic works, with the consequence that two copyrights with different owners and of different duration may arise for a song, a musical copyright in the melody, and a literary copyright in the libretto.

'Music' is not defined, and does not connote any need for musical merit or quality, provided that a sequence of notes or sounds are involved. It may be that there are some sequences of sounds which are so simple that they may be held not to constitute a work at all (see 7.1.1). However, four chords were regarded as distinctive in *Lawton v Lord David Dundas* (1985). Sounds are now registrable under the Trade Marks Act 1994, so that the reasoning of *Exxon v Exxon Insurance* (1982) may apply to very short sequences of sound (see 7.1.1).

Copyright may also subsist in secondary musical works, so that transcriptions and arrangements of another's work may secure copyright for the transcriber or arranger. There is no clear guidance as to the level of 'skill, labour and judgment' required. In *Wood v Boosey* (1868), it was held that 'some judgment and taste' were required on the part of the arranger.

### 7.3.4 Artistic works

Section 4 of the CDPA 1988 expands on the meaning of 'artistic work', which is divided into three categories:

- (a) graphic works, photographs, sculpture or collage, irrespective of artistic quality;

- (b) works of architecture;
- (c) works of artistic craftsmanship.

No definition is given of 'art', in the same way that 'music', 'literary' and 'dramatic' are left undefined. This suggests that 'artistic' may be interpreted to mean anything depicted visually, by whatever means, in the same way that 'literary' includes anything in print or writing (see 7.3.1), or 'dramatic' relates to anything capable of performance. In *Interlego v Tyco Industries* (1989), Lord Oliver explained the essence of an artistic work to be its visual significance.

Artistic works differ from the other original works in that it is only for the first category that artistic quality is expressly stated to be irrelevant. While considerations of the merit of a work are clearly irrelevant for the other original works, this express exclusion of 'quality' does raise the question whether the word 'quality' is being used to mean merit in relation to artistic works in the same way that merit is irrelevant to literary, dramatic and musical works (see 7.3.1). 'Quality' is capable of bearing the meaning of either merit, or of character and nature. It may be that the statute is expressly removing the need not to consider how good the artistic work may be (and this is implied in any case in the same way as it is for literary, dramatic and musical works), but any question of whether it is artistic in character. That the meaning implied is the lack of any requirement of merit is suggested by cases where the simplest of drawings have been treated as copyright artistic works: *British Northrop v Texteam Blackburn* (1974); *Solar Thomson v Barton* (1977). However, the earlier case of *Kenrick v Lawrence* (1890) suggests otherwise. It was doubted in this case whether copyright subsisted in an extremely simple drawing of a hand and pencil intended to be used on electoral forms for the illiterate. To have provided copyright protection for this 'mere choice of subject' would have conferred a long term monopoly on the only means of indicating the means of voting. Wills J did suggest that 'something special in the way of artistic treatment ... might be the subject of copyright', but that 'there is nothing which in any flight of imagination can be called artistic about either the plaintiffs' or the defendants' representation'. If there were to be protection, he went on to suggest that only the most exact and literal copy, such as a photograph, could infringe. This case was, however, decided under the Fine Arts Copyright Act 1862. Under current copyright legislation, it is clear that very little is required in the way of artistry (whether of merit or in a work's nature). However, where industrial designs continue to be treated as copyright works (although infringement is constrained by s 51 of the CDPA 1988) the question assumes significance, in particular in relation to works of artistic craftsmanship. One solution to the potentially very wide monopolies that may result if questions of both artistic merit and character are to be excluded, is to adjust the extent of protection to the 'skill, labour and judgment' embodied in the work, requiring very close reproduction for very simple works.

*Section 4(1)(a) of the CDPA 1988*

Works falling within this sub-section receive further explanation and definition in s 4(2) of the CDPA 1988. Graphic works include any painting, drawing, diagram, map, chart or plan, and any engraving, etching, lithograph, woodcut or similar work. It should be noted that a diagram, drawing, map, plan or the like may include both literary and artistic works because any written matter on the drawing will be treated as a literary work: *Interlego v Tyco Industries* (1989). This divide is more significant than that between literary and dramatic works because the extent of protection for artistic works does vary from that of literary works.

No further definition is given to 'painting', but it would appear that a painting requires some permanency of surface, although there is no requirement of fixation for artistic works. In *Merchandising Corporation of America v Harpbond* (1983), it was held that an artiste's facial make up did not constitute a painting for the purposes of copyright (see 7.1.2).

'Photograph' is defined as a recording of light or other radiation on any medium on which an image is produced or from which an image may by any means be produced, and which is not part of a film. This wide definition should include X-rays, holograms and digital images, as well as new means of recording images yet to be developed.

The nature of collage, added to copyright by the CDPA 1988, was considered in *Creation Records Ltd v News Group Newspapers Ltd* (1997) (see 7.1.2). Lloyd J refused to consider that temporary arrangement of everyday objects amounted to collage because 'collage' implied as an 'essential element the sticking of two or more things together'. It did not extend to the collation of random, unrelated and unfixed elements, whether or not this was done with artistic intent.

Copyright protection for sculptures and engravings was put to controversial use in the New Zealand case of *Wham-O Manufacturing v Lincoln Industries* (1985). Similar techniques to those of the sculptor may be used in an industrial setting and, if the artistic nature and/or quality of a work is irrelevant, copyright may lie, as it does for a design drawing. The plaintiffs developed and made a plastic frisbee and successfully claimed copyright infringement of preliminary drawings, wooden models for moulds and the frisbees themselves. The New Zealand legislation did not differ in any pertinent way from that of the UK. The moulds and frisbees were held to be engravings, and the wooden models were sculptures. This appears to ignore any need for artistic nature in these artistic works. But, in *J and S Holdings v Wright Health Group* (1988), a more restrictive approach was taken. The plaintiff claimed infringement of casts made for the production of dental impression trays. It was held that the trays did not constitute sculptures because they were not made for the purposes of sculpture, nor were they original, being copies of earlier models. *Wham-O Manufacturing v Lincoln Industries* (1985) was distinguished on the ground that the models there had

been carved. In the CDPA 1988, sculpture is said to include a cast or model made for the purposes of sculpture, perhaps implying sculpture as an artistic, rather than industrial, activity. However, this was interpreted in *Breville Europe plc v Thorn EMI Domestic Appliances* (1985) as extending 'sculpture' to casts and models made for the purposes of sculpture, which should be given its dictionary meaning of:

Art of forming representations of objects, etc or abstract designs in the round or in relief by chiselling stone, carving wood, modelling clay, casting metal, or similar processes ...

If 'irrespective of artistic quality' refers to merit, the technique used will be sufficient to establish whether an activity or work falls within this category of artistic work, but, if it refers to the nature of a work as falling within the field of art, then the work must be made for reasons of art rather than industry.

### *Works of architecture*

It may be that either or both the artistic merit or artistic character of a work of architecture may be relevant. In the Copyright Act 1911, protection was given to 'architectural works of art', defined as 'any building or structure having an artistic character or design'. If artistic character is to be taken into account, buildings made from the common stock of ideas may fall outside copyright protection. However, buildings will also receive indirect copyright protection by virtue of any copyright in the plans for them: *Pearce v Ove Arup Partnership Ltd* (1999).

### *Works of artistic craftsmanship*

Artistic 'quality' must be taken into account. The House of Lords agreed that this referred to the character of a work as a work of art in *Hensher v Restawile* (1976). No definition of 'artistic craftsmanship' is supplied by the Act, and the courts have had difficulty in determining which works fall into this category. It was first included in the Copyright Act 1911. Before 1911, copyright was only given to works of fine art, which represented the general understanding of the nature of art until the Arts and Crafts Movement, led by William Morris, began to make items of applied and decorative art. A detailed description of this development can be found in Lord Simon's judgment in *Hensher v Restawile* (1976). Functional, but decorative items, such as jewellery, glassware, cutlery, hand made toys, leather goods, pottery and designer fashion items, should fall into this class of artistic work. As a matter of construction, two interpretations of the phrase 'artistic craftsmanship' seem possible. Either the work must fit within a composite concept of 'artistic craft', or it must satisfy a dual test of artistry and craftsmanship. If the former, a definition is necessary; perhaps, the best definition is that supplied by Lord Simon. If the latter is adopted, it must also be determined whether the needed artistry is in terms of merit or of the character of the work. Other questions also present themselves: whether it is the maker's, buyer's, judge's or general

public's view that is relevant, and what level of artistry and craftsmanship is required. The House of Lords struggled with the phrase in *Hensher v Restawile* (1976). The appellants had produced a prototype for a very popular suite of furniture, and alleged infringement of copyright in the prototype by the defendants. At first instance, Graham J had found that the prototype was a work of artistic craftsmanship, but the Court of Appeal disagreed on the basis that the work did not have the requisite artistry, not in terms of merit, but in terms of character. In the House of Lords, upholding the Court of Appeal's conclusion, each of the judges adopted a different test of artistry. It was conceded by the parties that the prototype was a work of craftsmanship, perhaps misguidedly, because the court doubted that this was so. Lord Reid said that the work must be capable of giving pleasure, satisfaction or uplift to those looking at it, in the eyes of a substantial section of the public, and that the maker's intention was relevant, but not conclusive. Lord Morris declined to define 'artistic', but saw it falling between the visual appeal of designs and the high art of the fine arts, judged objectively, though the maker's intention could be considered, taking into account evidence of those with special capabilities for forming an opinion. Viscount Dilhorne regarded a work of craftsmanship as one that was hand made, and said that a work of art could be functional, but that mere originality of design did not constitute artistry. This, he said, was a question of fact, looking to the buyer's reasons for acquiring the work. Rejecting any test of the motives of the purchaser, Lord Simon felt that the phrase was a composite one to be construed as a whole, according to expert evidence of artist-craftsmen. Lord Kilbrandon, however, focused on the intentions of the work's maker. Faced with such lack of consensus, Walton J adopted a test of the maker's intention in *Merlet v Mothercare plc* (1986). Considering whether the prototype for a baby's rain covering constituted a work of artistic craftsmanship, he held that, though soundly made, it was unlikely to be a work of craftsmanship, and that the appropriate question to ask is whether the maker of the work had the conscious purpose of creating a work of art. This was so to avoid the need for the court to make a value judgment as to the nature of the work. There are restrictions in adopting such a test, as the plaintiff discovered, for where a good idea is made up for personal use, but is subsequently seen to have commercial potential, the work will not satisfy the test. It will also be difficult to apply if the work's maker is unavailable to give evidence and will force the court to determine whether the avowed intention has, in fact, been achieved. In *Shelley v Rex Features* (1994), it was accepted that there was a serious question to be tried in relation to copyright in the prosthetic make up to be used to create a Frankenstein monster for a film, either as sculpture or a work of artistic craftsmanship. The film sets were to be treated as works of artistic craftsmanship. The judge rejected the stance taken in *Merlet v Mothercare plc* (1986) that the work's appeal must be considered in isolation and not in the context of its setting as unduly narrow in relation to a composition made up of

artefacts especially constructed and arranged to create a particular artistic effect. This was distinguished in *Creation Records Ltd v News Group Newspapers Ltd* (1997) in relation to the Oasis album cover photograph because it lacked any element of craftsmanship.

The meaning of 'work of artistic craftsmanship' has received an added significance with the CDPA 1988 because s 51 of the CDPA 1988 removes some of copyright protection for design documents, but only if the object depicted is not itself an artistic work. The full term of copyright protection will, therefore, be available for designs which can be regarded as works of artistic craftsmanship, rather than the shorter terms of design law.

### **7.4 Derivative works**

No standard of originality is expressly applied to the derivative works: sound recordings, films, broadcasts or cable programmes, and the typographical arrangement of published works. However, copyright does not subsist in sound recordings or films to the extent that they are copies of another sound recording or film: ss 5A(2), 5B(4) of the CDPA 1988. Nor does copyright subsist in a broadcast, cable programme or typographical arrangement to the extent that it infringes copyright in another broadcast, cable programme, or arrangement: ss 6(6), 7(6)(b), 8(2) of the CDPA 1988. In the case of sound recordings and films, the result is that the recording purchased by the consumer is not a copyright work, being merely a copy of the master recording; but to do an infringing act in relation to the copy will indirectly infringe the copyright which does subsist in the master recording (see 9.2.2). The derivative works will often provide the means for disseminating an original work, and the underlying and derivative works must be distinguished. For example, a video of a recent film will have film copyright for the film, but also literary or dramatic copyright in the script, and musical copyright in the music.

Copyright for derivative works provides protection for the entrepreneur, rather than for an author's act of creativity. While such exploitation enhances the author's reward, falling within the private justifications for copyright, it also serves the public justification of encouraging widespread dissemination of works. Films have a foot in both the author's and derivative works' camp because a copyright interest has been conferred on the director as well as the producer by the Directive Harmonising the Terms of Copyright and Certain Related Rights (93/98/EEC) and the Copyright and Related Rights Regulations 1996 (see 8.2.6).

#### **7.4.1 Sound recordings**

'Sound recording' is defined as:

- (a) a recording of sounds, from which the sounds may be reproduced; or



(b) a recording of the whole or any part of a literary, dramatic, or musical work, from which sounds reproducing the work or part may be reproduced,

regardless of the medium on which the recording is made or the method by which the sounds are reproduced or produced: s 5A of the CDPA 1988.

This is wide enough to include future means of recording sound, not being tied to any method or material by which sounds may be recorded or reproduced. There is no necessity for the sounds to be heard in the recording, provided that they can be reproduced. Thus, pianola rolls and the pimpled rubber rolls in musical toys are protected, as should be the chips in musical cards and the like. There is no requirement that the literary, dramatic or musical work being recorded be original, so that copyright subsists in a recording of Shakespeare's plays or a Beethoven symphony, though copyright has long expired. Equally, different recordings of the same work will secure their own copyright. Amendments made by the Duration of Copyright and Rights in Performances Regulations 1995 allow the sound track of a film to be treated as part of a film without prejudice to any copyright as a sound recording: ss 5B(2), (5) of the CDPA 1988.

#### **7.4.2 Films**

A film is 'a recording on any medium from which a moving image may by any means be produced'. This definition is wide enough to include multimedia discs, although they also incorporate written texts and even video games. To film a previously unrecorded dramatic work will create two copyrights: in the film; and in the dramatic work. The creative effort in making a film means that films are not really solely derivative works. This went unrecognised until the harmonisation of UK copyright law by the Copyright and Related Rights Regulations 1996, which came into force on 1 December 1996. Although the essence of a film is a moving sequence of images, it was held in *Aaron Spelling v Goldberg* (1981) that to copy a still shot from a film constituted infringing copying, and this was confirmed by s 17(4) of the CDPA 1988.

#### **7.4.3 Broadcasts**

Broadcast copyright is distinct from any copyright in the underlying work being broadcast (there may be none, as in sports broadcasts, for example) and forms part of the regime of control over television, radio and other broadcasting. Although transient, intangible and ephemeral, broadcasts are treated as a work for the labour involved in their production and dissemination.

'Broadcast' is defined by s 6(1) of the CDPA 1988 as:

... a transmission by wireless telegraphy of visual images, sounds or other information which–

- (a) is capable of being lawfully received by members of the public; or
- (b) is transmitted for presentation to members of the public,

and 'wireless telegraphy' is defined by s 178(1) of the CDPA 1988 as:

... the sending of electromagnetic energy over paths not provided by a material substance constructed or arranged for that purpose but does not include the transmission of microwave energy between terrestrial fixed points  
...

This excludes transmission by wire or optical fibre, but includes satellite and terrestrial transmission, including teletext services. It will extend to encrypted broadcasts where decoding equipment has been made available to the public by or with the authority of the person making the broadcast or the person providing the contents of the transmission: s 6(2) of the CDPA 1988. Broadcast copyright extends to transmissions made from the UK or, if made by satellite, from the place of the uplink to the satellite.

A separate quasi-copyright is created by s 298 of the CDPA 1988 giving copyright rights and remedies to a person who makes a charge for the reception of programmes included in a broadcast or cable programme provided from the UK, or sends encrypted transmissions from the UK, against anyone who makes or deals in any apparatus or device designed or adapted to enable anyone to receive those transmissions when not entitled to do so. In *BBC Enterprises v Hi Tech Xtravision* (1990), the plaintiffs transmitted encrypted broadcasts to Europe from the UK. The defendants made unauthorised decoders. At first instance, Scott J looked for a denial of entitlement in law, rather than contract, for the reception of the programmes, which had the effect of emasculating the remedy. Both the Court of Appeal and House of Lords held that the section had the effect of both creating the denial of the legal right to receive the transmissions and the remedy for the transmitter. Lord Brandon adopted a purposive construction of the section to interpret 'not entitled to do so' as 'not authorised by the sender to do so'.

#### **7.4.4 Cable programmes**

Although ephemeral, copyright protection for such works can be justified as preventing unfair competition as described by Willes J in *Millar v Taylor* (1769):

It is certainly not agreeable to natural justice that a stranger should reap the beneficial produce of another man's work.

Both 'cable programme' and 'cable programme service' are defined by s 7(1) of the CDPA 1988. A cable programme service means:

... a service which consists wholly or mainly in sending visual images, sounds or other information by means of a telecommunications system, otherwise than by wireless telegraphy, for reception—

- (a) at two or more places (whether for simultaneous reception or at different times in response to requests by different users); or
- (b) for presentation to members of the public,

and which is not, or so far as it is not, excepted by or under the following provisions of [the] section.

The exceptions relate to services which are two way, services internal to a business, a domestic service run by an individual, or a service available only in single premises, and services run for persons providing a broadcasting or cable programme service or providing programmes for such a service. The exceptions extend to conference calls and telephone communications and are intended to exclude private communications without excluding interactive services which allow the receiver to respond, such as home shopping catalogues.

### **7.4.5 Typographical arrangements of published editions**

Copyright subsists in the layout of a published edition of the whole or any part of one or more literary, dramatic, or musical works. It is for this reason that, for example, photocopying the pages of a work which has long been out of copyright may still amount to copyright infringement, and represents protection for publishers' expenditure in producing such editions.

## **COPYRIGHT PRINCIPLES AND COPYRIGHT WORKS**

Copyright is a statutory property right in a qualifying work under the CDPA 1988 created by an author, giving exclusive rights to exploit the work to the copyright owner during its duration, arising automatically on the work's creation.

### **Basic principles**

Copyright works are defined by the CDPA 1988, but it is implicit in the statute that there must be a work, something that embodies a minimum of effort and labour in production; the very trivial or commonplace, as well as single words, names and titles have not been treated as works.

Works which could exist without physical form must be recorded before protection can subsist. Even where there is no express statutory requirement for fixation, an artistic work without permanent form has been denied copyright. Fixation may be by means of any form of recording technique and medium, and may be in a different form from that of the work, such as a tape recording of a literary work. This may not extend to improvised works which could not be repeated.

Literary, dramatic, musical and artistic works must be original. This means both that the work has not been copied from another work and that, for a work compiled from other sources, that a minimum of 'skill, labour and judgment' has been expended in the work's creation. Using other works as sources does not preclude copyright protection, but may infringe any copyright in the source material. If no other source of information contained in a copyright work exists, copyright may confer a monopoly over reproduction of that information. 'Skill, labour and judgment' only expended in copying will not confer originality, at least in relation to artistic works.

It is immaterial who makes the necessary recording of a work, or whether it is done with the author's permission. The recorder may also obtain a copyright interest in the record made, at least if it is the first recording of the work.

Two identical works may both be original for the purposes of copyright if they have been independently created.

The idea in a work and the form in which the idea has been expressed must be distinguished, for copyright protection extends only to the expression, idea falls into the public domain for public use. The distinction is nebulous and allows judges discretion to distinguish between fair and unfair uses of another's work.

Many products may contain a multiplicity of copyright interests.

### **Copyright works**

Protectable works are set out in s 1(1) of the CDPA 1988:

- original literary, dramatic, musical and artistic works;
- sound recordings, films, broadcasts or cable programmes;
- the typographical arrangement of published editions.

Author's rights and neighbouring rights can be distinguished.

#### *Author's rights*

Literary works comprise any work that is written, spoken or sung, other than a dramatic or musical work; there is no requirement of literary merit. They include tables and compilations, databases, computer programs and programmes' preparatory material.

Dramatic works include means of performance other than traditional drama, such as mime and dance, and may exist independent of a record made of the work. Dramatic works do not include formats for shows comprising unconnected features, nor routines not capable of physical performance.

Musical works apply to any sequence of sound; no musical merit is required. A musical work does not include any accompanying words, which are protected separately as literary works. Copyright may subsist in secondary musical works such as arrangements.

Artistic works are divided into three categories by the CDPA 1988:

- graphic works, photographs, sculpture or collage, irrespective of artistic quality;
- works of architecture;
- works of artistic craftsmanship.

The essence of an artistic work is its visual nature (*Interlego v Tyco Industries* (1989)). The wide ambit of s 4(1)(a) of the CDPA 1988 has allowed protection to industrially made products such as the toy frisbee, and heating plates for sandwich toasters. Works of artistic craftsmanship are distinguished from other works of craftsmanship by the author's intention in creating the work.

#### *Derivative works*

There is no express requirement of originality, but a work is not protected to the extent that it has been copied.

Sound recordings are defined to include any future developments in the means of recording sounds. The sound track of a film may be protected as a sound recording.

## Summary: Copyright Principles and Copyright Works

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Films are widely defined, and should include multimedia discs and video games. Protection is given to both producer and director, as joint authors.

Broadcast copyright is distinct from any copyright in an underlying work contained within the broadcast. Protection is also given against the unauthorised provision of decoders for encrypted broadcasts by s 298 of the CDPA 1988.

Cable programmes are so defined as to exclude protection for two way services, internal business and domestic services, including conference calls and telephone communications.

Protection for the layout of published editions guarantees the effort and expense of publishing.



## THE SUBSISTENCE AND SUBSTANCE OF COPYRIGHT

Although a work fits into one of the statutory descriptions of works, it must also qualify for protection before copyright can be said to subsist. Once the subsistence of copyright has been ascertained, it remains to determine who will be the first owner of that copyright, and then how long the right will last. Copyright subsisting by virtue of the Copyright, Designs and Patents Act 1988 (CDPA 1988) extends to the UK (s 157 of the CDPA 1988).

### 8.1 Qualification

The provision for qualification is designed to give effect to the UK's obligations to provide copyright protection for nationals and residents of Convention Member States to the same extent as that given to UK nationals and residents (Arts 3, 5 of the Berne Convention; Art II of the Universal Copyright Convention). The Universal Copyright Convention also requires a copyright notice, otherwise the work will fall into the public domain in States which are members only of that Convention. Protection under the Berne Convention is required to be without formality (Art 5(2) of the Berne Convention). A work qualifies for copyright in the UK if it is connected to the UK, a Convention country or a country to which the CDPA 1988 has been extended by order. There are two connecting factors: the status of the work's author, and the place of its first publication or transmission: s 153 of the CDPA 1988.

#### 8.1.1 Author's status

For the purposes of qualification, reference is made to a work's author, who is not necessarily the first owner of copyright (see 8.2). A work will qualify if the author is a qualifying person at the material time: s 154(1) of the CDPA 1988. A qualifying person is a British citizen, or a British Dependent Territories citizen, or a British National (Overseas), or a British subject, or a British protected person, or an individual domiciled or resident in the UK or in a country to which the Act has been extended by Order, or a body incorporated under the law of the UK or country to which the Act has been extended by Order: s 154(1), (2) of the CDPA 1988.

The material time in relation to a literary, dramatic, musical or artistic work is: for an unpublished work, the time when the work was made (or, if making is extended, a substantial part of that period); and, for a published work, the time when the work is first published (or if the author has died



before publication, immediately before his death). For sound recordings and films, the material time is when the work was made; for broadcasts and cable programmes, the time is when broadcast or transmitted; and, for typographical arrangement, when the edition was first published: s 154(4) of the CDPA 1988.

A work with joint authors may qualify by any of the authors satisfying these requirements at the material time, but where some of the authors are non-qualifying it is only the qualifying author(s) who shall be taken into account for first ownership of copyright, for the right's duration, and permitted acts in relation to anonymous and pseudonymous works: s 154(3) of the CDPA 1988.

### **8.1.2 Place of first publication**

If the author's status is non-qualifying, qualification may be by place of first publication. A literary, dramatic, musical or artistic work, a sound recording or film and a typographical arrangement qualify if first published in the UK or a country to which the Act has been extended by Order. A broadcast qualifies if made from, and cable programme if sent from, the UK, or a country to which the Act has been extended by Order: ss 155, 156 of the CDPA 1988. Qualification is not denied by simultaneous publication elsewhere. Simultaneous publication is generously defined as publication elsewhere within the previous 30 days: s 155(3) of the CDPA 1988.

### **8.1.3 Publication**

It is necessary, both for the purposes of qualification, and the duration of copyright, to determine what constitutes publication of a work. 'Publication' in relation to a work is defined by s 175 of the CDPA 1988 to mean, in the case of a literary, dramatic, musical or artistic work, the issue of copies to the public, including making the work available to the public by means of an electronic retrieval system. Construction of a building publishes a work of architecture, or an artistic work incorporated in a building. No account is to be taken of any unauthorised act for the purposes of publication. Certain acts, in relation to particular types of work, will not constitute publication. To perform a literary, dramatic or musical work, or to broadcast it, or include it in a cable programme is not publication. It is not publication of an artistic work to exhibit it, issue copies of a film including the work to the public, broadcast it or include the work in a cable programme, nor to issue copies to the public of a graphic work representing, or photographs of, works of architecture, sculpture or works of artistic craftsmanship.

In addition, publication which can be considered 'merely colourable and not intended to satisfy the reasonable requirements of the public' will not suffice: s 175(5) of the CDPA 1988. In *Francis Day and Hunter v Feldman* (1914), Neville J held that the words 'not intended to satisfy the reasonable

requirements of the public' were, in effect, a definition of 'colourable'. It was doubted by Brightman J, *obiter*, in *Bodley Head v Flegon* (1972), that private, clandestine circulation of typed copies of Solzhenitzen's novel *August 1914* among the USSR's intelligentsia could amount to an effort to satisfy the reasonable requirements of the Russian public, when such requirements could not, at the time, be lawfully voiced or satisfied. Where the public demand is small, few copies need be available to amount to publication. In *Francis Day and Hunter v Feldman* (1914), the song 'You made me love you (I didn't want to do it)', composed by a citizen of the US, was published simultaneously in New York and London. Six copies were placed in the plaintiffs' London showroom for sale. Neville J held that this constituted publication and was not colourable, because demand was insignificant. The evidence was that, should demand increase, the plaintiffs would make efforts to ensure that it was met. The test is one of the publisher's intention when copies are issued to the public. There is no requirement that any advertisement or announcement or promotion of the copies be made, provided that the publisher is prepared to supply on demand: 'Passive availability suffices, without active offering' (*per* Megarry J, in *British Northrop v Texteam Blackburn* (1974)).

Copies are 'issued' by being offered, sold, hired or given to the public. They are issued at the place where the public are invited to acquire copies. In *British Northrop v Texteam Blackburn* (1974), publication rested on reproductions of the work being issued to the public in the form of machine spare parts made from unpublished drawings. The defendant argued that publication took place at the place where the spares were received by customers, but it was held that publication took place at the place where copies were put on offer to the public, and that an offer *gratis* would suffice. Otherwise, there would be as many places of publication as there were customers.

A final question relates to the nature of the 'copies' issued to constitute publication. No doubt exists if copies are in the same form as the work, but it is not clear whether copies amounting to reproduction in another material form (see 9.2.1) or adaptations of a work (see 8.6.6) would constitute copies of an unpublished original for the purposes of a copyright qualifying publication. The CDPA 1988 is silent on the point, but some conclusions may be drawn from provisions relating to the exclusive rights conferred on the owner of copyright in a work by s 16(1) of the CDPA 1988 (see 8.6). Reproducing a literary, dramatic, musical or artistic work in any material form amounts to copying, as does making a three-dimensional copy of a two-dimensional artistic work, and vice versa (s 17(2), (3) of the CDPA 1988). Consequently, it might be expected that issuing reproductions of an unpublished work to the public should amount to publication. That this is so is supported by *British Northrop v Texteam Blackburn*. It could also be argued that the same applies to an adaptation of a literary, dramatic or musical work, for to do an infringing act to both a reproduction or an adaptation of a work amounts to indirect infringement of the original work: ss 16(3), 21(2) of the CDPA 1988. However, there is a difference in relation to an adaptation of a

work because the adaptation secures its own copyright (provided that the work also qualifies), so that it is not so easy to argue that publication of an adaptation should also qualify the adapted work for copyright. If this is correct, the consequence is that if a non-qualifying literary work is translated (an adapting act) and qualifying publication made of the translation, the translation will secure copyright in the UK, but the original work will remain unprotected, so that any other translation or adaptation may be made.

## 8.2 Authorship

The author is the person making a work: s 9(1) of the CDPA 1988. It is authorship of a 'work,' in the copyright sense, that is required. Neither the mere generation of an idea nor the mere recording of a work will suffice. Authorship involves the expenditure of 'skill, labour and judgment' in expression.

### 8.2.1 Joint authorship

Ownership may be shared: s 10 of the CDPA 1988. Joint ownership only arises where the individual author's contributions to a work cannot be distinguished from each other, and the authors have collaborated with each other. Contributions leading to joint authorship must be in the nature of the work of an author and amount to more than the suggestion of ideas (*Tate v Thomas* (1921)), or other administrative assistance, by contributing to the skill employed in determining the way in which a work is expressed (see 7.1.6): *Cala Homes v Alfred McAlpine Homes* (1995). In this case, an employee of a building company gave a very detailed brief to a firm of technical draughtsmen as to the design of certain buildings and the choice of materials to be used, without making any record of them himself. He was held to be a joint author. Lightman J cast some doubt on this result in *Robin Ray v Classic FM plc* (1998), stating that the draughtsmen acted 'in large part' as mere scribes (see 8.2.2). He held that a joint author must have a 'direct responsibility for what actually appears on the paper', although actual penmanship was not required in the same way as it is not necessary for a sole author (see 8.2.2). The issue was also raised before Laddie J in *Fylde Microsystems Ltd v Key Radio Systems Ltd* (1998). The plaintiffs supplied the defendants with specialist bespoke software for mobile and portable radios. During the course of a five year collaboration, the defendants assisted in the adjustment of the software. They had set the specification for the software, reported errors, made suggestions as to the causes of some faults and provided technical information about the hardware with which the software had to work. In an infringement action, they claimed to be joint authors by virtue of this contribution. It was held that two questions must be addressed: first, whether the alleged joint author had contributed the right kind of skill and labour; and, secondly,

whether that contribution was big enough, as a matter of fact and degree. On the facts, although the contribution made by the defendants was extensive, technically sophisticated and saved considerable time for the plaintiffs, it amounted to the contribution of skills analogous to proofreading, and not the skills of authorship, in relation to software.

### 8.2.2 Original works

The creator of a literary, dramatic, musical or artistic work is its author. The person recording a work is not necessarily its author (s 3(3) of the CDPA 1988) (see 7.1.4). Once recorded, it is usually clear who has created a work; however, it must be remembered that a work constitutes the particular way in which an idea has been expressed (see 7.1.6), so that the provider of an idea without more is not the creator of a work. It is the skill and effort put into the specific means of expressing of an idea that constitutes creation of a work.

There is a distinction to be made between works made by a 'reporter', where the reporter is the creator of the work, such as the newspaper report of Lord Rosebery's speech (*Walter v Lane* (1900)) and works recorded by an amanuensis, such as a letter dictated to a secretary or the works of Bede which were dictated to a scribe. In the latter case, the details of expression are not supplied by the amanuensis, but by the person dictating; the amanuensis is treated as much as a tool employed by the author as would be a pen or typewriter. An interesting example is presented by the case of *Cummins v Bond* (1927), in which a spiritualist medium was found to be the work's creator, and not her spirit guide, although she professed merely to have recorded what was dictated to her by the guide. However, the communication was said to have been made to her in an unknown language, translated by the medium into an 'archaistic' English intelligible to modern readers. It was the skill involved in such transcription that rendered the medium the work's creator. The same applies to a 'ghosted' work. Such a work is often credited to a celebrity, who supplies the information for the work, but is written with the help of a ghost author. In *Donoghue v Allied Newspapers* (1938), it was held that because the ghost writer supplied the particular words in which a celebrity's ideas were expressed, copyright lay with the writer.

Therefore, to find the creator of a work it is necessary to isolate the person whose skill, labour and judgment have been invested in the way the work has been expressed, not the person supplying only the inspiration or idea for it. However, expression involves more than the mere physical act of recording a work, and includes the supplying of concepts, the selection of data, emotion, language, arrangement and the like. This was explained by Laddie J in *Cala Homes v Alfred McAlpine Homes* (1995):

... to have regard merely to who pushed the pen is too narrow a view of authorship. What is protected by copyright in a drawing or a literary work is more than just the skill of making marks on paper or some other medium. It is

both the word or lines and the skill and effort involved in creating, selecting or gathering together the detailed concepts, data or emotions which those words or lines have fixed in some tangible form which is protected. It is wrong to think that only the person who carries out the mechanical act of fixation is the author. There may well be skill and expertise which is relevant.

### 8.2.3 Works of artistic craftsmanship

Where such a work is made by one craftsman, identification of its author presents no difficulties, but doubts have been expressed where the skills of artistry and craftsmanship have been exercised by separate individuals. This was the case in relation to a designer dress in *Burke v Spicers Dress Designs* (1936), where Clauson J held that the dress's designer was the artist and that its seamstress was the craftsman, so that no copyright subsisted in the work. He doubted whether it constituted a work of artistic craftsmanship as a result. Subsequently, it was held in *Radley Gowns v Spyrou* (1975) that copyright could subsist, despite the presence of two authors. As provision is made for joint authors by the 1988 statute, this is a better result.

### 8.2.4 Photographs

The CDPA 1988 altered the position under the Copyright Acts 1911 and 1956, so that the creator of a photograph is once again treated as its author. If one individual does all that is necessary to fix an image of an unposed or naturally occurring scene, that person will be the photograph's author. The amanuensis principle (see 8.2.2) will also apply to photographs. If one person does all that is needed to direct a picture's composition and the setting of the camera, that individual will be the creator of the photograph, even if an agent actually operates the camera: *Creation Records Ltd v News Group Newspapers Ltd* (1997). There will be more difficulty where more than one person is responsible for the composition and camera position and settings. The 'person who creates' a photograph will be determined by deciding who has contributed the 'skill, labour and judgment' in its creation. *Dicta* in *Nottage v Jackson* (1883) suggest that it is the person 'who was the most effective cause of the final result', 'who really represents or creates or gives effect to the idea or fancy or imagination'. This necessitates defining the essence of a photograph, which combines the artistry of composition, the techniques of operating the camera (for example, choice of film, aperture, shutter speed, lighting) and skills of development as well as of digital manipulation. Joint ownership in such circumstances is possible, provided that the individuals have collaborated. In *Creation Records Ltd v News Group Newspapers Ltd* (1997), the plaintiff claimed (unsuccessfully) to be the author of a photograph taken by an independent press photographer without his consent or knowledge. The plaintiff had arranged the composition of a scene to be photographed for an Oasis album cover, this was also taken by

the independent photographer from a similar vantage point. The claim was rejected on the ground that the plaintiff had had nothing to do with the taking of the defendant's photograph other than to provide its subject matter. This is not to say that setting a scene may not be an important part of the creation of a photograph, but that there must be some link between scene setting and the act of photography before the scene setter may be regarded as a creator of the photograph.

### 8.2.5 Computer generated works

Copyright cannot subsist without an author. If a literary, dramatic, musical or artistic work is computer generated, its authorship must be treated differently if no individual can be identified as the source of the 'skill, labour and judgment' embodied by the work. In such circumstances, the author is taken to be the person by whom the arrangements necessary for the creation of the work were undertaken: s 9(3) of the CDPA 1988. 'Computer generated' in relation to a work is defined as being 'generated by computer in circumstances such that there is no human author of the work': s 178(1) of the CDPA 1988. The mere use of a computer will not turn every resulting work into a computer generated work. A computer can be used as a human tool in the same way as a pen, the artist's brush or sculptor's chisel. This was found in a case preceding the 1988 Act, *Express Newspapers v Liverpool Daily Post* (1985). A grid containing a random selection of numbers and letters was produced by a computer programmer for a newspaper game. The defendants argued that there could be no copyright in the grids as they had no human author, but Whitford J held that the computer had been used as a tool in the same way as a pen, and that the instructions had come from the programmer. Where the software being used contributes nothing to the expression of a work, it is possible to identify a human author. This would be the case, for example, for a word processed novel. Even if programs, such as spelling or grammar checks, should have been employed, the choice of words and grammatic style is the human author's and the word processor can be regarded as a sophisticated typewriter. Such a work might be dubbed a computer assisted work.

But the analogy used by Whitford J is not necessarily sound. It may have been very significant that it was the programmer – whose undoubted skill in programming the computer to produce selections for the grids' contents that would lead to neither too many winners to be uneconomic, nor too few to discourage participation in the game (and, presumably, purchase of the newspapers) – who operated the computer. Arguably, it was the program, and not the computer operator, in this case, which supplied the content of the resulting grids. Had someone else operated the computer, it is not clear that the result in this case would be the same (copyright given to the computer's operator) following the CDPA 1988. Although a good deal of skill would have gone into the program, it is artificial to regard a mere operator of it as the

human author of the resulting selection of the grids' contents. Accordingly, it may be necessary to draw a distinction between works which are computer generated, and those which are computer assisted. Examples of computer assisted works would include word processed documents, music composed with the aid of a computer, computer aided designs, or accounts produced with the aid of a spreadsheet. In each case, the user of the program contributes to the content (expression) of the work, although its form is provided by the software. Examples of computer generated works would include computer compiled crosswords, the moves of a computer chess program, weather forecasts or the random selection of Premium Bond numbers. Here, the content as well as the form of the work is determined by the software alone.

The 1988 Act does not specify which circumstances will be relevant to determine that there is no human author. It can be argued that there is always a human author because it is the skill of the programmer which determines the content of a computer generated work. And, if *Express Newspapers v Liverpool Daily Post* (1985) remains good law, there will always be a human author: the computer's operator or the software's programmer. Neither is a happy result. The operator may be in the same shoes as an amanuensis (see 8.2.2), having no contribution to make to the work. The programmer would benefit doubly from the copyright in the program itself (see 7.3.1), and copyright in every product of the use of the work; but it would often be difficult to identify who the programmer was – it could have been a team effort. Moreover, consider the consequences if MicroSoft (as the programmer's employer) were to be the author of every work produced using their software. The result is patently absurd. Consequently, the distinction between a computer assisted and computer generated work seems necessary to achieve a justifiable result. If so, circumstances relevant to a work being regarded as computer generated should include the impracticality, as well as impossibility, of identifying a human author, as well as control over the work's content, and the source of the skill in producing the work. This result is in line with the treatment of authorship for the derivative works, where reward is being bestowed on the entrepreneurship which disseminates copyright works, rather than the act of creativity, which has already seen its reward in the copyright bestowed on an original work (in this case, the computer program used to generate the computer generated work).

### **8.2.6 Derivative works**

In relation to the derivative works, the definition of 'author' is an artificial one, which reflects the pragmatic UK approach to copyright as an economic right, rather than a recognition of an act of personal creativity. Recent changes in relation to films have, however, recognised the creative input of a director, so that the author of a film is both the producer and principal director (as joint authors: s 10(1A) of the CDPA 1988). The author of a sound recording is its producer, of a broadcast the person making the broadcast, and of a cable

programme the person providing the cable service including the programme, while the author of a typographical arrangement is the edition's publisher: s 9(2) of the CDPA 1988. In the case of a broadcast relaying another broadcast by its reception and immediate retransmission, the author is the person making the initial broadcast.

### 8.3 Ownership of copyright

Initial ownership of the copyright in a work is dictated by the authorship of the work: s 11(1) of the CDPA 1988. Any subsequent ownership of the copyright is a matter of contractual dealings. There are two exceptions to this rule: the first relates to literary, dramatic, musical and artistic works or films made by an employee; the second to Crown and Parliamentary copyright and copyright of certain international organisations: s 11(2), (3) of the CDPA 1988.

#### 8.3.1 Employed authors

The employer is the first owner of copyright in a literary, dramatic, musical or artistic work or a film which is made by an employee. The Copyright Act 1956 provided shared copyright for journalists employed on newspapers and magazines, so that employers had copyright for the purpose of exploiting the work in the course of their business, while employees retained copyright for all other purposes. Under the 1988 Act, all employees are subject to the same rule, although both the Whitford Committee, *Copyright and Designs Law* (Cmnd 6732 (1977)), and the Green Paper, *Reform of the Law Relating to Copyright, Design and Performer's Protection* (Cmnd 8302 (1981)), had recommended that the exception for journalists be extended to all employees. The White Paper, *Intellectual Property and Innovation* (Cmnd 9712 (1986)), rejected this move as being too uncertain. This leaves employers free to exploit works created by employees in the course of their employment, not only in the employer's business, but also for any other purpose. It is open to employees to seek a different agreement, though this will be subject to the likely superiority of the employer's bargaining power.

Three conditions must be satisfied: that the author is employed; that the work is created during the course of the employment; and that the parties have not made any agreement to the contrary.

#### *'Employee'*

An employee is one employed 'under a contract of service or of apprenticeship': s 178(1) of the CDPA 1988. This is a matter of substance, rather than form. The courts use a test composed of multiple factors to distinguish between a contract of service and an independent commission (a contract for services), drawing conclusions from factors such as the level of control exercised by employer over the employee's work and all other relevant



circumstances, such as sick pay, holiday provision, salary, pension, tax arrangements and the level of integration of the employee into the employer's business. All factors must be weighed before a conclusion is drawn, and in *Beloff v Pressdram* (1973) it was held that the plaintiff journalist was an employee, despite the independence with which she worked, because of the working arrangements which applied to her.

*'In the course of employment'*

A work is made in the course of employment if it is created while an employee is performing duties within his job description or other normal duties. The duties of employment commonly alter with changing circumstances, so that establishing an employee's duties at any given time is one of evidence. In *Stephenson Jordan and Harrison v MacDonald Evans* (1952), a professional engineer was employed by the plaintiffs to give on site consultancy services to their customers. He wrote a book, which contained three elements: the text of public lectures given by him to universities and professional bodies during the time in which he was employed by the plaintiffs; a section composed during the time of employment and included in manuals prepared for the plaintiffs' customers; and sections composed after he had moved to another employer. This last section was clearly not created in the course of the engineer's employment with the plaintiffs. The first two sections were created during the period of employment, but with different results in relation to the ownership of copyright. Copyright in the lectures was held by the Court of Appeal to belong to the employee, but copyright in the section prepared for the plaintiffs' manuals to belong to the employers. The difference lay in the activity being performed by the author when these sections were created. The material in the second section was composed as part of the services rendered to the plaintiffs' clients and was included in two copies of the resulting manual. It was written at night, but secretarial services were rendered as part of the employment and the manuscript had been sent to the plaintiffs. This was, accordingly, found to have been written during the performance of the duties of employment. On the other hand, the lectures did not constitute part of the duties required by the plaintiff employers. This was so, even though the employers could ask the employee engineer to deliver lectures, had asked to see the text of any lectures to be delivered (falling short of any substantial interference with their composition or delivery), some of the typing was done in office hours by the plaintiffs' typists and expenses were paid by them. The Court of Appeal relied in particular on what they thought to be the normal approach in relation to such lectures: one of justice and common sense. This was applied in *Noah v Shuba* (1991) in relation to the writings of an employed consultant epidemiologist. In both the *Stephenson* case and *Byrne v Statist* (1914), it was contemplated that an employee might perform duties at the request of his employer, some of which fell within, and some outside, the duties of employment. In *Byrne v Statist* (1914), a journalist employed by a

newspaper was asked to make a translation for the paper in his spare time. Copyright was held to belong to him and not to the paper.

### *Agreement to the contrary*

Employees with sufficient bargaining power are free to negotiate their own terms with employers, whereas it is not possible for independent authors to contract out of the general rule as to ownership. Any other arrangement by unemployed authors must involve assignment of copyright (which must be signed and in writing: s 90(3) of the CDPA 1988, though see 8.3.2), although copyright in a work yet to be made may also be assigned (s 91 of the CDPA 1988). An agreement between employer and employee, in contrast, may be implied from the circumstances: *Noah v Shuba* (1991). *Obiter*, Mummery J said that there was an implied term in Dr Noah's contract of service excluding the statutory rule relating to the copyright ownership of an employer. This was because it was a long standing practice of the employer that employees should retain copyright in works written in the course of employment, and they had acquiesced in their employees' practice of assigning copyright in articles written for scientific journals. It was stated, *obiter*, in *Robin Ray v Classic FM plc* (1998) that an agreement to the contrary must satisfy two requirements: first, that it must be an agreement that, notwithstanding the presence of a contract of employment, title to works created in the course of employment should not vest in the employer; and, secondly, that the agreement be a legally effective one.

### **8.3.2 Commissioned works**

The normal rule of ownership applies when a work is commissioned from its author. The CDPA 1988 removed the old provisions relating to commissioned photographs, portraits and engravings, replacing them with the new moral right of privacy for photographs and films commissioned for private and domestic purposes (s 85 of the CDPA 1988). The commissioner can only achieve protection through contract or by seeking an assignment of copyright, including future copyright. In the case of works commissioned for commercial purposes, the ownership of copyright is an issue of importance. There is no protection from the right of privacy, yet considerable economic damage may be incurred if a work commissioned for use in business is copied or otherwise infringed. The author may not have the resources, or may have no interest, in seeking redress. Additionally, authors of commissioned works themselves may pose a considerable threat if the work made proves to have unexpected uses (see *Robin Ray v Classic FM plc* (1998)). The author may then wish to exploit it with the commissioner's commercial rivals, or to hold the commissioner to ransom over later additions, amendments or modifications. The dangers have become apparent, in particular, in cases relating to computer software commissioned from independent consultants and the courts have sought to protect commissioners. They may do so by the

implication of licences in the commissioning contract, in the same way that licences are implied in relation to architectural plans (see 9.4.1). In *Robin Ray v Classic FM plc* (1998), Lightman J held that, where it was necessary to imply some grant of rights in a contract of commission, and that need could be met either by the grant of a licence, or an assignment of copyright, only a licence would be implied. In such circumstances, the ambit of the implied licence would be the minimum necessary to secure for the licensee the entitlement which the parties must have intended according to their joint contemplation at the date of the contract and would not include subsequently appreciated profitable opportunities. The price paid under the contract would be a relevant consideration. Lightman J also stated that a term as to the assignment of copyright would only be implied if the commissioner needed not only the right to use the work, but also the right to exclude the contractor from using it and the ability to enforce the copyright against third parties.

More controversially, however, the courts have been willing to confer a beneficial ownership in the copyright on the commissioner of a work. This has been done either by the implication of a term in the contract of commission or by the creation of a trust, despite the statutory provisions relating to the formalities for assignment of copyright (s 90(3) of the CDPA 1988).

In *Warner v Gestetner Ltd* (1988), the defendants commissioned drawings of cats from the plaintiff, for use in advertising. Subsequently, the defendants used the drawings for purposes not contemplated by the original commission. This was an informal contract. Whitford J implied a term in the contract vesting equitable ownership in the defendants. The effect is to interfere with otherwise clear statutory rules as to first ownership of copyright, and to create an unpredictable discretion as to the location of beneficial interests in copyright. The House of Lords has also adverted to equitable interests in copyright; in *Attorney General v Guardian* (1988), it was suggested that copyright in *Spycatcher* might belong in equity to the Crown as a consequence of the author's breach of confidence.

In a case relating to a computer program, copyright was found to be held on trust for its commissioner: *John Richardson v Flanders* (1993). The programmer had been an employee of the commissioner and had subsequently left, but continued to provide services as a freelance programmer. Ferris J said (emphasis added):

But, in appropriate circumstances, it may appear that the author is to be regarded as holding the copyright on trust for the person to whom he engaged himself. Thus, in *Massine v de Basil* (1936–45), a question was raised as to the ownership of copyright in a ballet ... But even if the plaintiff could rightly be regarded as an independent contractor, the court was of the opinion that it ought to be implied as a term of the agreement that any work done by the plaintiff would be done on the basis that the defendant who had paid for the work should be entitled to such rights as might arise from that payment, and that he should not be deprived of the benefit of it merely on the ground that

the person whom he paid was an independent contractor. *It was important ... to remember that the subject of the copyright which was claimed was the ballet as a whole. The choreography was but one part of a composite whole. The defendant had paid the money under the agreement for the supplying to his ballet of a part which was necessary for its completeness* and, unless he was entitled to the copyright in that part of the ballet, he would not be getting that benefit from the contract which must have been the intention of the parties. It was a necessary implication from all the facts of the case that the right to the choreography and the libretto in those cases where the plaintiff was responsible for them should in equity be the property of the defendant and that he should be entitled to have the rights assigned to him.

This may suggest the limits of the implication of such a trust.

### **8.4 Duration of copyright**

The provisions of the 1988 Act relating to the duration of copyright were recently amended by the Duration of Copyright and Rights in Performances Regulations 1995, enacting the Directive Harmonising the Term of Protection of Copyright and Certain Related Rights (93/98/EEC). Two changes were made. The Berne Convention dictates a minimum term of copyright for the original works of the life of the author plus 50 years; this minimum was extended to the life of the author plus 70 years. In addition, Art 7(8) of the Berne Convention allows a Member State to provide a lesser term of protection to works whose country of origin confers a lesser term than the normal period in the Member State (see 8.4.1). This was introduced, putting pressure on such countries to introduce longer copyright terms.

Broadly, the duration of copyright in a work is measured in a period of years after one of three triggering events. These comprise:

- (1) the author's death;
- (2) the year of making the work; or
- (3) the year of first making the work available to the public.

The period of years is calculated from the end of the year of the triggering event. This is taken to be midnight on 31 December of the appropriate year.

#### **8.4.1 Lesser terms of protection**

Copyright in a work is restricted to the duration in its country of origin if, in the case of an original works or films, the work's country of origin is not a State within the European Economic Area (EEA) and the author is not a national of an EEA State. In the case of the other copyright works apart from typographical editions, the duration of copyright is restricted to that of the country of origin if the work's author is not a national of an EEA State. This

applies provided that the term is not longer than the new UK term (ss 12(6), 13A(4), 13B(7), 14(3) of the CDPA 1988). 'Country of origin' is defined by s 15A of the CDPA 1988. For a work first published in a Berne Convention country, the country of origin will be that Berne Convention State, whereas for works which are unpublished or published in a State which is not a member of the Berne Convention the country of origin will be the country of which the author is a national. Special provision is made for films, works of architecture, and artistic works incorporated into a building.

### **8.4.2 Original works**

For works created after 1 January 1996, copyright expires 70 years from the end of the calendar year in which the author (or the last of joint authors whose identity is known) dies. If the author is unknown, copyright expires 70 years from the end of the calendar year in which the work was made, unless the work was made available to the public during that period, in which case copyright expires 70 years from the end of the year in which that takes place: s 12 of the CDPA 1988. This rule does not apply to computer generated works, where copyright expires 50 years from the end of the year in which the work was made: s 12(7) of the CDPA 1988. Anonymous and pseudonymous works are calculated on a period of 70 years from the end of the year in which the work was made unless the work was made available to the public during that period, in which case it is the year of publication (not of creation) which is adopted. If the identity of the author becomes known during the 70 year period, the normal rules apply. Copyright in artistic works is reduced to 25 years from the end of the year in which articles are first marketed if the work is exploited by an industrial process: s 52 of the CDPA 1988.

### **8.4.3 Films**

Film copyright has a similar term to that of the original works, expiring 70 years from the end of the year of death of the last of either the principal director, the author of the screenplay, the author of the dialogue or the composer of music specially created for and used in the film (the relevant persons), whose identity is known: s 13B of the CDPA 1988. Where the identity of none of the relevant persons is known, the period is 70 years from the end of the year of making or, if the film was made available to the public during that period, 70 years from the end of the year of publication. Making a film available to the public includes showing in public, and being broadcast or included in a cable programme service, but no account will be taken of any unauthorised act. Identity is unknown if it cannot be ascertained by reasonable enquiry. The normal rules revive if the identity of one of the relevant persons becomes known during one of these 70 year periods. If there is no relevant person, copyright expires 50 years from the end of the year in

which the film is made. It is only in the case of films that the term of copyright is not tied to the life of the work's author(s).

### **8.4.4 The other derivative works**

Copyright in a sound recording expires at the end of 50 years from the end of the year in which the recording was made, or, if released during that period, 50 years from the end of the year of release. A sound recording is released when first published, played in public, broadcast, or included in a cable programme service, provided that the release is authorised: s 13A of the CDPA 1988. A similar 50 year period, from the end of the year of broadcast or inclusion in a cable programme service, is applied to broadcasts and cable programmes: s 14 of the CDPA 1988. The term of copyright in a repeat broadcast or cable programme is the same as the original broadcast or cable programme. Copyright in the typographical arrangement of a published edition expires 25 years from the end of the year in which the edition was first published: s 15 of the CDPA 1988.

### **8.4.5 Revived copyright**

The application of the new provisions is complex, and has had the effect in some cases of reviving copyright which had expired in a work. The new terms apply to: works made after 1 January 1996; works already made at that date, but which qualify for copyright after it; and to those existing works in which copyright subsisted immediately before 1 January 1996 (unless the 1988 provisions would have resulted in a longer term than the new one). They also apply to existing works in which copyright expired before 1 December 1995, but which were protected in any EEA State on 1 July 1995. Where copyright is revived, a statutory licence is provided by reg 24 of the Duration of Copyright and Rights in Performances Regulations 1995, so that acts which infringe the revived copyright are treated as licensed, subject to the payment of a reasonable royalty or other agreed remuneration, or that determined by the Copyright Tribunal if agreement is not reached.

### **8.4.6 The length of copyright**

Despite the recent extension of terms of copyright, the appropriateness of the long period of copyright has been queried. One of the difficulties in setting a copyright term is the very wide range of works, grouped under broad headings, which fall under the copyright umbrella, so that the same term of protection is conferred on relatively short lived computer programs, and ephemeral fashion items, as on classic works of literature or a symphony. The term of design protection stands in contrast: from 10–25 years. Copyright duration has extended as the costs of copying have decreased, yet the copyright term is the prime way in which to balance the incentive to create

supplied by recognising an author's private interest in a work, and the provision of access to works in the public interest. It should also be remembered that the creation of works is often a derivative process, so that later works feed from earlier works; therefore, over-protection will potentially act as a disincentive, rather than stimulus, to the production of the later works.

It has also been queried whether the copyright term for original works should be fixed to their author's life. This has been justified as providing a fair reward for the author and publishers claim that the inflated benefits of unexpectedly long lasting popularity allows them to take risks with less popular works. It has been said that no real hardship has resulted and that an extensive term is needed to protect classical works, as well as providing a necessary incentive for the creation of those works which take a long time to produce; also, that suitable protection is thereby given to works that prove to be ahead of their time, only achieving importance some time after their creation. A period fixed to the author's life does also have the advantage of keeping all an author's works co-extensive. Counterarguments include the potentially monopolistic effects of long terms of protection, suggesting that without it prices would fall and works would fall into the public domain more quickly. In practice, the demand for many works fades long before the expiry of copyright and new technology has both increased and accelerated the means of returns to an author. It seems unlikely that many authors calculate income prospects over such long periods, making one suggested justification for the extended period of the Harmonisation Directive, that longer life expectancy necessitated longer protection to cover succeeding generations of the author's family, questionable. In addition, duration attached to life is difficult to determine. Alternatively, it can be argued that long copyright may justifiably protect the author, but that there is no need for co-terminous protection for publishers, who rarely calculate the risks of publication over the full copyright term. The other entrepreneurial copyrights are of shorter duration than that of the original works because the entrepreneur, rather than the author, is being protected.

### 8.5 Refusal of copyright

In some circumstances, despite the existence of a qualifying copyright work, courts may refuse to enforce the copyright in the work in the public interest because of the nature of its content. Section 171(3) of the CDPA 1988 preserves this common law principle. In *Glyn v Weston Feature Film Co* (1916), copyright was refused protection because of the immoral content of the work *Three Weeks* by Elinor Glyn. Younger J said:

Now it is clear law that copyright cannot exist in a work of a tendency so grossly immoral as this ...

and:

... to a book of such a cruelly destructive tendency, no protection will be extended by a Court of Equity.

In *Attorney General v Guardian* (1988), Lord Jauncey suggested that no copyright in *Spycatcher* should be enforceable because:

The publication of *Spycatcher* was against the public interest and was in breach of the duty of confidence which Peter Wright owed to the Crown. His action reeked of turpitude. It is, in these circumstances, inconceivable that a UK court would afford to him or his publishers any protection in relation to any copyright which either of them may possess in the book.

### 8.6 The exclusive rights

A work may not lie as exclusively within the copyright owner's control as an invention does within a patentee's because, in creating the work, the author may have infringed another's copyright (see 7.1.3). Effectively, copyright owners gain the right to prevent others doing certain acts in relation to their work. Section 16(1) of the CDPA 1988 confers exclusive rights on the copyright owner. To do one of these acts without authority in the UK infringes copyright: s 16(2) of the CDPA 1988. It should be noted that, unlike a patent, there is no redress against those who do not start with the right owner's work. Creation, even of an identical work, without recourse to the right owner's work does not infringe. The exclusive rights do not all apply to all the descriptions of copyright work, so must be carefully applied; for example, the right of adaptation only applies to literary, dramatic or musical works. Acts that may be performed in relation to a work which fall outside the exclusive rights lie within the public domain – free for all. For example, anyone may use the method set out in a copyright recipe, read a book, or lend it to a friend, play a sound recording, or view a film, within the domestic circle, or use the ideas expressed in a work.

The exclusive acts comprise the right to:

- (1) copy the work;
- (2) issue copies of the work to the public;
- (3) rent or lend the work to the public;
- (4) perform, show, or play the work in public;
- (5) broadcast the work or include it in a cable programme service; and
- (6) make an adaptation of the work, or do any of the preceding acts in relation to an adaptation.



### **8.6.1 Copying**

This exclusive right applies to all descriptions of copyright work: s 17(1) of the CDPA 1988. No general definition of 'copying' is supplied by the statute, although certain acts of copying are specified. Section 17(6) of the CDPA 1988 provides that copying in relation to any description of work includes the making of copies which are transient and incidental to some other use of the work. This includes the copying of works by accessing the Internet when they will be loaded into the computer's temporary memory (RAM). It is implicit in s 17(2) of the CDPA 1988 that copying, in relation to any of the works, involves reproduction (though the change of form only applies to the original works). 'Reproduction' implies both that there is a connection between a work and its alleged copy and that there is more than a passing resemblance in the latter to the copyright work (see 9.2.1). Changes to the form, or dimension, of a work may also constitute reproduction.

### **8.6.2 Issuing copies to the public**

This right also applies to all descriptions of copyright work and is a right to put copies (including the original) of the work into circulation in the EEA or to put copies not already circulated in the EEA into circulation outside the EEA, for the first time. It does not extend to subsequent dealings with those copies, such as distribution, sale, hire, loan (subject to the rental right) or subsequent importation, which, subject to the rental right, cannot be controlled by the copyright owner: s 18 of the CDPA 1988. Thus, the European doctrine of exhaustion of rights after the first circulation within the EU and the EEA is incorporated, allowing the copies to move free of copyright restrictions in subsequent dealings. Copies only put into circulation outside the EEA may not be imported into the EEA without authority.

### **8.6.3 Rental right**

Reserved from the inability to control subsequent dealings with copies of a work put into circulation is the rental right. It was extended by the Copyright and Related Rights Regulations 1996 to include literary, dramatic and musical works; artistic works other than a work of architecture in the form of a building, or a model for a building or a work of applied art; and films and sound recordings. The copyright owner has the exclusive right to rent or lend copies of the work to the public: s 18A of the CDPA 1988. 'Rental' is defined as making a copy of the work available for use on terms that it will or may be returned, for direct or indirect economic or commercial advantage; and 'lending' as doing so otherwise than for direct or indirect economic or commercial advantage, through an establishment which is available to the public. Prime examples include the activities of video shops and public libraries. These definitions extend to forms of distribution which do not

involve the transfer of a hard copy of the work. The right does not extend to making available for public performance, playing or showing in public, or broadcasting or inclusion in a cable programme service; nor to making available for exhibition in public or for on the spot reference use. Inter-library loans are not included in the right. An author of an original work, or the director of a firm, who transfers his rental right concerning a sound recording or film to the producer of that sound recording or film retains a subsidiary right to equitable remuneration, a right which may not be assigned except to a collecting society: s 93B of the CDPA 1988.

### 8.6.4 Performance rights

The copyright owner of a literary, dramatic or artistic work has the exclusive right to perform the work in public: s 19(1) of the CDPA 1988. 'Performance' includes delivery in the case of lectures, addresses, speeches, sermons and, in general, includes any means of acoustic or visual presentation (including by means of a sound recording, film, broadcast or cable programme). It is also an exclusive right in relation to a sound recording, film, broadcast or cable programme to play or show the work in public: s 19(3) of the CDPA 1988. Consequently, to play a sound recording of a musical work in public, for example, will infringe copyright both in the sound recording and the musical work. Infringement does not extend, however, to the person by whom visual images or sound are sent when a work is performed, played or shown in public by electronic means of receiving visual images or sounds, nor to the performers in the case of a performance: s 19(4) of the CDPA 1988.

It is the essence of this right that the performance, playing or showing be in public. 'Public' is not defined by the Act, but has received judicial consideration. Private performance, playing or showing will not infringe; it is considered to be private if done within the domestic or quasi-domestic circle. To play a sound recording to one's family is private. A generous interpretation of the quasi-domestic circle was given in *Duck v Bates* (1884). An amateur performance, given at Guy's Hospital to an audience of doctors and their families as well as other staff and students, was held to be quasi-domestic and non-infringing. This would appear to lie at the very outer limit of the private circle. The important consideration is not the relationship of the audience to the performance's arranger, but of audience to copyright holder. The issue is one of whether copyright owners should be paid a royalty, whether their economic interests will be harmed by the performance, and not the social desirability of the audience concerned (subject to the permitted acts). If so, the performance can be regarded as part of the satisfaction of public demand. This is a question of fact and degree. That the audience are all members of a group does not mean that they do not form part of the general public, so that in *Jennings v Stephens* (1936) a performance given by members of the Women's Institute to other members was found to be in public, even though access was

restricted. The same applied to the playing of music to a crowd awaiting a football match: *Performing Rights Society v Glasgow Rangers* (1975). And the same is true even of performance to the consuming public in order to stimulate purchases, so that the playing of records in the defendant's shop, audible on the pavement outside, was held to infringe, despite the defendant's purpose to whet the public's appetite and invite purchase: *Performing Rights Society v Harlequin* (1979). There are still difficult questions to be answered, for example, whether the relay of a film to hotel guests in their rooms would amount to public showing and performance or whether new means of presenting information such as electronic data services amount to playing in public. In particular, questions arise as to the performance, showing or playing of works accessed on the Internet, which will infringe if in public. The recipients of such works are unlikely to be connected to the copyright owner in such a way as to deny a need for reimbursement.

### **8.6.5 Broadcast and inclusion within a cable programme service**

It will infringe copyright in a literary, dramatic, musical or artistic work, a sound recording or film, and a broadcast or cable programme to broadcast the work or include it in a cable programme service: s 20 of the CDPA 1988.

### **8.6.6 Adaptation**

To adapt a literary, dramatic or musical work without permission from the copyright owner infringes copyright: s 21 of the CDPA 1988. Although the section does not extend to artistic works, no inferences are to be drawn from it as to what amounts to the copying of a work. Acts in relation to literary, dramatic or musical works that do not fall within 'adaptation' may constitute copying. An adaptation is made when it is recorded. In addition, it will infringe copyright in the original work to do any of the other infringing acts in relation to the adaptation, whether or not the adaptation has been recorded at the time of doing the infringing act. To adapt a work results in two copyrights, one in the original, and the other in the adaptation: *Wood v Boosey* (1868).

'Adaptation' receives a limited interpretation. In relation to a literary work (other than a computer program, or a database) and a dramatic work, it means: a translation of the work; a version of a dramatic work converted into a non-dramatic work or of a non-dramatic work converted into a dramatic work; or a version of the work in which the story or action is conveyed wholly or mainly by means of pictures suitable for reproduction in a book, newspaper, magazine, or similar periodical. To adapt a computer program or database means to make an arrangement or altered version of the program, or a translation of it. To adapt a musical work means to make an arrangement or transcription of the work: s 21(3) of the CDPA 1988. Translation of a computer program is further defined as including a version of the program in which it is

converted into or out of a computer language or code or into a different computer language or code. Despite the restrictions of these definitions, other acts of an analogous nature may amount to copying; additionally, the new moral right of integrity provides relief from derogatory treatment of a work (see 10.5).

### **8.6.7 Publication right**

In addition to the exclusive rights, reg 16 of the Copyright and Related Rights Regulations 1996 creates a right of publication equivalent to copyright for literary, dramatic, musical or artistic works, or films. This applies to a person who publishes a previously unpublished work for the first time after the expiry of copyright protection. The work must qualify by first publication in the EEA by a publisher (or at least one of joint publishers) who is a national of an EEA State. 'Publication' is defined as 'any communication to the public', including the issue of copies to the public, making the work available by means of an electronic retrieval system, the rental or lending of copies to the public, performance, exhibiting or showing the work in public and broadcasting the work or including it in a cable programme service. An unauthorised act does not constitute publication and includes an act done without the consent of the owner of the physical medium embodying or recording the work during the period in which copyright has expired. The right lasts for 25 years from the end of the year in which the work is first published. The substantive provisions of Chapter II (copyright owner's rights), Chapter III (permitted acts), Chapter V (dealings in rights in copyright works), Chapter VI (remedies for infringement) and Chapter VII (licensing) apply to publication right as they do to copyright, subject to modifications set out in reg 17 of the Copyright and Related Rights Regulations 1996. This right extends beyond the protection given to publishers for typographical arrangements because it encompasses the work in whatever form and arrangement it is published, which is important given that the reproduction of works in digital form in many different forms becomes possible. Its main significance lies in protection for works of historical and scholarly interest.

### **8.6.8 Copyright in the information society**

Copyright law must cater appropriately for new technology moving into the digital storing and transfer of information, as well as network technology, including the Internet and intranets. Digital exploitation of works increases the public's access to works by making a far wider range of works available and by making access easier and widespread. At the same time, this makes it harder for copyright owners to control and profit from the use of their works.

The need to provide a fair balance between the importance of access to information and authors' interests is already dealt with in part by the now harmonised provisions relating to databases and the rental right (see 8.6.3), but the creation of new exclusive rights is likely if the proposed EU Parliament and Directive on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society (1998, OJ C108/6) is implemented. This will, in turn, implement provisions made by the WIPO Copyright Treaty to update the Berne Convention. It was signed in December 1996 and awaits ratification. The Directive proposes a reproduction right, a right of communication to the public, and a distribution right.

The reproduction right will include indirect and temporary reproduction by any means and in any form. It will exclude temporary acts which are integral to a technological process which are made only for the purpose of enabling an authorised or legally permitted use and have no separate economic significance. The right of communication to the public includes 'the making available to the public of ... works in such a way that members of the public may access them from a place and at a time individually chosen by them'. This encompasses online access, but excludes pay-television, and private online communications such as email. Concern about the implications of these rights for access to educational and cultural works has been expressed by the Library Association and others ((1999) *The Times*, 9 February). However, debate in the European Parliament also revived proposals for blanket levies on copying materials.

## **THE SUBSISTENCE AND SUBSTANCE OF COPYRIGHT**

### **Qualification**

Copyright will not subsist unless a work qualifies for protection. The provisions on qualification extend UK copyright to those works which the Berne and Universal Copyright Conventions include. Qualification is achieved by means of a connecting factor between the work and the UK: either the author's status or the place of first publication of the work. An author qualifies if he is a British national, citizen, subject or resident at the time an unpublished work is made or a published work is first published. If the author does not qualify, first publication in any Convention country will do so. This is not denied by publication elsewhere within the previous 30 days. Publication is defined as issuing copies of a work to the public. Colourable publication (publication which is not intended to satisfy the reasonable demands of the public) will not suffice. Reproductions of the work in another material form should constitute the issuing of copies to the public, but it is debatable whether the issue of adaptations of a work would do so.

### **Authorship**

The creator of a work is its author.

Authorship is joint where the contributions of individual authors who have collaborated in a work cannot be distinguished. For joint authorship, contributions must have the nature of authorship, dictating the form of expression of a work and not merely the contribution of ideas.

An amanuensis is not a copyright author, but must be distinguished from a 'reporter' who may be treated as an author for the 'skill, labour and judgment' involved in recording. The author must be responsible for a work's expression. A work of artistic craftsmanship may have joint authors.

The creator of a photograph is its author and may not be the actual taker of the image. The author will be the individual or collaborating individuals responsible for setting the scene and the technical details of the photography.

Where an original work is computer generated, its author is the person who makes the arrangements necessary for the work's creation, provided that no human author can be identified. This should not be applied where a computer's user has contributed to the content of the work; computer generated and computer assisted works can be distinguished.

The director and producer of a film are treated as joint authors. The producer of a sound recording is its author, as is the person making a broadcast or providing the cable programme services which includes a cable programme. The publisher of an edition is the author of its typographical arrangement.

### **Ownership of copyright**

Initial ownership of copyright is determined by authorship, with the exceptions of employed authors and Crown and parliamentary copyright.

Copyright in an original work or film made by an employee is owned by the employer, provided that the author:

- is an employee;
- the work was made in the course of employment; and
- no agreement to the contrary (express or implied) has been made.

The normal rule as to ownership applies to commissioned works. This can have adverse consequences for the commissioner unless contractual provision is made for transfer of the copyright or otherwise guaranteeing the commissioner's interest in the work. The courts have been willing to assist through the implication of licences in the commissioner's favour, or even to confer a beneficial interest in the copyright on the commissioner, despite the need for assignments of copyright to be in writing and signed.

### **Duration of copyright**

Copyright is measured from midnight on 31 December of the year of one of three triggering events:

- the author's death;
- the year of making the work; or
- the year of first making the work available to the public.

Lesser protection may be given to a work whose country of origin is not an EEA State, nor author an EEA national, provided that the term of copyright in that country of origin is shorter than that of the UK.

Copyright in original works created after 1 January 1996 lasts for 70 years from the author's death. Computer generated works have 50 years of copyright from the end of the year in which the work was made. Copyright in films lasts for 70 years from the death of the last of the film's director, author of the screenplay, author of the dialogue or composer of music made specially for the film. Copyright in the derivative works expires 50 years from the end of the year of recording or the end of the year of release or publication.

Recent harmonisation of copyright duration has led to the revival of copyright in some works.

Copyright is long lasting, and this has been the subject of criticism. Over-protection will fail to achieve copyright's aims, as much as under-protection.

Copyright protection may not be enforced where the content of a work may be regarded as immoral, or publication against the public interest and in breach of duty.

### **The exclusive rights**

Copyright confers exclusive rights on the copyright owner (acts outside the ambit of these rights fall into the public domain):

- to copy the work;
- to issue copies to the public;
- to rent or lend the work to the public;
- to perform, show, or play the work in public;
- to broadcast the work, or include it in a cable programme service; and
- to adapt the work.

### **Copying**

Copying applies to all works and amounts to reproduction of the work, including transient and incidental copies.

### **Issuing copies to the public**

Copyright includes the right to put copies of all descriptions of work into circulation in the EEA or copies not circulated within the EEA into circulation outside the EEA, for the first time. Subsequent dealings (other than rental or lending) with the copies may not be controlled by the copyright owner.

### **Rental**

Most works are subject to the copyright owner's exclusive right to rent or lend copies to the public. An author of an original work or director of a film who has transferred his rental right to the producer of a film or sound recording retains a right to equitable remuneration.



### **Performance rights**

The copyright owner of a literary, dramatic or artistic work has the exclusive right to perform the work in public; the copyright owner of a film, sound recording, broadcast or cable programme has the exclusive right to show the work in public. A performance or showing is in public if the relationship between audience and copyright owner is other than domestic.

### **Broadcast and inclusion within a cable programme service**

A work may not be included in a broadcast or cable programme without the copyright owner's permission.

### **Adaptation**

A literary, dramatic or musical work may not be adapted without permission. Acts which do not fall within the definition of adaptation may amount to copying. To do an exclusive act to an adaptation without permission will also infringe any copyright in the work adapted. Adaptation is defined in s 21(3) of the CDPA 1988.

### **Publication right**

Where a work is not published within the EEA by a publisher who is a national of the EEA for the first time until after the expiry of copyright, a publication right is conferred for 25 years from the end of the year in which the work is first published.

### **Copyright in the information society**

New rights may follow the proposed EU Parliament and Council Directive on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society 1998.

## INFRINGEMENT OF COPYRIGHT AND PERMITTED ACTS

### 9.1 Infringement

Acts in relation to a copyright work which do not fall within the ambit of the exclusive rights fall into the public domain. Moreover, even acts which *prima facie* do fall into the sphere of copyright protection may be 'excused' by the statute. These are known as the 'permitted acts', and represent a detailed attempt to reconcile the conflict between the private, personal interests and rights of copyright authors in their creations and the public interest in access to those works. They are best presented as defences to copyright infringement: s 28(1) of the Copyright, Designs and Patents Act 1988 (CDPA 1988). Infringement is, therefore, confined to doing primary acts of infringement, by doing restricted acts (those within the exclusive rights) and acts of secondary infringement, which may be broadly described as dealings with infringing copies of a work.

### 9.2 Primary infringement

Copyright is infringed by a person who, without the licence of the copyright owner, does any of the acts restricted by copyright: s 16(2) of the CDPA 1988 (see 8.6). Thus, it will infringe copyright in a work to, without permission: copy a work; issue copies to the public; rent or lend a work to the public; perform, show or play a work in public; broadcast a work or include it in a cable programme; or to adapt a literary, dramatic or musical work in the UK. The nature of these rights has already been examined in Chapter 8, but infringing copying of a work requires more detailed examination (see 9.2.1). Infringement need not be direct: s 16(3)(b) of the CDPA 1988 (see 9.2.2). Nor need the infringing act encompass the whole of a work: s 16(3)(a) of the CDPA 1988 (see 9.2.3).

#### 9.2.1 Copying

The Court of Appeal formulated a two pronged test for infringing reproduction in *Francis Day and Hunter v Bron* (1963). The composer of a song called 'Why' was alleged to have infringed the copyright in another song, 'Spanish Town'. The two songs were not identical and the defendant claimed not to have consciously heard the plaintiffs' song. Willmer LJ said:

... in order to constitute reproduction, within the meaning of the Act, there must be: (a) a sufficient degree of objective similarity between the two works; and (b) some causal connection between the plaintiffs' and the defendant's work.

*Objective similarity*

Reproduction may be literal – a full verbatim copy – such as a photocopy of a literary work or a recording of a piece of music. However, it is not necessary to show that the works are identical. Willmer LJ said in relation to a musical work:

... I can find no warrant for the suggestion that reproduction, within the meaning of the section, occurs only when identity is achieved. This not only offends against common sense, but, I think, is contrary to authority. In

A u s  
t  i  
n  v  
C o l u m  
b  i  
a  
G r a m o  
p h o n e  
C  o  
L t d (1923), the headnote reads 'Infringement of copyright in music is not a question of note-for-note comparison, but of whether the substance of the original copyright is taken or not.'

Where reproduction is not exact, similarity is a question of fact. Where reproduction is non-literal because either not all of a work's substance or quantity is taken, infringement may be found provided that the part copied is 'substantial': s 16(3)(a) of the CDPA 1988 (see 9.2.3). Consequently, a two step inquiry is made: first, as to the presence of similarity between the two works from which copying may be inferred; and, secondly, whether the extent of the similarities identified amount to a substantial part of the copyright work. Determining similarity in relation to non-literal copying of computer programs, in particular, has proved difficult, but is not confined to the text of computer code: *John Richardson v Flanders* (1993). The idea-expression dichotomy (see 7.1.6) may be employed: *Ibcos Computers Ltd v Poole* (1994).

*Causal connection*

It must be shown that the defendant's work has originated in the plaintiff's; similarity alone will not suffice to constitute reproduction: *LB Plastics v Swish* (1979). However, a causal connection may be inferred from similarity, as Willmer LJ explained in *Francis Day and Hunter v Bron* (1963):

Where there is a substantial degree of objective similarity, this of itself will

a f f o r d  
p  r  
i m a  
f  a  
c  i

*e* evidence to show that there is a causal connection between the plaintiff's and the defendant's work; at least, it is a circumstance from which the inference may be drawn.

The burden of proof then shifts to the defendant to provide some non-infringing explanation for the similarity of his work to the plaintiff's. In *LB Plastics v Swish* (1979), the House of Lords made it clear that it was not only the similarity of the drawers made by the defendant to those of the plaintiff that shifted the burden of proof to the defendant. The plaintiff made plastic 'knock down' drawers for the furniture industry and were owners of copyright in drawings for them. The defendant admitted studying the plaintiff's drawers in order to make ones that were interchangeable with them, arguing that any similarities were the result of commercial necessity and not copying. Lord Wilberforce explained proof of copying:

That copying has taken place is for the plaintiff to establish and prove as a matter of fact. The beginning of the necessary proof normally lies in the establishment of similarity combined with proof of access to the plaintiff's productions.

It is obvious to the eye, testified by expert witnesses and held by the judge that, though on inspection there are differences, there is a striking general similarity between the respondent's drawers and those of the appellant. Moreover, it is clear and was held by the judge that the respondents had the opportunity to copy the appellant's drawer. They had specimens of the appellant's components (based, of course, on the appellant's drawings) in their possession and, later, before finally designing their own, they had redrawings and even tracings of some of the appellant's drawings passed to them by an associated company, Grovewood, to whom the appellant supplied Sheerglide drawers ...

These	facts	established	<i>a</i>
<i>p</i>			<i>r</i>
<i>i</i>		<i>m</i>	<i>a</i>
<i>f</i>			<i>a</i>
<i>c</i>			<i>i</i>
<i>e</i>			case of

copying which the respondent had to answer.

The fact that the respondent had freedom of choice for design, that the drawers were interchangeable, that they had the motive for copying (evidenced by a letter) and the intention to do so (expressed in a memo), as well as the sudden success of their product and the unreliability of their witnesses, all served to raise an inference of copying. This was not successfully rebutted by the respondent's argument, as the furniture into which the appellant's drawers fitted was designed to fit the drawers (not the drawers to fit the furniture), only serving to reinforce the suggestion of a causal connection between the respondent's design of drawer and that of the appellant.

Similarity not attributable to a causal link will not infringe. The plaintiff and defendant may work from a common source, for example. In *Geographia v Penguin Books* (1985), it was noted that ‘any commercial map maker setting out to make a map is going to have to refer to, and take materials from, earlier maps, as well as other relevant information sources’. (Had the defendants in *Elanco v Mandops* (1980) gone to external sources, no infringement would have been found (see 7.1.3).) It is open to a defendant to show that the plaintiff in fact copied him, or that the work has been independently produced. Where compatible or interchangeable competing products are to be made, the danger of copyright infringement can be avoided by ‘clean room techniques’. For example, should a company wish to produce software compatible with that of a rival, one team of that company’s employees can be detailed to discover the ideas of the rival program. The ideas are passed to an independent team not in communication with the first to produce a new and compatible program.

The chain of causal connection may contain more than one link, as in *Plix Products v Winstone* (1986). The defendants wished to make moulded plastic pocket containers for transporting kiwi fruit. The plaintiffs had been the sole producers of the containers and had copyright in drawings, moulds and models, as well as the finished product. The relevant authorities had laid down a detailed description of permissible containers for export of the fruit, working largely from the plaintiffs’ product. Wishing to avoid infringement, the defendants instructed a designer to work alone, using only the Kiwifruit Authority’s description, exporter’s instructions and the fruits themselves. The resulting designs still infringed because it was found that a written description of copyright material was a sufficient link in the chain of causation of copying an artistic work.

#### *Changes of form and dimension*

A change of form does not preclude a finding of similarity. Section 17(2) of the CDPA 1988 specifically provides that copying a literary, dramatic, musical or artistic work means reproducing the work in any material form and that this includes storing the work in any medium by electronic means. Consequently, to store a digital photograph as a computer file will infringe, as will storing a musical or artistic work. The work must be ‘reproduced’ in the new form. This might be interpreted to mean that the copy must fall within the same description of work as the original (though, of course, the infringement need not be a ‘work’ at all). It would mean, for example, that a reproduction of an artistic work must also fall within the definition of artistic work, but may take a different form of that work, such as a photograph of a sculpture. In *Plix Products v Winstone* (1986), Pritchard J, in the High Court of New Zealand, said, *obiter*, that ‘a written verbal description [a literary work] of an artistic work, however precise and explicit, is not an infringement of any copyright subsisting in that work’. However, this need not be interpreted to mean that a copy must fall within the same description of work as the copyright work.

Another possible interpretation is either that the copy falls within the same description of work or that the form of the work remains visible in the copy. For example, a dramatic work would remain visible in a video recording of the drama. Pritchard J's reasoning includes the suggestion that is correct to say that reproduction includes a copy in another type of work, provided the original is identifiable. He said that 'the two media are so completely different that one can never, in a real sense, be a medium in which it is possible to reproduce the other – just as a painting cannot be played on a gramophone record'! Equally, it could be inferred from s 21(3)(a)(ii), (iii) of the CDPA 1988 that a reproduction must fall within the same description of work as the original because the right of adaptation makes express provision for infringement where a literary work is converted into a dramatic work (or vice versa) or a literary or dramatic work into an artistic work. However, s 21(5) of the CDPA 1988 precludes the drawing of any inferences as to the nature of copying from adaptation

A change of dimension may also amount to reproduction. Section 17(3) of the CDPA 1988 provides specifically that in relation to an artistic work copying includes making a three-dimensional copy of a two-dimensional work, and a two-dimensional copy of a three-dimensional one (implying that the same does not apply either to the other original works, nor to films and the derivative works). Thus, to make an article from a diagram infringes, as does making a drawing of a sculpture. In *Kapwood v Embsay Fabrics* (1983), the defendants infringed the plaintiffs' copyright in a lapping diagram (an artistic work) for a simulated suede fabric by producing a fabric with identical structure. However, the same does not apply to a different category of work, so that when the defendant knitted a jumper from a copyright knitting pattern (a literary work) in *Brigid Foley v Elliott* (1982) there was no infringement.

The Act makes no express provision as to changes of either form or dimension in relation to films, or works derived from films. To make a written record of the music reproduced in a sound recording will infringe the underlying musical copyright, but it is not clear whether the copyright in the sound recording is also infringed. The Copyright Act 1956 stated that a copy of a film or sound recording must also be a film or sound recording, so that the omission of this provision might suggest a change in the law. However, the fact that s 17(2) of the CDPA 1988 is confined expressly to the original works leads to an inference that there has been no change and that if the form of the film or derivative work cannot be identified in the supposed copy no infringement occurs. The written copy of a piece of music made from a sound recording will then only infringe the musical copyright, and not that in the sound recording. Phillips, J and Firth, A suggest, in *Introduction to Intellectual Property Law*, 1995, London: Butterworths, that this is a fair result because the copy cannot be exploited as a sound recording. Therefore, the sound recording copyright owner does not require protection from the copy, it is the musical work copyright owner who may now face competition from the written

record. Section 17(4) of the CDPA 1988 does not prevent this conclusion. It provides that, in relation to a film, broadcast or cable programme copying includes making a photograph of the whole or a substantial part of an image forming part of the work (see 7.4.2). The visual nature of these works remains identifiable in the photograph. However, the sub-section does state that copying 'includes' this type of reproduction, so that a deduction that other changes of form may also infringe copyright in a derivative work is tenable.

Reproduction does not include re-creation. In *Norowzian v Arks* (1998), it was argued unsuccessfully that to remake a film by recreating and refilming a dance sequence depicted in a film infringed the plaintiff's film copyright. It was held that the subject matter of film copyright is the recording itself and not any underlying work, and that to copy a recording (whether a sound recording or film) required an exact copy of the recording to be made. Australian authority supported this view.

### *Parody*

There is one change of form which might be thought to call for different treatment in relation to copying, that of a parody of a work, because this is a legitimate art form in itself. To succeed as parody, the original work must remain identifiable, so that sufficient objective similarity and a causal connection seem inevitable, leading to a necessary finding of infringement. If sufficient, the 'skill, labour and judgment' employed in creating the parody will entitle that new work to its own copyright, but this does not preclude a finding that the source work has been infringed (see 7.1.3). Unlike France and Spain, the UK makes no specific statutory provision for parody. However, two cases hint that the courts may take a lenient view with respect to this particular art form. In *Glyn v Weston Feature Film Co* (1916), a filmed 'send up' of the novel *Three Weeks* did not infringe, nor did the parody of the chorus 'Rock-a-Billy' in the plaintiff's song by the defendant in *Joy Music v Sunday Pictorial* (1960). Both were decisions that a substantial part of the plaintiffs' work had not been taken (see 9.2.3). In contrast, in both *Williamson Music v Pearson Partnership* (1987) and *Schweppes v Wellingtons* (1987), infringement was found. In the former, the plaintiff was the copyright owner of the music for the show *South Pacific*; the defendant produced an advertisement for a bus company by modifying the words and parodying the tune. In the latter, the defendants mimicked the plaintiffs' copyright label for *Schlurppes* toiletries. These parodies were held to amount to infringement of a 'substantial part' of the plaintiffs' works. It is clear that the normal principles of infringement will be applied to parody. The later cases did differ in that the parody was undertaken for commercial purposes rather than social or literary criticism. However, the earlier pair of cases adopted a now discredited test for infringement. They considered the proportion of effort put into the new work by the defendant, rather than the proportion of the plaintiff's 'skill, labour and

judgment' surviving in the parody (see 9.2.3). A copyright author may also seek redress against a parody by asserting the moral right of integrity (see 10.5).

### *Subconscious copying*

It was held in *Francis Day and Hunter v Bron* (1963) that copying need not be deliberate (though damages may not be awarded for unknowing infringement: s 97(1) of the CDPA 1988) and that it may be subconscious. The defendant claimed that he had never consciously studied the plaintiffs' song, nor played it, but the plaintiffs responded that given that the song had been extensively exploited in the US it was overwhelmingly probable that he must have heard it and that the degree of similarity between the works raised an inference of subconscious copying. On the facts, this argument failed; however, Willmer LJ was prepared to recognise, first, the psychological possibility of subconscious copying based on proof, or a strong inference of, *de facto* similarity arising from familiarity with the copyright work. (It was this element that was lacking.) Secondly, he recognised that subconscious copying might amount to copyright infringement because no element of *mens rea* is required for infringement. The test remains the same – one of objective similarity brought about by a causal connection – and he said:

It is quite irrelevant to enquire whether the defendant was or was not consciously aware of such causal connection ...

The fact that the defendant denies that he consciously copied affords some evidence to rebut the inference of causal connection arising from the objective similarity, but is in no way conclusive.

Accordingly, the trial judge's direction as to the relevant criteria was approved:

... the degree of familiarity (if proved at all, or properly inferred) with the plaintiffs' work, the character of the work, particularly its qualities of impressing the mind and memory, the objective similarity of the defendant's work, the inherent probability that such similarity as is found could be due to coincidence, the existence of other influences on the defendant composer, and not least the quality of the defendant composer's own evidence on the presence or otherwise in his mind of the plaintiffs' work.

Similarity not attributable to subconscious copying will be coincidental, and will not infringe: *EMI v Papathanasiou* (1987). The four notes from the film *Chariots of Fire* alleged to be a copy of the plaintiffs' work were held to be a musical commonplace and the similarity was a coincidence.

### **9.2.2 Direct and indirect infringement**

Copyright may be infringed by the execution of a restricted act in relation to the work either directly, or indirectly: s 16(3)(b) of the CDPA 1988. Indirect copying can be best illustrated by the cases of *LB Plastics v Swish* (1979) and



*Plix Products v Winstone* (1986). Swish copied the plaintiff's drawers (and drawings made from the drawers), which in turn were embodiments of the plaintiff's drawings. In the latter, the defendant copied, not the plaintiff's copyright drawings, moulds and models, nor even their plastic fruit trays, or the Kiwifruit Authority's regulations, but a written description of the trays taken from those regulations. A chain of causal connection (see 9.2.1) can be traced back from the defendant's trays through the description, the regulations and the plaintiff's product, to the copyright works infringed, because the works gave rise to the product, the product to the regulations, the regulations to the description and the description to the competing trays. The House of Lords affirmed that 'reverse engineering' constituted indirect copying in *British Leyland v Armstrong Patents* (1986) (see 11.1.2). The defendant had not seen the plaintiff's copyright drawings (unlike Swish), but copied exhausts made by the plaintiff. The statute provides that the intervening steps in a chain of indirect infringement need not be infringements in themselves.

### 9.2.3 Substantial part

The act of infringement may be done to the work as a whole or to 'a substantial part of it': s 16(3)(a) of the CDPA 1988. It may well, therefore, infringe to copy, perform or broadcast, for example, only a part of a work, provided that that part can be regarded as substantial. This is a question of fact and degree, it is not purely a test of the quantity taken, but also one of the quality of the part taken in relation to the whole: *Ladbroke (Football) v William Hill* (1964). The proportion of a work that is taken need not be large, though if it is, this may contribute to a finding that the taking is substantial. In *Hawkes v Paramount Film Service* (1934), a film of a newsworthy event which included a clip of a boys' band playing the musical march 'Colonel Bogey' was held to infringe the copyright in that musical work, even though only 28 or so bars were reproduced, taking less than a minute from a work of several minutes' duration. Lord Hanworth MR held that the relevant consideration was whether the amount of the march taken was so slender as to be impossible of recognition. In this particular case, the reproduction, though short, was of an instantly recognisable and memorable part of the march and, so, substantial in relation to the quality of the musical work.

The courts use a variety of considerations to decide whether a substantial part has been infringed. In so doing, they appear often implicitly to be taking the unfairness of the defendant's competition into account. If the part of a work that is taken is valuable to the copyright owner, it is likely to be substantial, though the consideration is not one of commercial harm to the plaintiff or of benefit to the defendant: *Elanco v Mandops* (1979); *ITV Publications v Time Out* (1984). This gives the court sufficient flexibility to achieve fair play between the parties. Where a secondary work (see 7.1.3) is

concerned, whether the part taken is from what is original in the work will be relevant (see 7.1.3). In *Warwick Films v Eisinger* (1969), taking the actual text of the trial transcript was not found to be substantial because that was not the original part of the plaintiff's work, even though quantitatively it was considerable. In *Ladbroke (Football) v Wm Hill* (1964), by contrast, because the defendant copied the very parts of the plaintiff's compilation that contributed to the work's originality (the same order of lists, the same headings, almost identical varieties of wager, similar explanatory notes) the taking did infringe. This was so even though the odds given by the defendant and the matches chosen differed. It was the plaintiff's effort of compilation that was protected, preventing the shortcut taken by the defendant in copying and then publishing simultaneously. If the 'skill, labour and judgment' expended by the copyright owner is trivial, only virtually identical copying will be regarded as substantial, neatly adjusting copyright protection to the extent of the plaintiff's effort: *Kenrick v Lawrence* (1890).

Where copying is verbatim, the quantity taken need not be large to qualify as substantial, this is particularly so if the plaintiff's mistakes are also repeated: *Harman v Osborne* (1967). When a copyright work is used by another as a source, it is quite legitimate to take facts and ideas from the source work. But to go further and take from the plaintiff's arrangement, or questions, or other effort put into the actual expression of the source work will infringe if a substantial part of that expression survives in the defendant's work (*Harman v Osborne* (1967)). The nature of the source work may influence the extent to which such use is permitted. In *Ravenscroft v Herbert* (1980), the plaintiff's work was historical. Brightman J accepted that members of the public were entitled to use it as a work of reference. He said that a historical work was not judged by the same standards as a work of fiction because the author of a historical work was to be presumed to wish to add to the sum of knowledge, so that greater use could be made by readers. On the facts, however, he concluded that there had been copying to a substantial extent because much of the plaintiff's language had been taken and identical incidents of history had been adopted wholesale. This decision could also have been reached by distinguishing between, on the one hand, the idea of the work and the facts contained therein and, on the other hand, its expression, the language and detail of incident; but it was decided as a matter of copying a substantial part. *Ravenscroft v Herbert* (1980) should be contrasted with a series of cases relating to plays in the 19th century. There, the plot was treated as the essence of a dramatic work (rather than remaining at the level of 'idea'), so that very little could be taken from the work without infringing: *Kelly v Cinema Houses* (1932).

The nature of an artistic work has also been considered. In *Bauman v Fussell* (1978), the defendant reproduced the scene depicted in the plaintiff's photograph of a fighting cock in a painting, though with different colouring. It was held by the majority of the Court of Appeal that there had not been

infringement. The relevant question was whether 'the feeling and artistic character' of the work had been taken. On the facts, the majority held that the case was closer to a situation where a photographer had taken a scene without being responsible for the image's arrangement (capturing a particularly dramatic moment in the cockfight), than to one where the photographer had taken a scene arranged himself. However, Romer LJ dissented, on the basis that the positioning of the birds represented skill on the photographer's part and that that skill had been reproduced. In deciding whether a substantial part of a work has been reproduced, the relevant question can be phrased in one of two ways: either whether the defendant has invested substantial 'skill, labour and judgment' in the copy; or whether the 'skill, labour and judgment' invested in the plaintiff's work survives to a substantial extent in the defendant's work. It would appear that the majority used the first, and Romer LJ the second. More recently, the nature of an artistic work was considered in *Spectravest v Aperknit* (1988). It was made clear that the extent of the defendant's alterations and additions is *not* the relevant consideration. The correct test is: first, to identify what has been taken from the plaintiff and remains recognisable in the defendant's work; and, secondly, to ask whether, from a qualitative point of view, this is a substantial part of the plaintiff's (not the defendant's) work. Consequently, because the one feature of the plaintiff's design which had been recognisably reproduced in the defendant's was a substantial part of the plaintiff's design, infringement was found, despite the many changes otherwise made by the defendant. In determining what constitutes a substantial part of an artistic work, consideration can be given to literary annotations added to the work, although these could not contribute to the artistic work's originality: *Interlego v Tyco* (1988).

#### 9.2.4 Authorising infringement

To authorise another to do one of the restricted acts also infringes: s 16(2) of the CDPA 1988. Early authorities gave the wide dictionary meaning of 'to sanction, countenance, and approve' to the word 'authorise' (*Evans v E Hulton & Co* (1924) and *Falcon v Famous Film Players* (1926)). This allowed very passive acts to amount to authorisation of an infringing act, such as permitting or allowing it, or even being merely being indifferent to the act taking place. The Australian case of *Moorhouse v University of New South Wales* (1976) came close to applying such a passive definition to 'authorise'. The University was held liable for infringement by copies made by students in the University library. Students made two test copies of a 10 page story. The University provided photocopiers in the library for student use, without supervision or notices giving copyright warnings. 'Sanction, countenance, approve' were held to include 'permit', and it was held that such authorisation could be either express or implied; the person authorising did not need know of the infringing copy being made. Authorisation was also said to include acts and

omissions. The University was not entitled to assume that student copying would fall within the fair dealing defence (see 9.5).

However, the word 'authorise' is also capable of bearing a stricter, active meaning: implying that the person authorising can exercise an element of control over the person infringing, in the sense of ordering or actively requesting the act. It is significant that in the *Moorhouse* case it was found that the means of copying were under the University's control and that no reasonable steps had been taken to prevent infringement. In the UK, this stricter meaning has been adopted, so that infringement by authorisation requires three elements: an actual infringing act; a causal link between the infringement and the person authorising; and control by the authoriser over the infringer. Three cases established these criteria. In *Standen Engineering v Spalding* (1984), the defendant ordered spare parts to be made for sugar beet harvesters by another manufacturer; the plaintiff owned copyright in drawings for the spare parts. Falconer J held that the defendant had sanctioned and approved the manufacture of spares because the order was the causal link between the manufacturer's infringing act and the defendant, who also had the necessary element of control over the act. This was refined in *A and M Records v Audio Magnetics* (1979). The defendant was using the plaintiff's copyright photographs and drawings in advertising which might encourage public infringement of the sound recordings being advertised. Foster J held that to infringe there must be a specific authorisation of an actual breach, with the authorisation causing that breach to take place. The mere facilitation of infringement does not amount to authorisation. In *CBS v Ames* (1981), the defendant provided a record lending library in his shop (before the rental right was extended to its current extent) and also sold blank tapes to customers. He did not encourage copying and did display a notice warning of infringement. This was held not to amount to the authorisation of infringement by Whitford J, although infringement was almost certain to result and the defendant was indifferent to that possibility because he did not provide the equipment or facilities for the copying.

A bold attempt was made by copyright owners to diminish infringement of sound recordings by the public ('home copying' – see 9.6.2) by challenging the recording equipment industry in *CBS Songs v Amstrad* (1988). The defendants made double deck double speed tape recorders, which made private tape to tape copies very easy. Their advertisements drew attention to the fact that these could be used to copy sound recordings. Lord Templeman explained the conflict of interest which lay between the entertainment industry and the recording industry, normally interdependent, in the production of private recording equipment. However, the House of Lords held that neither the abilities of the defendants' products, nor the advertisement, could be said to imply that the defendants either possessed or purported to possess the authority to grant permission for copying. Authorisation was defined as 'a grant or purported grant, which may be

express or implied, of the right to do the act complained of'. Amstrad conferred the power on buyers of their equipment to copy, but were not granting any right to do so. The same should apply to providers of access to the Internet, such as universities and 'cyber cafés, and to the providers of the telecommunications transmission of Internet services. However, Internet service providers, because they have the capacity to control the content of what is loaded on to their servers, may fall within the definition of authorisation. This would enable some check on the large amount of copyright material available on the Internet apparently without the copyright owners' consent. It would leave decisions as to which information to disseminate to largely commercial concerns. It would also prevent the use of works within the limits of fair dealing and the other permitted acts refused admission to the service, as argued by Macmillan, F and Blakeney, M, 'The internet and communication carriers' copyright liability' [1998] EIPR 52. Equally difficult questions surround the liability of bulletin board systems operators, usually passive in what is uploaded to and downloaded from their bulletin boards. The advantage to copyright owners of liability for Internet service providers and bulletin board service operators is that these are identifiable, and solvent, whereas actual users of their works will be nearly impossible to trace.

### **9.2.5 Infringement of secondary works**

Where a copyright work is a secondary one, one put together by the infringing use of other copyright works as source material (but deserving of copyright in its own right for the 'skill, labour and judgment' employed in its creation), it was thought that this fact of infringement provided a defence to any allegation of infringement of the new secondary work by a third party. This was denied by the House of Lords in *British Leyland v Armstrong Patents* (1986) (see 11.1.2). More recently, it was argued that the new copyright in the secondary work was unenforceable until the infringement employed in its making was cured. Lightman J denied this principle too, in *ZYX Music GmbH v Chris King* (1995). Instead, it was said that the secondary work's copyright owner should account to the copyright owners of the sources used for any damages received. Both the secondary work and the copyright sources are infringed by the third party's restricted act, the first directly, the second indirectly (see 9.2.2).

## **9.3 Secondary infringement**

In addition to the acts of primary infringement, the CDPA 1988 provides for acts of secondary infringement. These amount to different ways of dealing commercially with infringing copies, or the means of making those copies, and include those who might otherwise be regarded as authorising

infringement by facilitating performance of a work. These acts may not be performed by the person who is the primary infringer, and differ from primary infringement, where liability is strict, in a requirement for knowledge on the part of the infringer (see 9.3.1). The acts of secondary infringement may be utilised against Internet service providers and bulletin board operators, provided the requisite knowledge is proved. There is no provision for the authorisation of an act of secondary infringement, but an 'authoriser' may be joined as a joint defendant. All the acts of secondary infringement must have been performed without the licence of the copyright owner:

- Copyright is infringed by a person who imports into the UK, otherwise than for private and domestic use, an article which is, and which he knows or has reason to believe is, an infringing copy of a work: s 22 of the CDPA 1988. Non-infringing import must be both private and domestic.
- It is secondary infringement to possess an infringing copy in the course of a business, sell or let it for hire, or offer or expose it for sale or hire, exhibit it in public or distribute it in the course of business, or distribute it otherwise than in the course of a business to an extent which will prejudicially affect the copyright owner: s 23 of the CDPA 1988.
- To make, import into the UK, possess in the course of a business, sell or let for hire, or offer or expose for sale or hire an article specifically designed or adapted for making copies of a particular work infringes; as will transmitting the work by means of a telecommunications system (otherwise than by broadcasting or inclusion in a cable programme service) knowing or having reason to believe that infringing copies will be made by means of the reception of the transmission in the UK or elsewhere: s 24 of the CDPA 1988. It is unlikely that this would catch the Amstrad double tape decks, as these are not adapted to copying a particular work, but would embrace a mould or model for a specific work.
- Where primary infringement of a literary, dramatic, musical or artistic work by performance takes place at a place of public entertainment (including premises occupied mainly for other purposes, but made available from time to time for hire for the purposes of public entertainment) any person giving permission for that place to be used is liable unless he believed on reasonable grounds when giving the permission that the performance would not infringe: s 25 of the CDPA 1988.
- Finally, where copyright is infringed by a public performance, or by playing or showing in public by means of apparatus for playing sound recordings, showing films, or receiving visual images or sounds conveyed by electronic means, further individuals infringe. These are: a person who supplied the apparatus, or any substantial part of it, knowing or having

reason to believe that it was likely to be used to infringe copyright or, if normally used for public performance, playing or showing, did not believe on reasonable grounds that it would not be so used; an occupier of premises who gave permission for the apparatus to be brought on to the premises if at the time he knew or had reason to believe it would be used to infringe; and a person supplying a copy of a sound recording or film if, with the requisite knowledge at the time, it, or a copy made directly or indirectly from it, was likely to be used to infringe: s 26 of the CDPA 1988. Sections 25 and 26 of the CDPA 1988 place the onus on the individuals concerned to ensure that appropriate licences are obtained.

### 9.3.1 Reasonable knowledge

The Copyright Act 1956 required only that secondary infringers had actual knowledge of their infringement, although in *Columbia Picture Industries v Robinson* (1986) Scott J held, *obiter*, that a defendant shutting his eyes to the obvious would infringe and in *Sillitoe v McGraw Hill* (1983) the requisite knowledge was held to include reasonable inferences that the person should draw from the facts. The CDPA 1988 provides that the secondary infringer either knows or has reason to believe that he is dealing with infringing copies. This, although primarily an objective test, includes a subjective element in that the belief is personal to the defendant; a belief reasonable to him, as well as the reasonable man. This should include all his own knowledge and experience, rather than that of the reasonable man. This test was considered in *LA Gear Inc v Hi Tec Sports plc* (1992). Morritt J said:

... it seems to me that 'reason to believe' must involve the concept of knowledge of facts from which a reasonable man would arrive at the relevant belief. Facts from which a reasonable man might suspect the relevant conclusion cannot be enough. Moreover, as it seems to me, the phrase does connote the allowance of a period of time to enable the reasonable man to evaluate these facts so as to convert the facts into reasonable belief.

Common knowledge of the trade was attributed to the defendant.

### 9.3.2 Infringing copy

An 'infringing copy' is defined in s 27(2) of the CDPA 1988 as a copy whose making constituted an infringement of the copyright in the work in question. In relation to the import of copies, a query relates to copies which have emanated from the copyright owner. The law of the EU prevails in relation to parallel imports (see Chapter 16) of lawful copies released on to the market by, or with the consent, of the copyright owner, and coming from the European Union and EEA: s 27(5) of the CDPA 1988. However, a copyright owner may wish to prevent the parallel import of copies released outside the EEA area by or with his consent if, for example, those copies are of inferior quality for an

overseas market or priced below the UK price. Section 27(3) of the CDPA 1988 imposes a test of a hypothetical manufacturer to determine whether such copies can be regarded as infringing. If the making of the copy in the UK would have constituted infringement or the breach of an exclusive licence, it is regarded as an infringing copy and importation can be prevented. However, the CDPA 1988 does not specify who is the hypothetical manufacturer (whether it is the importer or the actual manufacturer abroad). An example can be considered:

Owner owns copyright in a book and sells it in the UK and the US at different prices. Importer buys it in the US at a low price, imports it to the UK and sells at a lower price than owner. Owner made the book. If Owner is the hypothetical maker, there is no infringement in the import, but, if Importer had made the book in the UK, Importer would have infringed Owner's copyright and therefore the import infringes.

Pre-1988 law adopted the actual manufacturer abroad test (*CBS v Charmadale* (1981)), but Australian copyright legislation adopts the importer. The 1988 Act has clarified the situation if the making in the UK constitutes breach of an exclusive licence, as illustrated by a second example:

Owner has copyright in a compact disc, and grants an exclusive licence to Y to manufacture in UK, and to Z for the US. Importer buys cheaply from Z in US and imports into UK. Here, the actual manufacturer in the US is Z; if Z had manufactured in the UK, he would have infringed both Owner's and Y's rights, and both can take action against these imports.

It is possible that a licence to deal with legitimately purchased copies may be implied, in the importer's favour (see 9.4.1).

## 9.4 Defences

Apart from challenging either the subsistence of any copyright in a work or the extent of the exclusive rights or secondary infringements, two categories of defence exist for the alleged infringer. The CDPA 1988 calls acts which *prima facie* fall within the exclusive rights, but are then excused by the statute, the 'permitted acts' (see 9.5 and 9.6). These are specific acts being sanctioned in order to cater for specific areas of interest in access to copyright works. They may be distinguished from acts sanctioned in general terms for all potential infringements, which might be called 'defences'. No question of any defence arises until it has been established that the defendant's act being complained of affects the whole or a substantial part of a work (see 9.2.3).

### 9.4.1 Implied licences

It is open to a court to imply a licence in any contractual arrangement between copyright owner and defendant permitting the act complained of. This may be



done by implying an alternative arrangement as to the ownership of copyright by an employee (*Noah v Shuba* (1991) (see 8.3.1)), or an implication of beneficial ownership in the person commissioning a work (*Warner v Gestetner Ltd* (1988) (see 8.3.2)).

Terms have been implied to allow the use of architectural plans protected by copyright in favour of an architect's client. Whether such a term may be implied depends on the nature of the contract made. In *Blair v Osborne and Tomkins* (1971), the client had paid the full scale fee for plans which were then used by another firm. The Court of Appeal implied a licence permitting this use. By contrast, in *Stovin-Bradford v Volpoint Properties Ltd* (1971), no licence was implied where the client had not paid the full fee. In *Hunter v Fitzroy Robinson* (1978), it was said to be strongly arguable that where plans have been commissioned they can be used, and even modified, by another architect.

In the Australian case of *Time-Life International v Interstate Parcel Express Co* (1978), it was argued that the legitimate purchase of copies should lead to an implied licence to deal with those copies, allowing the purchaser to import them into another country (subject to the specific rules relating to free movement of goods within the EEA (see 16.2 and 9.3.2)). The defendant had purchased copies of a cookery book in the US and after importing them was underselling the copyright owner's exclusive licensee in Australia. No restriction had been imposed on resale by the copyright owners or their distributors in the US. It was argued that, by analogy with a line of cases relating to patented goods, such a sale without restriction implied a licence to deal with the books. The High Court of Australia refused to draw the analogy because of the different nature of the rights conferred by a patent and copyright and no licence was implied. Cornish, W suggests, in *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 1996, London: Sweet & Maxwell, that a court in the UK might be persuaded to draw the analogy because copyright does not encompass subsequent sale and use. Copyright owners would still be able to prevent parallel imports of copies of their works by imposing restrictions expressly.

In *British Leyland v Armstrong Patents* (1986) (see 11.1.2), it was argued that the purchaser of goods protected by copyright should have an implied licence to repair those goods and that this licence should extend to commercial suppliers of spare parts. The plaintiffs sought to exercise copyright in drawings for car exhausts to prevent the defendants from making spares by indirect copying (by reverse engineering). The House of Lords did not imply the licence, distinguishing copyright protected works from patented goods, where such a licence may be implied. Lord Bridge said:

The owner of a car must be entitled to whatever is necessary to keep it in running order and to effect whatever repairs may be necessary in the most economical way possible. To derive this entitlement from an implied licence granted by the original manufacturer seems to me quite artificial. It is a right

inherent in the ownership of the car itself. To curtail or restrict the owner's right to repair in any way may diminish the value of the car. In the field of patent law, it may be right to start from the patentee's express monopoly and see how far it is limited by exceptions. In the field of law applied to machinery which enjoys no patent protection, it seems to me appropriate to start from a consideration of the rights of the owner of the machinery and then to see how far the law will permit some conflicting legal claim to impinge upon those rights.

Similar reasoning could be applied to an implied licence to deal.

### 9.4.2 Spare parts

The House of Lords developed a new copyright defence in a remarkable display of judicial innovation in *British Leyland v Armstrong Patents* (1986) (see 11.1.2). The case raised important issues in relation to the creation of copyright monopolies in functional articles (see Chapter 11), and subsequent changes to copyright and design law brought about by the CDPA 1988 have mitigated the undesirable consequences of protection for such works. The principle articulated by the House of Lords remains valid for other copyright monopolies, however, where the copyright owner relies on the copyright to prevent owners of goods repairing those goods without resort to the copyright owner. The House of Lords held that copyright owners' rights must be balanced against the car owner's right of ownership and applied a principle borrowed from land law, that of non-derogation from grant. Lord Templeman said:

I see no reason why the principle that a grantor will not be allowed to derogate from his grant by using property retained by him in such a way as to render property granted by him unfit or materially unfit for the purpose for which the grant was made should not apply to the sale of a car.

The problem posed by the case was recognised to be one of the boundaries of legitimate and unfair competition, but the House of Lords declined to adopt any limit which required courts to draw this boundary. Lord Bridge gave two reasons for this reluctance:

*British Leyland's* second answer is that the criterion for the maintenance of a supply of spare parts sufficient to meet demands of car owners for the purposes of repair is one of necessity and that, so long as the manufacturer and his licensees are maintaining an adequate supply at reasonable prices and, more particularly, if the manufacturer is willing to offer licences to all who wish to take them on reasonable terms, there can be no such necessity as to justify the subordination of the right of the copyright owner in spare parts drawings to the interest of the car owner in a free market in parts available for repair. This suggested answer to the problem seems to me both impracticable and unrealistic for two reasons. First, it would impose an impossible task on the court, whenever asked to decide whether a claim to copyright in spare

parts drawings should be enforced, to have to determine without the aid of any defined criteria whether at the date of the trial the manufacturer and his licensees were maintaining a supply on reasonable terms. Secondly, once the copyright owner had succeeded in his claim, he would be at liberty to vary his terms of trade to the detriment of owners of cars of his manufacture.

That the new defence continued to apply after the commencement of the CPDA 1988 on 1 August 1989 is suggested by s 171(3) of the CDPA 1988 and *Flogates v Refco* (1996). It was held in *Wyko v Cooper Roller Bearings* (1996) that it is only a defence, does not provide a cause of action and cannot be applied unless the defendant holds another right against which exercise of the plaintiff's copyright must be balanced. The *British Leyland* principle continues to apply to copyright works which do not fall within the ambit of s 51 of the CDPA 1988 (see 11.2.1) and can be extended to copyright works which have been commissioned where s 50C of the CDPA 1988 (copying of computer programs permitted to lawful users) does not apply. However, its basis in principle was doubted by the Privy Council in *Canon Kabushiki Kaisha v Green Cartridge Co (Hong Kong) Ltd* (1997). And the Privy Council went on to distinguish it on the facts, in a case where the defendants had indirectly infringed copyright in Canon's drawings for parts included in replacement cartridges for their photocopiers. Canon sold photocopiers which operated by means of disposable cartridges for the necessary toner and other components needing regular replacement. A cottage industry in Hong Kong already refilled spent cartridges, providing competition to Canon's sales of replacement cartridges (their 'aftermarket') when the defendants began manufacturing competitive replacements. Canon adduced evidence to show that the actual photocopiers were sold virtually at cost price, so that they were dependent on the aftermarket to make a profit and that purchasers of the copiers would consider the need for replacement of cartridges in making decisions as to cost. In addition, competition already existed within the aftermarket through the actions of the refillers, suggesting that there was no abuse of the copyright 'monopoly'. Although the Privy Council declared that:

... the courts are ill equipped to pronounce on such matters (whether the existence of copyright is capable of giving the plaintiff such economic power in the aftermarket as to be anticompetitive and contrary to the public interest), which often involve questions of economic policy and are generally left to specialised bodies, such as the Monopolies and Mergers Commission ...

they continued to refuse to apply the *British Leyland* principle in this case. Because *British Leyland v Armstrong Patents* (1986) was distinguished not on the facts (the exhausts and cartridges were analogous), but on the different nature of the aftermarkets and the economic behaviour of the plaintiffs, it appears that courts will now need to make decisions as to the limits of competition, and without the advantage of sophisticated economic expertise.

### 9.4.3 Public interest

At common law, a defence of publication in the public interest, despite infringement of copyright in the process, was accepted by the judges, as for breach of confidence (see 6.3.3): *Hubbard v Vosper* (1972); *Beloff v Pressdram* (1973). This was given statutory recognition for the first time by s 171(3) of the CDPA 1988. No definition of 'public interest' is provided, however, leaving this to be determined by the courts. Cases recognising this public interest state the test as it was thought to be in the earlier breach of confidence, confined to 'misdeeds of a serious nature and importance to the country' (*Hubbard v Vosper* (1972); *Beloff v Pressdram* (1973)), rather than the now accepted test of publication with 'any just cause and excuse' (*Lion Laboratories Ltd v Evans* (1985)). What is clear is that a mere allegation of public interest is insufficient, nor does the public interest include everything that the media have an interest in publishing, or the public in reading.

It is an as yet unresolved question as to whether the later breach of confidence test can also be applied to infringements of copyright. An overlap is inevitable because a publication may simultaneously breach both confidence and copyright; both issues were considered in *Lion Laboratories Ltd v Evans* (1985) and the wider test applied. In Australia, however, the test of public interest in the case of copyright was seen to be of narrower ambit than that for breach of confidence in *Commonwealth of Australia v Fairfax* (1980). Although the public interest in access to information remains the same, the two actions can be distinguished because it may not be necessary to infringe copyright in order to make confidential information available to the public, whereas a breach of confidence is inevitable. The information can be taken from a copyright work without infringement if it is only the idea that is taken, rather than expression. In such circumstances, it can be presumed, an injunction for the copyright infringement would be refused (to enable publication in the public interest to take place), but damages might lie. The better view, however, appears to be that the copyright defence and the application of public interest in breach of confidence are co-extensive. This was accepted by the Court of Appeal in *Lion Laboratories Ltd v Evans* (1985) and by the House of Lords in *Attorney General v Guardian Newspapers Ltd* (1988). The misdeeds in both cases (wrongful criminal conviction, damage to national security, respectively) would fall within the old, stricter, definition, however.

If an infringement of copyright is found to be in the public interest, the result may only be a refusal to grant an injunction, rather than a complete defence to the infringement: *Kennard v Lewis* (1983). This allows the publication, but the infringer is made to pay for taking expression and not just idea from the work.

### 9.5 Fair dealing

The fair dealing defences fall within the statutory permitted acts, but are of

more general application than others of these acts. The Whitford Committee report (*Copyright and Designs Law*, Cmnd 6732 (1977)) recommended a general defence of fair dealing with a work, a dealing 'not unreasonably prejudicing the copyright owner's legitimate interests'. The UK differs from both the US, which employs a general 'fair use' doctrine, and from the European civil systems, which provide a general defence of private use. The White Paper (*Intellectual Property and Innovation*, Cmnd 9712 (1986)) rejected such a defence as being too wide and imprecise. It does presuppose a clear concept of an owner's copyright interest, and of prejudice, as well as an appreciation of what is commercially reasonable. However, the flexibility that a general defence could provide would assist in the struggle to keep copyright law up to date in the light of new technologies and new uses of copyright works. The CDPA 1988 furnishes three fair dealing defences: fair dealing with a literary, dramatic musical or artistic work, and the typographical arrangement of a published edition for the purposes of research or private study (s 29 of the CDPA 1988); fair dealing with a work for the purpose of criticism or review (s 30(1) of the CDPA 1988); fair dealing with a work (other than an photograph) for the purpose of reporting current events (s 30(2) of the CDPA 1988). The onus of proof with regard to establishing that a dealing with a work was fair lies on the defendant (*Sillitoe v McGraw Hill* (1983)). It is worth reiterating that no issue of fair dealing arises unless more than a substantial part of a work has been taken; in fact, the early judicial development of the concept arose in tandem with the concept of insubstantial taking, and the two were not clearly distinguished.

### 9.5.1 Dealing

The equivalent word in the US is 'use', but the government rejected any change of terminology for the UK on the basis that the phrase was well understood. 'Dealing' is not defined, but refers to an infringing act being complained of, and not to commercial dealings with a work.

### 9.5.2 Fair

No definition is provided for 'fair' either, and courts are given a wide discretion to examine all the facts and circumstances. An appellate court will be reluctant to upset the judge's findings on a question of mixed fact and law unless they proceed from some error of principle or are clearly unsustainable: *Pro Sieben Media AG v Carlton UK Television Ltd* (1999). No inferences can be drawn from the other permitted acts because s 28(4) of the CDPA 1988 provides that the fact that an act does not fall within one section does not prevent it from fitting into another. The leading case on fairness, in this context, is *Hubbard v Vosper* (1972), where fairness was stated to be a 'matter of impression' and of degree. Fairness is to be judged in the context of the

purpose for which the dealing has been employed, and cannot be considered independently of the particular permitted purposes of research and private study, criticism or review, or reporting current events. Ungood-Thomas J said in *Beloff v Pressdram* (1973):

The relevant fair dealing is, thus, fair dealing with the memorandum for the approved purposes. It is fair dealing directed to and consequently limited to and to be judged in relation to the approved purposes. It is dealing which is fair for the approved purposes and not dealing which might be fair for some other purpose or fair in general. Mere dealing with the work for that purpose is not enough; whose fairness, as I have indicated, must be judged in relation to that purpose.

Like 'substantial part', fairness is not a test of the quantity of taking, but a qualitative test, although the quantity of taking may be relevant. Guidelines issued by the Publisher's Association and Society of Authors in 1965 gave substantive limits to allowable copying of 10% of a work, or 4,000–8,000 words. These were withdrawn in 1985 and the current guidance states:

... photocopying by the reader for his or her own use of: one copy of a maximum of a complete single chapter in a book, or one copy of a maximum otherwise of 5% of a literary work.

It is suggested that the copying of whole articles in periodicals would be unfair in guidelines published in 1991 by the British Copyright Council. There may be circumstances where the copying of a whole work might be considered fair. The purpose of the copying will be relevant, so that it might be fair to copy the whole of a work for criticism or review (as a memorandum was in *Beloff v Pressdram* (1973)). It is unlikely ever to be so for research and private study. Lengthy extracts may be justified for the purpose of criticism and review (*Hubbard v Vosper* (1972)), but not so for the purpose of research and private study, so that, in *Sillitoe v McGraw Hill* (1983), it was held that the passages of criticism were not long enough to justify the taking of 5% of the works copied, whereas a taking of 10% of some of scenes of the worst violence from the film *A Clockwork Orange* was held to be fair in *Time Warner Entertainments Co v Channel 4 Television Corp plc* (1994).

Many factors are relevant; in *Hubbard v Vosper* (1972), Lord Denning MR gave some guidance:

You must consider first the number of quotations and extracts. Are they altogether too long to be fair? Then you must consider the use made of them. If they are used as a basis for comment, criticism or review, that may be fair dealing. If they are used to convey the same information as the author, for a rival purpose, that may be unfair. Next, you must consider the proportions. To take long extracts and attach short comments may be unfair. But, short extracts and long comments may be fair. Other considerations may come to mind also.

These other considerations may include whether the taking was for rival

commercial purposes (*ITV Publications v Time Out* (1984); *Pro Sieben Media AG v Carlton UK Television Ltd* (1999)), or whether the infringed work has been published, or the extent to which it has been circulated if not published within the meaning of the statute or whether the information published uncovers wrongs and misdeeds. Commercial gain by the defendant is likely to point to unfairness. It was held in *British Oxygen v Liquid Air* (1925) that it was unfair to publish the plaintiffs' unpublished letter, but it is more likely that is only one of a number of relevant factors, and in *Beloff v Pressdram* (1973) publication of an unpublished memo was found, only on the sum of the facts, to be unfair. The issue of unpublished works also arose in *Commonwealth of Australia v Fairfax* (1980) when a book published confidential government documents. Following *Hubbard v Vosper* (1972), Mason J said that, if an unpublished work had been sufficiently circulated, the publication could amount to fair dealing for the purposes of criticism or review and that the absence of consent to circulation by the author was an important factor in assessing fairness. He went on to say, however, that it was possible that, while it might be unfair to publish the work of a private author, different considerations were relevant to government documents publication of which would promote public discussion and knowledge of government actions. He lifted injunctions that had been granted against publication.

If justification is pleaded in defamation, an interlocutory injunction will not be granted and a remedy for the tort at the trial is a matter of damages. It seems that the same may apply where fair dealing is pleaded. In *Kennard v Lewis* (1983), an injunction was refused against the publication of a pamphlet in the style of a CND publication by another organisation. Publication would only harm the plaintiff's cause, so that to grant an injunction would restrain political controversy. Warner J cited Lord Denning MR's *dictum* from *Hubbard v Vosper* (1972):

We never restrain a defendant in a libel action who says he is going to justify. So in a copyright action, we ought not to restrain a defendant who has a reasonable defence of fair dealing. Nor in an action for breach of confidence, if the defendant has a reasonable defence of public interest. The reason is because the defendant, if he is right, is entitled publish it; and the law will not intervene to suppress freedom of speech except when it is abused.

Warner J refused the injunction on the basis that an interlocutory injunction should not in general be used to restrain freedom of speech, or political controversy. It is notable, however, that Lord Denning was speaking in the context of publication revealing the dangers of a cult.

### 9.5.3 'For the purpose of ...'

Neither the 1988 Act, nor authority, makes clear whether the test is objective or

a subjective test of the user's intent. In 1997, the High Court applied both tests, an objective one in *Banier v News Group Newspapers Ltd* (1997), but a subjective one in *Pro Sieben Media AG v Carlton UK Television Ltd* (1997). Recently, the Court of Appeal adopted an objective test in *Pro Sieben Media AG v Carlton UK Television Ltd* (1999). Whether the dealing had been for one of the statutory purposes was said to be an objective test. The phrase 'for the purpose of' was held to have similar connotations to the everyday phrases of 'for the purpose of argument' or 'for the purpose of comparison'. It was not necessary for the court to put itself in the shoes of the infringer in order to decide whether the piece was taken for one of the permitted purposes. To adopt an objective test involved consideration of the likely impact of the dealing on its audience. However, the subjective motives and intentions of the defendant were said to be 'highly relevant' to the issue of fair dealing. Robert Walker LJ said:

This court should not in my view give any encouragement to the notion that all that is required is for the user to have the sincere belief, however misguided, that he or she is criticising a work or reporting current events. To do so would provide an undesirable incentive for journalists, for whom facts should be sacred, to give implausible evidence as to their intentions.

### 9.5.4 Research or private study

This fair dealing defence is closely related to the other provision for educational use of copyright works made in the permitted acts and should also be viewed in that context. Originally, it was intended to provide a defence only for fair use for 'private research or study', excluding commercial research. However, in parliamentary debates over the Copyright, Designs and Patents Bill, it was felt that to draw a line between commercial and private research would be difficult, impose an unjustifiable burden on librarians, and, by raising research costs, reduce competitiveness; in addition, royalties would be difficult to collect (although presumably no more difficult than in many other areas of commercial use of copyright works). This does not apply to databases because s 29(5) of the CDPA 1988 excludes commercial research from the defence.

The study or research must be the user's own. Producing works for students and researchers does not fall within this defence: *University of London Press v University Tutorial Press* (1916), where Petersen J said:

It could not be contended that the mere republication of a copyright work was a fair dealing because intended for purposes of private study nor if the author produced a book of questions for students could anyone with impunity republish them with answers.

This *dictum* was followed in *Sillitoe v McGraw Hill* (1983), so that the production of GCE 'O' Level study texts including quotations from set works could not be justified as fair dealing. Logically, therefore, the defence does not



extend to the making of multiple copies: ss 29(3), 38, 39, 40 of the CDPA 1988.

Fair dealing with a database (for private study and non-commercial research) is conditional on an indication of the source also being given: s 29(1A) of the CDPA 1988. Decompilation of a computer program (conversion of a program in a low level language into a higher level language) is not fair dealing, but may be permitted if in accordance with the conditions of s 50B of the CDPA 1988: s 29(4) of the CDPA 1988. In the Singapore case of *Creative Technology v Aztech Systems* (1997), it was held that disassembly of a computer program for commercial purposes did not amount to fair dealing for the purpose of research and private study. It was held that 'private study' did not include any kind of private study for commercial purposes, and that the commercial nature of the dealing was a relevant factor against a finding of fair dealing.

### 9.5.5 Criticism or review

The issue is the fairness of the defendant's dealing with the plaintiff's copyright work and not the fairness of any criticism or review that is made: *Pro Sieben Media AG v Carlton UK Television Ltd* (1999). Robert Walker LJ said that criticism may be strongly expressed and unbalanced without forfeiting the fair dealing defence (any remedy for malicious criticism lay in defamation). Section 30(1) of the CDPA 1988 provides that the criticism or review may be of the work taken, or of another work or of performance of work.

In *Hubbard v Vosper* (1972), it was held that the criticism might extend to the copyright author's underlying thoughts and philosophy. This principle seems to have been extended to an unjustifiable extent in *Time Warner Entertainments Co v Channel 4 Television Corp plc* (1994). There, considerable extracts were taken from the violent film *A Clockwork Orange*, whose director, Stanley Kubrick, had withdrawn the film from distribution in the UK from 1974 onwards. The defendants included the extracts in a programme largely directed to criticising this withdrawal. In an interlocutory hearing, it was held that an arguable case of fair dealing for the purpose of criticism and review could be made out. Thus, a copyright owner's decision to withdraw his work from circulation was effectively overridden. The issue was raised again in *Pro Sieben Media AG v Carlton UK Television Ltd* (1999), where extracts from the plaintiffs' programme (of a paid interview with a couple who had become newsworthy through an unusual multiple pregnancy) were repeated in a programme by the defendants criticising 'chequebook journalism'. At first instance, Laddie J distinguished *Time Warner Entertainments Co v Channel 4 Television Corp plc* (1994), where it had been noted that the criticism of the decision to withdraw the film, and the criticism and review of its long term artistic merit were 'inseparable' because the argument was that it was the merits of the film which should justify its renewed release. However, the Court of Appeal held that the defendants' programme as a whole was made to

criticise chequebook journalism in general and, in particular, the recent media treatment of the multiple pregnancy. This seems to fall at the very limits of criticism of a work, another work or performance of a work, because it apparently enables a defendant to illustrate any argument with extracts (albeit only if fair in extent) from a work in some way related to the argument, without connecting the argument to particular criticism or review of that work. It seems particularly regrettable in the *Clockwork Orange* case that the removal of the injunction allowed some 10% of the film to be broadcast. The broadcast was made, despite the director's wish to remove the film from the public domain. Nor could the film be regarded as remaining in the public domain within the UK (although in circulation in other parts of the world) when a copy had to be obtained in France, and its format changed, to allow the extracts to be shown. The Court of Appeal in *Pro Sieben Media AG v Carlton UK Television Ltd* (1999) posed the test of the likely impact of the dealing on the public.

It is clear that this fair dealing defence extends to multiple copies: *Hubbard v Vosper* (1972). It is conditional on sufficient acknowledgment. In *Sillitoe v McGraw Hill* (1983), this was held, for the Copyright Act 1956, to mean not just stating the author's name and the title of the work, but also to include an acknowledgment of his rights. Section 178(1) of the CDPA 1988 defines 'sufficient acknowledgment' as an acknowledgment identifying the work in question by its title or other description, and identifying the author (unless unpublished or published anonymously and the author cannot be ascertained by reasonable inquiry). In *Pro Sieben Media AG v Carlton UK Television Ltd* (1999), the use of the plaintiff company's logo was held to be sufficient, although at first instance it had been found that this would not be recognised by the general public.

### 9.5.6 Reporting current events

Photographs are excluded from this defence because of their news value. It extends only to events of current interest. It was not fair dealing to publish letters written by the Duchess of Windsor after her death because they related to events which had taken place many years previously, even though the issue to which they related had been re-opened by her passing: *Associated Newspapers v News Group* (1986). Current events do accommodate major sporting fixtures: *BBC v BSB* (1991). The Court of Appeal held that reporting, not only of an individual's multiple pregnancy, but also of the manner of its media coverage, fell within 'current events', a phrase which should be interpreted liberally, in *Pro Sieben Media AG v Carlton UK Television Ltd* (1999). This did not extend to copies of newspaper articles concerning fashion advice, advice on personal finance, interviews, book reviews and lifestyle articles, as well as product comparisons circulated by a major store to its employees: *Newspaper Licensing Agency v Marks and Spencer plc* (1999).

This defence is subject to the condition that the dealing must be

accompanied by sufficient acknowledgment, except for reporting by means of sound recording, film, broadcast or cable programme: s 30(2), (3) of the CDPA 1988. The use of the copyright owner's logo on an extract from a television broadcast in the work of criticism amounted to sufficient acknowledgment: *Pro Sieben Media AG v Carlton UK Television Ltd* (1999).

## 9.6 The permitted acts

Chapter III of the CDPA 1988 sets out an extensive list of acts of infringement which are given statutory permission. In some cases, this only applies where copyright owners have not set up a collective licensing scheme and provides an incentive for authors to do so. It is interesting to consider these permitted acts within their context. They cater, broadly, for particular interests in copyright works, such as news, entertainment and media, education, public administration, industrial design, and use of computer software. The Copyright Act 1956 came under increasing pressure as the means of producing and reproducing copyright works developed (reprography, tape, and video home copying, personal computers), particularly as these developments made the reproduction of works available to the public at large, easy, cheap and of good quality. Widespread 'home copying', as well as growing large scale piracy and counterfeiting, were bringing the law into disrepute, copyright owners had increasing difficulty in detecting and preventing misuses of their works and markets were being lost both to home copying and pirates. Such developments continue; consider the availability of scanners and the means of copying compact discs now available. The CDPA 1988's answer has been to make a complex and detailed attempt to balance the varied and conflicting interests of particular groups of user, copyright owner, competitors and entrepreneurs. This has been achieved by strengthening copyright infringement and the criminal offences, allowing for specific permitted acts and facilitating and controlling exercises of copyright by collective agencies of copyright owners.

### 9.6.1 Piracy

The response to this challenge has been threefold: judicial; diplomatic; and statutory. The judges developed more effective remedies, particularly the Anton Piller order, to enable the timely detection and evidence of infringement (see 15.6). The statute strengthened the acts of secondary infringement, and the criminal offences (ss 107–10 of the CDPA 1988). Penalties are now severe and should act as a deterrent, and the costs of prosecution are borne by the State. Section 100 of the CDPA 1988 provides an unusual self-help remedy (see 15.1.3). The GATT negotiations leading to the establishment of the WTO and the TRIPS Agreement are helping to establish copyright protection and enforcement procedures in former havens of piracy (see 1.3.3). Diplomatic efforts have also been made by some countries to secure

more effective action against pirates, often by linking aid to this action. The US has taken well publicised initiatives to combat software piracy in China, for example. Such efforts are unlikely to be an overnight success, particularly in jurisdictions accustomed to notions of collective ownership, but have added to copyright owners' armoury.

### 9.6.2 Home copying

This embraces copying by individuals for personal purposes. With the advent of the potential for wide scale home copying there were several defined areas of dispute: copying for educational purposes, including that by libraries, tape recording for security copies, 'pop piracy', recording of television broadcasts and backup copying of computer programs. There were also several options for reform: licences, whether implied, voluntary or statutory; a blanket levy on the cost of the copying medium (such as tapes and paper) accounted to copyright owners on a proportional basis; a pay at source approach with a high price paid for the first copy (such as satellite television), allowing for physical anti-copying devices; or the provision of new defences to infringement. In the event, a combination of these means has been adopted. In general, anti-copying devices have proved to be of limited value because the means of circumvention quickly become known, but ss 296, 297A, 298 of the CDPA 1988 provide support for them. The recording industry and manufacturers of digital audio equipment reached agreement that such equipment should contain a Serial Copy Management System which would allow only one digital to digital recording. The most favoured route is that of voluntary licensing, necessitating the grant of a licence from the copyright owner, and this has been re-inforced by the provisions for collective licensing (see 9.8). The advantage of having adopted such an approach is that licensing schemes are funded and administered by the copyright owners themselves.

The Whitford Committee (*Copyright and Designs Law*, Cmnd 6732 (1977)) had recommended a statutory blanket licence for all photocopying because of the difficulties of detection which it presents, allied to a levy on the cost of paper, and the abolition of fair dealing. The success of voluntary collective schemes established by the Copyright Licensing Agency with respect to educational photocopying, however, encouraged the CDPA 1988's response, particularly given that much photocopying will not infringe. For audio and video recording, the debate had been heated. Not all recording deprives the copyright owner of a sale, for example, copying for backup purposes. A blanket levy on copying materials, such as that in Germany, Austria, France, Spain, Portugal and Scandinavia was not enacted. To sanction all such recording was not possible because Art 9 of the Berne Convention provides that any exceptions to a copyright owner's reproduction rights 'must not conflict with the normal exploitation of the work nor unreasonably prejudice the legitimate interest of the author'. On the other hand, it was argued that the

law should be consonant with the developing practices of the reasonable public. Physical protection and voluntary licensing had not been successful. The result for audio recording is a combination of the (now extended) rental and lending right (see 8.6.3), subject to ss 66, 70, 296 of the CDPA 1988. Video recording is also covered by s 70 of the CDPA 1988. This provides that to make a recording of a broadcast (radio and television) or cable programme for private and domestic use solely for the purpose of enabling it to be viewed or listened to at a more convenient time ('time shifting') does not infringe any copyright in the broadcast or cable programme. Effectively, this allows all copying, because recording for other purposes will be very hard to detect. However, it could pose a challenge to the rental market if home copies circulate. This permitted act, however, does not extend to the copying of pre-recorded videos. The provision for quasi-domestic use of sound recordings extends to playing a sound recording as part of the activities of, or for the benefit of, a club, society or other organisation subject to the conditions laid down in s 67 of the CDPA 1988. Recent proposals made by the European Parliament in consideration of the Directive on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society (1998, OJ C108/6) which is aimed at curbing illicit duplication of music, films and other works by digital means would impose levies on blank tapes and discs: (1999) *The Times*, 11 February. A new permitted act now allows for back up copying of computer programs (see 9.6.5).

### 9.6.3 News and media

The interests of the media in providing, and of the public in receiving, news is catered for in part by the defences of fair dealing for criticism and review and for reporting current events (see 9.5), but also by the distinction between the idea and expression in a work, and ss 31, 58, 62 of the CDPA 1988. There is an obvious conflict of interest between protecting the time and expense invested in securing a 'scoop' by a journalist and the public interest in wide access to information. News incorporated in copyright works (literary, artistic, film and broadcasts and cable programmes) is protected to the extent that such a work is protected; so that, for example, to copy a literary or artistic work will infringe whether it is the work or a broadcast of it which is infringed, although, if a broadcast has no underlying work, it may be copied in another material form (see 9.2.1). But the distinction between idea and expression allows a user to take information from a work without trespassing on the 'skill, labour and judgment' invested in the work's expression (see 7.1.6). This was illustrated in *Walter v Steinkopff* (1892). The defendant journalist copied a report from *The Times*. This was held to infringe, although it was only a partial copy, and not by a direct competitor, the source had been acknowledged and the *Times* editor had not immediately objected. North J stressed that the idea-expression dichotomy provided the bounds of legitimate use and balanced the

public and private interest. This was, however, distinguished more recently in *Express News v News (UK)* (1991) in an interlocutory hearing. Two papers, in a 'tit for tat' exchange, took information from interviews from each other. The court was prepared to accept that at trial it might be established that a licence could be implied from the press custom of picking up interviews from rivals, or acquiescence in such a long standing practice found, were it not for the mirror image feature of the case. *Express News* had already obtained summary judgment against the *Today* newspaper for their copying, on indistinguishable facts. *Walter v Steinkopff* (1892) was distinguished on the basis that the authority was old and that in that case it was a report, and not the content of an interview with a third party, that had been copied. In other 'borrowings' of news material, if news were to be seen to have particular value, an *Elanco v Mandops* (1980) approach could be adopted to copying (see 7.1.3), with fair dealing only to be applied to sanction a taking which was to be in the public interest. In *Beloff v Pressdram* (1973), it was noted that 'leaks' of information are customary in the press world. However, in determining fairness, the court refused to distinguish the source of the leak, stating that the way in which the material was used was relevant. This included consideration of whether the defendant's point could have been made in any other way than by copying. Newsworthy interviews receive their own permitted act in s 58 of the CDPA 1988. Direct records made (in writing or otherwise) of spoken words for the purpose of reporting current events, or for broadcasting or inclusion in a cable programme, do not infringe any literary copyright in the words. This is subject to the absence of any prohibition on the making of the record, or of its use, by the speaker, and the permission of the person lawfully in possession of the record.

Section 31 of the CDPA 1988 permits the incidental inclusion of a work in an artistic work, sound recording, film, broadcast or cable programme. This does not apply to a musical work which is deliberately included. Section 68 provides a statutory licence for broadcasters and the providers of cable programme services with permission to broadcast or transmit copyright works to do other acts in relation to the work in order to facilitate the broadcast or transmission, provided that the conditions set out are complied with.

Uses of broadcast material are catered for by the time shifting provisions of s 70 of the CDPA 1988. Other permitted acts also apply: s 71 of the CDPA 1988 allows for the making of a photograph from an image broadcast or included in a cable programme for private and domestic purposes, and this extends to copyright in any underlying work, unlike time-shifting; s 72 of the CDPA 1988 caters for free public showing or playing of a broadcast or cable programme, extending both to the copyright in the broadcast and cable programme, and any sound recording or film included in it. The section provides conditions for determining whether the audience shall be treated as having paid for admission. The permitted act would not apply, for example, to members of a

film club, but would include residents of a home, and members of a hobbies club at which the showing or playing was incidental to its main purposes.

#### **9.6.4 Educational copying and libraries**

Fair dealing for research and private study (see 9.5) sanctions some educational use of the original works and the typographical arrangement of published editions, subject to the prohibition on multiple copies being made, and extends to the photocopying of the works. The defence does not allow copying on behalf of students by instructors. It would seem that a good deal of educational photocopying and other copying would not fall within the limits of fair dealing, and the Copyright Licensing Agency has set up collective licensing schemes for schools, colleges and universities. Royalties must be paid for 'study packs' of duplicated material provided to, or made available to, students, for example. However, the permitted acts do make provision for educational establishments. Copying in the course of, or in preparation for, instruction is permitted by s 32 of the CDPA 1988. An original work may be copied if the copying is done by the instructor but must not be by means of a reprographic process. Section 178(1) of the CDPA 1988 defines this as a process for making facsimile copies or involving the use of an appliance for making multiple copies, which would include for example, photocopying, facsimile machines, and scanners. Sound recordings, films and film soundtracks, may be copied by the instructor. Infringement (including reprographic copying, except in the case of a musical work) for the purposes of examination is allowed. Extracts from literary and dramatic works may be included in collections of works intended for use in educational establishments subject to conditions, and strict limits laid down: s 33 of the CDPA 1988. Works other than artistic works may be performed, played or shown to an audience of teachers, pupils and other persons connected with an educational establishment (which does not include parents), not being regarded as in public: s 34 of the CDPA 1988. Educational establishments may also record, or copy a recording of, broadcasts or cable programmes made by them or on their behalf, without infringing copyright in the derivative work or any underlying original work or film: s 35 of the CDPA 1988. This is, however, only to the extent that no licensing scheme exists for such acts. Finally, reprographic copies of literary, dramatic and musical works may be made to the limits set out in s 36 of the CDPA 1988, but only if no licensing scheme exists. Dealings in copies made under these permitted acts will, however, be treated as secondary infringement: ss 32(5), 35(3), 36(5) of the CDPA 1988. Section 174 of the CDPA 1988 defines 'educational establishment'.

Educational establishments may lend copies of a work: s 36A of the CDPA 1988. Where copying for the purpose of research and private study in particular is concerned, it is often necessary to have the copy made by a library and permitted acts relating to librarians allow for this in ss 38–40 of the

CDPA 1988. No multiple copying is sanctioned. Other permitted acts relating to the activities of libraries are set out in ss 40A–44 of the CDPA 1988.

### 9.6.5 Other

Before the CDPA 1988, copyright had intruded into the sphere of industrial design with controversial results (see Chapter 11). New provisions in ss 51–53 of the CDPA 1988 define a new division between copyright and the design field and these permitted acts in relation to industrial design are considered in 11.2.

Provision is made for permitted acts in relation to copyright works employed in public administration in ss 45–50 of the CDPA 1988. Copyright is not infringed by anything done for the purposes of, or reporting of, parliamentary or judicial proceedings, a Royal Commission or statutory inquiry (ss 45, 46 of the CDPA 1988). Material open to public inspection according to a statutory requirement, or on a statutory register may be utilised for factual purposes, subject to conditions set out in s 47 of the CDPA 1988. Public records and material supplied to the Crown are dealt with in ss 48, 49 of the CDPA 1988.

Special provision is made for the lawful use of computer programs, added to the CDPA 1988 by the Copyright (Computer Programs) Regulations 1992, which implemented the Directive on the Legal Protection of Computer Programs (91/250/EEC). A backup copy of a program which is necessary may be made by a lawful user: s 50A of the CDPA 1988. The making of such backup copies may not be excluded by contract: s 50A(3) of the CDPA 1988. Decompilation is permitted, provided that certain conditions are met which are designed to allow the production of compatible software: s 50B of the CDPA 1988. Error correction ('debugging') is catered for by s 50C of the CDPA 1988. Section 50D of the CDPA 1988 was added by the Copyright and Rights in Database Regulations 1997 in order to allow access to a database by those entitled to do so, any contractual provision to the contrary being void.

## 9.7 Copyright assignment and licensing

Section 90 of the CDPA 1988 sets out the nature of the right and its transferability. Copyright is personal or moveable property and may be transmitted by assignment, testamentary disposition or operation of law. The sum of exclusive rights conferred by the right may be divided up according to the acts copyright restricts, and the period of copyright. Assignment of copyright must be in writing and signed. Licences may be informal and are binding on successors in title to the licensee's interest, except against a purchaser in good faith for valuable consideration without notice. An exclusive licence must also be in writing and signed (s 92 of the CDPA 1988). An exclusive licensee has the same rights and remedies as an assignee, except



as against the copyright owner: s 101 of the CDPA 1988. A transfer of copyright must be distinguished from any transfer of the property in the physical embodiment of the work – for an artist to sell his painting does not transfer any interest in the copyright. There is no register of copyright transfers, so that an assignee of copyright runs the risk of prior assignments of which he has no knowledge. No specific form of words or document is required for an assignment and it is a question of construction for a court as to whether any given transfer is a licence or assignment. In *Chaplin v Frewin* (1966), the words ‘exclusive right to publish’ were held to be an assignment of future copyright; but, in *Frisby v BBC* (1967), the words ‘exclusive right to televise’ were held to be a licence. In the former, royalties were to be paid to the assignor, whereas in the latter the right was given only to one performance and any further rights were only an option in the transfer. The more restrictive the right, the more likely it is to be construed as a licence.

## 9.8 Collective licensing and the copyright tribunal

Individual copyright owners were often unable to keep pace with the growth in technological development which saw such expansion of the scope for large scale domestic and commercial infringement in the 20th century. Detection and enforcement of rights was both difficult and expensive. A solution adopted during the 19th century in Europe, which was begun in the UK in 1914, is that of collective licensing through collective societies of copyright authors. This is particularly effective against the individual infringer unaware of copyright and unlikely, therefore, to seek a licence, especially if they must be sought from many individual copyright owners. The advantage of collecting societies for users of works is the need to only seek one licence for a catalogue of works and for the copyright owner of sharing the cost and burden of detection and enforcement. The employment of inspectors is common. The danger of such an approach is the power thus conferred on the copyright owners, enhancing the monopolistic potential of their exclusive rights. This is particularly so if all the works a user may require are controlled by one society, inhibiting both choice and competition. Collective licensing is now prevalent.

It began with the establishment of the Performing Rights Society (PRS) in 1914, which administers performance and broadcasting rights in non-dramatic performances of musical works and literary works set to music. It is no coincidence that the introduction of the gramophone saw a relative decrease in the importance of sheet music at this time and increased emphasis on the performing right, accentuated with the introduction of radio. The PRS takes assignments of performing rights from copyright owners and in return distributes royalties collected in proportion to the use of each owner’s works. It grants blanket licences to users of works within its portfolio, with different tariffs for different types of user. Pubs, restaurants and hotels, for example,

often need and have PRS licences for music played through public address systems, and the PRS's income in 1997 exceeded £190 million. Phonographic Performances Limited (PPL) administers performing and broadcast rights in sound recordings. The user of a musical work might require licences from both. The Mechanical Copyright Protection Society governs reproduction rights in sound recordings. The Copyright Licensing Agency (CLA) was set up in 1982 by authors and publishers in response to the challenge of the photocopier. It grants blanket licences to educational establishments for multiple copying. The CDPA 1988 was based on this foundation, but added a considerable incentive to the establishment and activities of the collective societies by giving statutory licences for some acts unless a collective licensing scheme exists (ss 35(2), 35(3), 60(2), 66(2), 74(4) of the CDPA 1988). Copyright is evolving from a series of restrictive rights, to a right to receive remuneration from the exploitation of works. The collective societies have monopolistic potential and their powers have been abused, by the refusal of licences, or excessive royalties being charged. Manx Radio, for example, challenged the churlish amount of playing time for sound recordings ('needle time') being granted by the PPL. It was being limited in order to support live performances and was increased from 25% to 50% by the Performing Rights Tribunal (PRT). This abuse of power can be controlled by three means: adjudication by tribunal; competition policy; and the provision of compulsory licences.

### **9.8.1 Competition policy**

The Competition Act 1980 empowers the Director General of Fair Trading (DGFT) to investigate any anti-competitive practice, to accept undertakings from the perpetrators of such practices, or to refer the practice to the Monopolies and Mergers Commission (MMC), or to refer the question of whether a practice does operate to the detriment of the public interest to the MMC.

The Fair Trading Act 1973 gives either the Secretary of State, or the DGFT, authority to refer any merger or monopoly situation to the MMC. There have been at least three reports on copyright, which begin from the presumption that to maintain exclusivity through copyright is an appropriate question for the MMC, although copyright is necessarily exclusive. The MMC must consider whether the situation referred to it operates against the public interest, which is widely defined, and recommends appropriate action. The Secretary of State may make orders to implement the MMC's recommendations, which may include, in the case of copyright, compulsory licences: s 144 of the CDPA 1988. The MMC held that the Ford Motor Company were abusing their monopoly in relation to car spare parts in 1985. The BBC and ITV also relied on copyright to preserve their television listings duopoly, which was found to be an abuse, although not against the public interest. And the PPL was found by the MMC to be the best mechanism, and

an economic necessity, for licensing rights in sound recordings, provided that it could be restrained from operating unfairly.

### **9.8.2 Compulsory licences**

There is no general scheme for compulsory licences, as in the Patents Act 1977, but ss 66, 140–41, 144 of the CDPA 1988 confer powers on the Secretary of State to grant licences where they are not provided voluntarily.

### **9.8.3 The Copyright Tribunal**

The Copyright Act 1956 established the Performing Rights Tribunal (PRT) as a response to the collecting societies. It had jurisdiction over disputes between licensing bodies and copyright users in the areas of public performance and broadcasting, with power to grant or vary licences on references made by one of the parties to a dispute. The sole criterion for decision was one of reasonableness. The CDPA 1988 transformed this into the Copyright Tribunal, with a wider jurisdiction than that of the PRT. Chapter VII of the CDPA 1988 sets out the relevant provisions in relation to collective licensing. The Tribunal is comprised of a chairman and two deputy chairmen (who are legally qualified and appointed by the Lord Chancellor), and up to eight ordinary members appointed by the Secretary of State. It sits in panels of three. Appeals on a point of law are made to the High Court. The Copyright Tribunal has jurisdiction over licensing schemes and licences granted by licensing bodies outside a scheme, in all areas of copyright: s 149 of the CDPA 1988. A licensing body is a society or other organisation which, as one of its main objects, negotiates or grants copyright licences as copyright owner, prospective owner or owner's agent and whose objects include the granting of licences for more than one author: s 116(2) of the CDPA 1988. Both licensing schemes and licences granted by licensing bodies may be referred to the Tribunal for determination of the reasonableness of their terms and for orders to be made concerning the use of works covered, or not covered, by the licence. The tribunal may make orders to confirm or vary a licensing scheme, to grant a licence that has been refused, to confirm or vary the terms of a licence, and to settle questions relating to royalties. Licensing schemes may also be certified by the Secretary of State and this displaces those permitted acts which are provided only in the absence of a licensing scheme. The tribunal has one overriding consideration of considerable latitude, that of reasonableness, to make an order that is 'reasonable in the circumstances'; however, ss 129–34 of the CDPA 1988 set out specific factors to be taken into account, but which do not preclude the consideration of all relevant circumstances (s 135 of the CDPA 1988).

One example of a long battle against the monopolistic potential that copyright can confer where no other source of the data contained in a

## **INFRINGEMENT OF COPYRIGHT AND PERMITTED ACTS**

copyright work exists is the battle fought against the BBC and ITV over television programme listings. The TV Listings Campaign reported that 4,500 jobs were being lost as a result of the (then only two) television companies' control over listings, and £500 million in revenue. It was shown that, in Germany, over 26 million copies of listings magazines were sold, compared to under 6 million in the UK. Nevertheless, the copyright was upheld in *ITV Publications v Time Out* (1984) (see 7.1.3): the taking had been of expression, was not fair dealing (being competitive) and did constitute a substantial part of the plaintiffs' work. In 1985, a reference was made to the MMC, but, though the copyright was found to be being abused, this was not to the detriment of the public interest. Finally, s 176 of the Broadcasting Act 1990 provided a statutory duty to provide listings free of charge, while copyright could be maintained on additional programme information; and the ITV-BBC duopoly was abolished. In March 1992, the Copyright Tribunal ruled that newspapers and magazines need only pay £2 million and not the £13 million asked for by the licensors.

## **Infringement**

Infringement may only occur within the ambit of a copyright owner's exclusive rights.

Primary infringement constitutes the exploitation of one of the exclusive rights without the copyright owner's permission.

## **Copying**

An original work may be copied by reproduction in any material form, but a change of dimension only amounts to copying in relation to an artistic work. To show both objective similarity between a work and an alleged copy and a causal connection between the two raises an inference of copying, which may be rebutted by a defendant. A chain of reproductive acts may amount to copying. Normal principles apply to copying in the form of parody. Copying may be subconscious.

Infringement may be direct or indirect, and intervening steps in a chain of infringement need not in themselves infringe.

The infringing act need not encompass the whole of a work, but must relate to a substantial part of a work. This is a question of fact and degree, of quality rather than quantity, allowing courts discretion to prevent unfair competition. The value of the part taken, its originality, the verbatim nature of copying, and the nature of the work copied are all relevant factors, as is the distinction between the idea and expression in a work.

To authorise another to do an infringing acts also constitutes infringement. Authorisation takes on an active meaning of actually purporting to have authority to control the performance of the infringing act. For authorisation to be found, an infringing act must have taken place, a causal link shown between the infringement and the authoriser, and a degree of control exercised by the authoriser over the infringer.

Where a secondary work is infringed, the copyright owner may have to account for a portion of damages received to the owner of the source work.

Secondary infringement by way of commercial dealings with, and the means of making, infringing copies of a work is provided for. It will infringe if, without the copyright owner's permission, infringing copies are imported into the UK, or infringing copies are possessed or dealt with in the course of business as will dealing with articles specifically adapted to make infringing copies of a work, or to permit a place of public entertainment to be used for an infringing performance, or to supply apparatus for an infringing performance or showing. A requirement of actual or constructive knowledge of the infringement is required.

A hypothetical manufacturer test is applied to infringing copies made outside the EEA in order to determine whether they constitute infringing copies in the UK. It is not clear whether the importer or actual manufacturer is

the hypothetical manufacturer.

## **Defences**

Unless a substantial part of a work has been infringed, no question of a defence to infringement arises; a defendant may challenge the subsistence of copyright in a work, or the extent of the exclusive right relied on. In addition, three general defences exist.

A defendant may rely upon an implied licence. Implication has been made in relation to the ownership of copyright where a work has been made both by an employee and an independent consultant. Licences to repair and to deal with legitimate copies have been argued.

A new defence was created by the House of Lords in *British Leyland v Armstrong Patents* (1986) preventing copyright being exercised to control the making of spare parts for articles protected by copyright. It will not be applied where the exercise of copyright can be competitively justified, however.

The public interest may provide a defence to infringement and it is probable that the definition used for breach of confidence will apply to copyright. Public interest in information does not necessitate copying a copyright work because an idea may be taken without infringement. Where there is a defence, the public interest may amount only to the refusal of an injunction.

## **Fair dealing**

The three fair dealing defences are the first of the CDPA 1988's extensive attempt to balance legitimate competing interests in works. They allow for use of works for research or private study, criticism or review, or for reporting current events. Any infringing use of a work constitutes dealing. Whether dealing is fair is left to a wide judicial discretion, but is judged within the context of the statutory purposes being protected. It is a qualitative rather than a quantitative test, although the quantity of taking is used in guidelines. Other factors include whether taking is for rival commercial purposes, whether the work is published, or the extent of its circulation. A defence of fair dealing may lead to refusal of an injunction.

An objective test is applied to the question whether the dealing has been for one of the statutory purposes, although the defendant's subjective motives remain relevant.

Fair dealing for the purpose of research or private study relates to the original works and typographical editions and extends only to the researcher or student, nor does it encompass multiple copying. Where the dealing is for criticism or review of any description of work, the question is not whether the

criticism is fair, but whether the dealing is, although the criticism may extend to the author's underlying thoughts and philosophy. Multiple copies may be made, but there must be sufficient acknowledgment of the copyright owner's rights. Fair dealing with a work other than a photograph for reporting current events is restricted to events that are current (and not old stories recently re-opened), although 'current events' is interpreted broadly. Sufficient acknowledgment must accompany the dealing, but use of a television company's logo will suffice.

### **The permitted acts**

The permitted acts are detailed and specific provision for other interests in copyright works (education, news, private use, public administration, design and computer software) have been formed as wide scale private and commercial copying has become increasingly easy and cheap.

Piracy has been met by a judicial, diplomatic and statutory response, with the development of the Anton Piller order, increased criminal offences and penalties, a self-help provision and diplomatic pressure on offending jurisdictions.

Home copying is catered for by voluntary licensing, reinforced by arrangements for collective licensing, rather than levies on copying media such as paper or blank tapes and videos. The rental right has also extended protection for copyright owners, but is subject to specific defences, including copying for time shifting purposes of audio and video broadcasts.

The news media are protected by fair dealing, and by the distinction between idea and expression in a work. Additionally, provision is made for interviews in s 58 of the CDPA 1988. Incidental inclusion of works in an artistic work, sound recording, film or broadcast or cable programme is permitted by s 31 of the CDPA 1988. Free public showing may be made of broadcasts and cable programmes and this extends to any underlying works: s 72 of the CDPA 1988.

Educational copying is partly sanctioned by fair dealing, but copying in the course of instruction other than by photocopying is also provided for, as is use of works for examination purposes, and for compilations of works to be used in educational establishments. Educational recording of broadcasts is sanctioned, if no licensing scheme exists. Some photocopying within stated limits is allowed where a licensing scheme is not available. Similar provisions apply to libraries.

Copyright and design protection are separated by the provision of permitted acts in relation to design documents, use of copyright works in public administration is allowed and special provision is made for use of computer programs to allow for backup copies, error correction and decompilation for the production of compatible software.

## MORAL RIGHTS

Article 27 of the Universal Declaration of Human Rights recognises that the creators of any scientific, literary or artistic production have both moral and 'material', or economic, interests in their work which have a right to be protected.

The concept of moral rights is relatively new in the UK. They are separate from the copyright in a work. An author's moral rights are protected as breaches of statutory duty, not as a property right, as is copyright. They are not conferred on the entrepreneurial authors of neighbouring or derivative works, such as sound recordings or broadcasts. Nor is the protection conferred by a moral right co-extensive with the copyright in that work; for example, the right against false attribution only survives the right owner by 20 years, rather than 70 years. But a connection to copyright lies in the fact that the work must be a 'copyright work' and remain in copyright for a moral right to come into being.

### 10.1 The background

Copyright is adapted to the protection of copyright owners' and entrepreneurs' economic interests in the exploitation of a work, by providing remedies against copying or other public exploitation of a work, and commercial dealings with those copies (ss 16, 22–26 of the Copyright, Designs and Patents Act 1988 (CDPA 1988)). But authors have another important interest in their work, that of their artistic reputation and integrity. The exploitation of a work aids in creating, maintaining and enhancing an author's artistic reputation and standing, provided that the author is publicly associated with the work by those who exploit it and provided that subsequent treatment of the work by others preserves the work's artistic integrity. Many copyright authors are not in a position to exploit their works and are dependent on entrepreneurs (such as publishers) to do so, but copyright can protect their artistic or 'moral' interest only indirectly.

Civilian systems of copyright have long recognised moral rights for authors of works, having grown from the Roman concept of respect for authors' intellectual and artistic creativity and repugnance against plagiarism, rather than from demands made by publishers (the Stationers) in response to the challenge posed by Caxton's printing press, as in the UK. Authorship was seen as a form of self-expression which reflected an author's personal integrity and reputation. This can be perceived, for example, in the higher standard of originality adopted in many Continental copyright laws, so that very



factual material is not protected by copyright in France and Germany; it can also be seen in the provisions of the Database Directive (Directive 96/9/EC) as implemented by s 3A of the CDPA 1988. The civilian concept of an author's moral rights in a work includes prohibition of the alienation of the moral right, unlike the economic copyright; it is also not allowed for the moral right to be eroded by notions of commercial efficacy or the interests of other parties. Article 6 of the Law of 11 March 1957 in France declares that moral rights are 'perpetual, inalienable and imprescriptible'.

However, such comparisons must be drawn with care, and this provision is only applied with caution. It has been pointed out that French courts rarely grant an injunction to enforce moral rights of an author who has parted with the economic rights in a work and damages will be relatively small, though actions for injunctions are not infrequent: Lewis, B, 'The "*droit moral*" in French law' [1983] EIPR 341.

Civil jurisdictions recognise a variety of moral rights, as has the UK since 1989: to paternity; against false attribution; and of integrity; but they also recognise a right to determine whether a work is complete, for example, a commissioned work, and how it should be published ('*droit de divulgation*'), a right of access to the work ('*droit d'accès*'), and a right to withdraw a work ('*droit de repentir*'). The civilian moral right owner may also object to undesirable ways used to display or exploit a work and has a right to: prevent the physical destruction of a work; to respond to criticism; and to the loyalty of his publisher: *Editions Gallimard v Hamish Hamilton* (1986).

In 1948, the Brussels Revision of the Berne Convention included two moral rights which were to last during the author's lifetime, independently of the copyright. These were: a right to claim authorship of a work (a right of paternity); and a right to object to distortion, mutilation or other alteration or action prejudicial to the author's honour or reputation in relation to the work, whether or not the copyright had been assigned (a right of integrity). The 1971 Paris Revision requires even more extensive moral rights and that they be protected for as long as the copyright lasts. The UK is a member of the Berne Convention and ratified these revisions.

Article 6*bis* of the Berne Convention states:

- (1) Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work which would be prejudicial to his honour or reputation.
- (2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exercisable by the persons or institutions authorised by the legislation of the country where the protection is claimed

...

This appears to envisage that any assignment of economic rights is not accompanied by assignment of moral rights.

### **10.2 The UK before the CDPA 1988**

Until the CDPA 1988 came into force on 1 August 1989, there were no equivalent provisions in the UK. The traditional approach of allowing freedom of contract left relations between author and entrepreneur to whatever could be successfully bargained for by the parties. In 1952, the Gregory Committee dismissed moral rights as 'suspiciously foreign'. As a member of the Berne Convention, the UK was obliged to protect the rights of paternity and integrity, but the argument that the common law did so, albeit indirectly, prevailed. Authors were left to protection through the torts of defamation and passing off (see Chapter 12) and whatever they could bargain for in contract. The Copyright Act 1956 did contain some limited provisions. The common law situation is still of some significance, both as a measure against which the effectiveness of the new moral rights can be measured and as an alternative source of relief if moral rights fail to protect.

#### **10.2.1 Contract**

Authors may bargain for any protection required when contracting with those well placed to exploit their works to the maximum effect, but only to the extent of their individual bargaining power. This will prove a handicap to the new, aspiring author who has not yet established a reputation and demand for his works, the author, nevertheless, most in need of protection for the moral interest in his works. This will be particularly so where standard form contracts are the norm.

In *Frisby v BBC* (1996), the author of a play was able to secure protection from the deletion of a line which he regarded as pivotal. An agreement between the BBC and the Screenwriters' Guild contained a term that the BBC should not make structural changes without the author's consent. Frisby had granted the BBC an exclusive licence to televise the play once and the licence referred to the collective agreement. Goff J granted Frisby an injunction against televising the altered play because the agreement's terms were held to be incorporated in the licence as an implied term. It is significant that Frisby's success in this case depended on collective bargaining on behalf of screenwriters made by the Guild, rather than on individually negotiated terms of the contract.

In *Joseph v National Magazine* (1959), an individual did succeed in negotiating protection for his literary integrity, but only as a well established writer in the field. Joseph succeeded in an action for breach of contract when the magazine revised an article which he had written for them because the contract provided for the article to be written in his own way. Damages were

granted for the loss of the writer's chance to enhance his reputation. However, in *Barnett v Cape Town Foreshore Board* (1978), an architect was unable to prevent alterations to his designs when no term could be found or implied nor a copyright prevent the building's owners from doing so.

While Frisby and Joseph succeeded, the remedy in breach of contract seems to have three weaknesses from an author's point of view: first, the author is likely to be the party with weaker bargaining power unless very well known; secondly, a contract is only enforceable *inter partes* (at least until legislation proposed by the Law Commission in 1996 is enacted) and will not protect the author against subsequent assignees of the copyright work; thirdly, a contract made by an employer where the author is employed will be of no avail to the author himself.

### 10.2.2 Defamation

The way in which an entrepreneur chooses to treat a copyright work may give the work's author a remedy in defamation. This was successful, for example, in the cases of *Moore v News of the World* (1972) and *Humphreys v Thomson* (1905–10). In the former, the actress and singer Dorothy Squires secured damages for libel (and breach of contract) when the newspaper printed an article purporting to have been written by Miss Squires herself. In the latter, the plaintiff author was held to have been defamed by a newspaper serialisation in which the names of his characters had been simplified, descriptions had been omitted and 'curtains' had been added to the serialised extracts.

However, defamation has limitations when prayed in aid of an author's moral interest. This was illustrated by *Chaplin v Frewin* (1996). Charlie Chaplin's son contributed to a 'ghost written' biography of his father, but, after second thoughts, attempted to withdraw from the project on the ground that it was defamatory. The Court of Appeal did not agree, and Danckwerts LJ held that the assignment of copyright was purely commercial and a transfer of property for gain; therefore, the minor son's moral welfare was irrelevant: 'The mud may cling, but the profit will be secure.' In particular, a treatment of the work may well tarnish an author's artistic reputation without amounting to defamation of his reputation as an individual. And in addition, the plaintiff author will bear the onus of proving that there is a reputation to protect.

### 10.2.3 Passing off, injurious falsehood and breach of confidence

It may be possible to succeed in an action for passing off where another person holds out their work to incorporate that of the author's if the copyright in a work can be regarded as goodwill for the author, because, for example, earlier works have proved popular enough for the work to acquire an immediate commercial potential. This was done in the case of *Samuelson v*

*Producer's Distributing* (1932). The plaintiff had copyright in his revue, which included the right to film it. The defendants held out their film as containing the plaintiff's popular revue sketch, which it did not. The film copyright was treated as being equivalent to goodwill built up through trade and a remedy in passing off was obtained. This is, however, a controversial definition of goodwill and an extension of the ambit of the tort of passing off.

An action for injurious falsehood, or for breach of confidence, may be sources of a remedy for an intrusion into moral rights in the right circumstances, but neither these possibilities nor contract, defamation or passing off constitute a direct right of action for an author wishing to defend the moral interest rooted in a work; nor are they co-extensive with the wording of Art 6*bis* of the Berne Convention.

### 10.2.4 Copyright Act 1956

The Copyright Act 1956 (CA 1956) did provide some relief:

- Section 43 of the CA 1956 provided a remedy where a work was falsely attributed to an author. It was successfully relied on by Dorothy Squires in *Moore v News of the World* (1972) because the article had been written in the first person (though it did say 'as talking to ...'), although this had not been authorised by Miss Squires. The court also held that this remedy was not restricted to professional authors, though the trial judge described the section as 'a technical cause of action'. No reputation needs to be shown. The real author can secure no remedy on the basis of this section.
- Section 43(4) of the CA 1956 provided that it was actionable to knowingly sell an altered artistic work as the artist's own unaltered work without authority. The defendant copyright owners of a fine line drawing made for use in newspapers successfully relied on this action when their drawing was used in altered form on hoardings and the artist's name left on, in *Carlton Illustrators v Coleman* (1911). This was held to be an actionable alteration.
- Section 8(6) of the CA 1956 provided for a statutory licence for sound recordings made of another's copyright sound recording. Recordings of adaptations of a musical work could not be made if they differed substantially in the treatment of the work in style or performance.
- Section 4(3) of the CA 1956 gave ownership of the copyright in commissioned photographs, paintings or drawings of a portrait, or engravings for money or money's worth to the person commissioning the work, and not to the author of the work; thus ensuring a measure of control over the work paid for. This section was employed to protect an individual's reputation in *Williams v Settle* (1960). The family depicted in wedding photographs commissioned from a photographer were involved

in a tragedy. They were able to prevent publication of the photos in the press.

- Finally, the CA 1956 also provided that the copyright period subsisting in literary, dramatic and musical works, photographs, and engravings which remained unpublished at an author's death did not begin to run, allowing the author's successors the right to decide not to publish.

### 10.3 The CDPA 1988

The issue of the UK's compliance with the Berne Convention was reconsidered by the Whitford Committee in 1977 when the UK was considering ratification of the Paris Revision. It added requirements as to the duration of moral right protection, and the committee proposed explicit protection. Other common law jurisdictions did not regard membership of the Berne Convention as requiring such action at the time. But the potential that moral rights carry for upsetting contracts and even for holding entrepreneurs to ransom when preparations for exploitation of a work are well advanced, was seen as a threat in a jurisdiction based on *laissez faire* and the sanctity of contract. The Whitford Committee were anxious to avoid this conflict. The common law approach to an author's interests were well illustrated by *Chaplin v Frewin* (1996), where the copyright of Charlie Chaplin's minor son was regarded as a commercial interest and the author's moral welfare was seen to be irrelevant despite his minority.

#### 10.3.1 The four moral rights

Following the recommendations of the Whitford Committee, the CDPA 1988 introduced four moral rights, two of which were entirely new to UK law. The four moral rights are:

- (a) the right to be named as the author of a work – the right of paternity;
- (b) the right to object to derogatory treatment of one's work – the right of integrity;
- (c) the right to object to false attribution of the author of a work – the right against false attribution;
- (d) the commissioner's right to privacy in relation to commissioned photographs and film, where commissioned for private purposes – the right to privacy.

The rights of paternity, integrity and against false attribution adopt a bipartite approach. First, the right to claim identification, or to object to derogatory treatment or false attribution is conferred on an author, apparently in general terms, but, secondly, the right is enforceable only when certain specified acts are done in relation to the work.

These are personal rights given to the relevant authors whatever their nationality or residence, provided that the other criteria are satisfied. These rights may not be assigned (s 94 of the CDPA 1988), though they may be transferred on the right owner's death (s 95 of the CDPA 1988). Discovering the owner of a moral right in relation to a work may be no easy task because the copyright in the work is transmissible and divisible, as well as very long lasting, and may be entirely separate from the work's author.

### **10.3.2 Remedies for breach of moral rights**

Breach of a moral right is a breach of statutory duty: s 103(1) of the CDPA 1988. It is doubtful whether this will always secure appropriate remedies for a moral right owner, as additional damages should be available for damage to reputation. This is made clear for copyright by s 97 of the CDPA 1988, but there is no equivalent provision relating to the moral rights, yet a moral right owner may not experience any pecuniary loss at all by infringement of the non-economic moral right. There are also significant derogations from the remedies. An injunction will be refused for breach of the right of integrity where the defendant makes a disclaimer dissociating the author from the treatment of the work complained of. Any delay in asserting the right of paternity will be taken into account in giving a remedy for breach of that right. An architect moral right owner can only secure the removal of his name from a building on breach of his right of integrity (ss 103(2), 78(5), 80(5) of the CDPA 1988).

### **10.3.3 The duration of moral rights**

The rights of paternity, integrity and privacy continue to subsist as long as the copyright in the work subsists: s 86(1) of the CDPA 1988. The right against false attribution continues until 20 years after the death of the person falsely attributed as author or director: s 86(2) of the CDPA 1988.

## **10.4 The right of paternity**

Section 77(1) of the CDPA 1988 sets out the right of paternity. This is a right given to the author of a copyright literary, dramatic, musical or artistic work, and the director of a copyright film, to be identified as the author or director of the work in certain situations, which are set out in the succeeding subsections of s 77 of the CDPA 1988. Broadly generalised, the right is to be identified when the work is commercially published or otherwise issued to the public. Though private circulation would be difficult to detect, it may represent no less of an affront to the author or director where it is discovered. The identification must be in a form likely to bring the author's identity to the notice of those receiving the disseminated work, and must be 'reasonably

clear and prominent': s 77(7) of the CDPA 1988. If an author has chosen a pseudonym, initials or other form of identification when asserting the right this must be used, otherwise any reasonable form of identification may be used: s 77(8) of the CDPA 1988. The statute does not indicate whether this is to be judged by the standard of the reasonable author, reasonable entrepreneur, or the reasonable recipient of the work being disseminated. This right does enable authors to establish and then maintain a reputation for their work, and to guard against plagiarism. And the right extends to public disseminations of an adaptation of a literary, dramatic or musical work, as well as the work itself.

#### **10.4.1 The need to assert the right of paternity**

However, the right is subject to a major limitation, and one that is arguably inconsistent with its progenitor, Art 6*bis* of the Berne Convention. The right may not be relied on unless it has been asserted in advance of the act complained of: ss 77(1), 78 of the CDPA 1988. Yet, the Berne Convention allows the author 'a right to claim authorship', impliedly without any preconditions attached other than the author putting his name on the work and copies of it.

It is, then, only those bound by assertion in the correct manner against whom the right may be exercised. The justification made for requiring assertion of the right of paternity is to meet those dealing with copyright works' need to know their obligations before undertaking costly and time consuming preparations for exploitation, which might be wasted if a very late claim to the right were to be made by the author. It would have been more in accord with the nature of a moral right (one acquired by virtue of the act of authorship and inherent in that authorship) to place a duty on those wishing to exploit a work to accord that authorship its proper identification unless relieved of that duty by the author. It could have been made a defence to any claim to breach of the right that the defendant had made reasonable and appropriate enquiries to establish the identity of an author. And s 78(5) of the CDPA 1988 does provide a defence if the author delays in asserting the right. Paradoxically, the economic right in the work, copyright, does arise automatically on fixation of a work. Consequently, the right of paternity as enacted in the CDPA 1988 appears to be a very grudging move towards moral rights in the UK, and a triumph of entrepreneurial considerations over author's rights. This is particularly so when the exceptions to the right are taken into account.

There is no requirement that the right be asserted before, or at the time of, the transfer of economic rights, but not to do so could be made a breach of contract in standard form contracts. This would provide a pitfall for inexperienced authors for whom the ability to be identified with their work is particularly significant. Authors must not overlook the need to assert their right of paternity because to be prominently named on a copy, other than for

artistic works, will not suffice. Once asserted, the fact that it has been should be clearly recorded on copies of the work, in order to give notice of the assertion to subsequent takers of the work. The onus is firmly placed on authors to defend their rights and not on those exploiting copyright works to assume that an author should be named or even to make enquiries as to the author's wishes. In contrast, civil jurisdictions include a right not to finally decide on claiming the right until exploitation, so that the UK's diversion from the continental model is a significant one that creates complexity and confusion for little gain.

Assertion may be made in general, or in relation to a specific act or description of acts, either in an assignment of copyright in the work, or in an instrument in writing signed by the author or director: s 78(2) of the CDPA 1988. For artistic works, the right may also be asserted as specified in s 78(3) of the CDPA 1988. There is a significant distinction between assertion in an assignment and assertion by notice in writing. An assignee, or anyone claiming through the assignee, is bound by the assertion without notice of it, but anyone taking rights in the work otherwise than by assignment is only bound where he has notice of the assertion.

### **10.4.2 Exceptions to the right of paternity**

It is not difficult to envisage situations where a duty to name each and every author would create a considerable burden on the public dissemination of works; for example, should a radio disc jockey be required to name the author of the lyrics to every pop song played or every contributor to a collection of short factual entries in a dictionary or other compendium of information. This has not been overlooked in the CDPA 1988 and it is informative to see which entrepreneurial groups have vigorously sought protection from observance of the right. It would appear that the interests of many economic forces have prevailed.

The first exception to the right of paternity may be styled the 'disc jockey's exception'. The right of paternity does not extend to the performance of a musical work, or of a literary work consisting of words intended to be sung or spoken with music, in public: s 77(3) of the CDPA 1988. The government accepted arguments that it would be impractical to do so despite the fact that performers and composers are frequently named.

Several types of work are excluded from the right: computer programs; the design of a typeface; and any computer generated work: s 79(2) of the CDPA 1988. In the case of the first two types of work, this is appropriate. These works are often created by teams, so that to identify the authors would be impractical; they are also often commercial, so that the reward is gained on first exploitation, rather than subsequent use and transfers, giving rise to a valuable reputation. The same may not apply to computer generated works and it might have been feasible to give the right to the person making



arrangements for the creation of the work in the same way as for copyright. However, if a computer generated work is only one in which no contribution to the content of the work is made by the user of the computer, this is equally an appropriate exclusion.

Publishers, the press and broadcast media have secured considerable freedom in s 79(4)–(6) of the CDPA 1988. This excludes: works made for the purpose of reporting current events; publication in a newspaper, magazine or similar periodical; literary, dramatic, musical or artistic works made for, or made available for, publication in an encyclopaedia, dictionary, yearbook or other collective work of reference; and acts which would constitute fair dealing for the purposes of copyright and other specified permitted acts.

There are also exceptions relating to works made by employees if the act is done by or with the consent of the author or director's employer: s 79(3) of the CDPA 1988.

## 10.5 Right of integrity

The other right which is new to UK law is the right given to authors of copyright literary, dramatic, musical or artistic works and to the director of a copyright film, not to have their work subjected to 'derogatory treatment' in specified circumstances: s 80 of the CDPA 1988. This extends beyond the previous common law provision because it is artistic reputation (and not just personal reputation, as in defamation) which is being protected, nor is it necessary to show any existing reputation or goodwill.

Section 80(3)–(6) of the CDPA 1988 specifies the situations in which the right may be infringed. As for the right of paternity, it is public dissemination of the work that infringes, damage caused by private disparagement of a work would be likely to be minimal and difficult to detect. Secondary infringement of this right is also provided for. It will infringe to possess in the course of a business or to deal with a work, or a copy of a work, which has been subjected to derogatory treatment, where the person dealing knows or has reason to believe the article is an infringing one: s 83 of the CDPA 1988. There is no requirement of assertion before the right can be exercised, but it does carry other significant limitations, in the conditions needing to be met to constitute derogatory treatment, the exceptions to the right and the remedies available for breach.

### 10.5.1 'Derogatory treatment'

Derogatory treatment is defined by s 80(2) of the CDPA 1988.

'Treatment' means any addition to, deletion from or alteration or adaptation of a work, other than a translation of a literary or dramatic work or an arrangement or transcription of a musical work involving no more than a change of key or register (s 80(2)(a) of the CDPA 1988). There are acts that may be taken in relation to a work that would not amount to treatment in the technical sense given by the CDPA 1988, including the manner of display or performance of a work or a work's destruction. Acts such as restoration, binding and relocation would also fall outside s 80 of the CDPA 1988. The case of *Shostakovich v Twentieth Century Fox* (1948) is illustrative. The action succeeded in France, but failed in the US and would do so under s 80 of the CDPA 1988. The plaintiff composer's work was played correctly, but was included in a film derogatory of the then USSR. To exclude translation leaves out one of the commonest ways of misrepresenting an author's true merit. It will infringe the copyright, but that may not lie in the author's hands. It was opposition to the right of integrity from publishers that led to this exclusion. In the same way, a change of key or register may be as damaging to a composer's reputation as other forms of treatment. The emphasis would be better placed on the derogatory nature of any handling of the work. Art 6bis of the Berne Convention refers only to 'action' in relation to a work because it applies to 'any distortion, mutilation or other modification of, or other derogatory action ...'. Provided that the other action is derogatory, the nature of that 'action' is not significant. Article 6bis of the Berne Convention does not require, either, that the action be 'of' the work, as does s 80 of the CDPA 1988, but only that it be 'in relation to' the work. On one view, Art 6bis of the Berne Convention extends to the destruction of a work (see Stamatoudi, IA, 'Moral rights of authors in England: the missing emphasis on the role of creators' [1997] IPQ 478).

'Derogatory' is defined as distortion or mutilation of the work, or treatment that is otherwise prejudicial to the honour or reputation of the author or director (s 80(2)(b) of the CDPA 1988). The Act does not make clear whether distortion or mutilation of a work must also satisfy the test of prejudice to honour or reputation or whether any distortion or mutilation will suffice. Nor is it clear whether the test of prejudice is a subjective or an objective one. Although an objective test was thought likely, such a test would give little advantage over defamation other than that it is reputation as an author or director rather than as an individual which is to be considered. In fact, a contractual remedy might prove preferable (Frisby's own subjective opinion was taken into account in *Frisby v BBC* (1996)). The disadvantage is that copyright in a work can be assigned without assignment of contractual rights, and the whole justification for conferring separate moral rights lies in the fact that an author may not retain the copyright in a work. In France, the

test of prejudice adopted is a subjective one – the author’s own view of the treatment of the work.

The moral right of integrity was considered in *Tidy v Trustees of Natural History Museum* (1996). The plaintiff objected to the defendants’ use of cartoon drawings of dinosaurs made for the Museum when they were subsequently reduced and reprinted in a book without their captions, but credited to him. He argued that the reduction in size (which was substantial) detracted from the cartoons’ visual impact and gave the impression that he had not bothered to redraw them for the book. He claimed that the reduction amounted to a distortion or alternatively was prejudicial to his honour or reputation. Rattee J agreed that the reduction did not amount to mutilation and held that, in an application for summary judgment, he was neither satisfied that it was clear that reduction amounted to distortion, nor that the treatment clearly prejudiced the artist’s reputation without evidence from the public of the effect of the cartoons on their mind. In the Canadian case of *Snow v Eaton Centre* (1982), it was held that the test of prejudice to honour or reputation involved ‘a certain subjective element or judgment on the part of the author so long as it is reasonably arrived at’. But Rattee J held that, even if he were to accept this principle, he would have to be satisfied that the author’s view was a reasonable one, necessitating an objective test of reasonableness.

### 10.5.2 Exceptions to the right of integrity

The exclusions of computer programs and computer generated works applies also to the right of integrity: s 81(1) of the CDPA 1988. The exceptions for the press and publishers also apply, so that the right of integrity does not apply to works made for the purpose of reporting current events, nor to publication in a newspaper, magazine or similar periodical, nor to literary, dramatic, musical or artistic works made for, or made available with the author’s consent for, publication in an encyclopaedia, dictionary, yearbook or other collective work of reference: s 81(3), (4) of the CDPA 1988. The press exception will extend both to the works of freelance and employed journalists. The publishers’ exception recognises the need for, and skills of, the editor. The result is that the onus falls back to authors to contract for their own self-protection, with all the disadvantages that contractual protection brings.

There is another exception relating to the right of integrity, the so called ‘good taste’ exception contained in s 81(6)(c) of the CDPA 1988. This allows the BBC to remove from any broadcast ‘anything which offends against good taste or decency or which is likely to encourage or incite to crime or to lead to disorder or to be offensive to public feeling’, subject to the proviso that, where the author or director is identified at the time of the relevant act or has previously been identified in or on published copies of the work, there is a sufficient disclaimer. While there is no doubt a need for such a provision, it is widely cast. An author might prefer to offer the work on the basis that it is

used uncut or not broadcast at all, rather than to see the alteration of the work, particularly given that there is wide divergence of public opinions on such matters. Similar provisions relate to independent television in the Broadcasting Act 1990. The exception does not necessarily cover all the alterations a broadcaster might wish to make, as is illustrated by *Gilliam v ABC* (1976), an American case. The authors licensed programmes to the BBC, allowing only for minor alterations and a standard clause permitted editing to allow for commercials. The programme was then sub-licensed to ABC with a term stating that it could be edited to ABC's standards. ABC broadcast the programme with 24 minutes edited out for advertising. The plaintiffs sued successfully for copyright infringement. This case also exemplifies the need for a personal right bestowed on authors independent of the complex contractual dealings related to the exploitation of the copyright in a work.

### **10.5.3 Remedies for breach of the right of integrity**

An author or director may not always rely on the right of integrity. This is so where the copyright originally vested in the author or director's employer, an international organisation or was Crown or parliamentary copyright and the copyright owner authorises or consents to the treatment: s 82(1) of the CDPA 1988. Where the author or director has previously been identified in or on copies of the work, or is identified at the time of the relevant act, and the employer has authorised or consented to the act, the right will not be infringed if there is a sufficient disclaimer: s 82(2) of the CDPA 1988.

Generally, an author or director may not be able to secure an injunction to prevent the derogatory treatment's dissemination because s 103(2) of the CDPA 1988 provides that the court may not grant an injunction where a disclaimer made 'in such terms and in such manner as may be approved by the court, disassociating the author or director from the treatment of the work' would be regarded as an adequate remedy in the circumstances.

## **10.6 The right against false attribution**

This is not new, merely a repetition of the remedy previously found in s 46 of the CA 1956. While exceeding the UK's obligations under the Berne Convention, it is the logical converse to the right of paternity. Any person has the right not to have a literary, dramatic, musical or artistic work or a film attributed to him as author or director: s 84(1) of the CDPA 1988. Attribution amounts to a statement, whether express or implied, as to who is the author or director. The right is against public false attribution and will be infringed where copies are issued to the public or the work is exhibited, performed, shown or broadcast to the public: s 84(2), (3) of the CDPA 1988. Commercial dealing with such works also infringes where the person dealing knows or has reason to believe that there is a false attribution: s 84(5), (6) of the CDPA 1988.

This home grown right does not carry the restrictions of the previous two moral rights; there is no need to show that the attribution is derogatory, nor is there an extended list of exceptions. The tort of defamation may still offer an attractive alternative because of both the high awards of damages made by juries and the extensive publicity such actions receive. Damages for defamation and false attribution will not be duplicated: Dorothy Squires was awarded over £4,000 for defamation, but only £100 for the infringement of s 46 of the CA 1956 in *Moore v News of the World* (1972).

The first case to consider s 84 of the CDPA 1988 was *Clark v Associated Newspapers* (1998). The case was significant in that it concerned a parody and also in that the plaintiff relied both on common law and on statutory protection. The defendant newspaper published 'spoof' diaries purporting to be written by the politician Alan Clark, author of his own published *Diaries*. The column included a photograph of the plaintiff and an introduction which revealed the name of the true author and an explanation that the entries were imagined in the plaintiff's distinctive style. Both the action for passing off and for false attribution succeeded and an injunction was granted. Lightman J held that for the false attribution claim to succeed the plaintiff need not be a professional author, nor have goodwill or reputation as an author to protect; consequently, breaches were actionable without damage. Unlike passing off, to succeed in an action under s 84 of the CDPA 1988 it was not sufficient to show that a substantial number of the public had been misled as to the authorship of the columns (see 12.3.3), but that the misrepresentation made must have the meaning of a false attribution of authorship: the meaning understood by a notional reasonable reader, as in defamation. Although an express contradiction accompanying the false attribution might suffice to negate the breach of duty, to do so it would have to be as 'bold, precise and compelling' as the false statement, which was not the case on the facts. This was not to be seen as a bar to parodies because the nature of a false attribution of authorship was a difficult question of judgment and the defendant had just fallen on the wrong side of the line. The defendant could continue to publish, provided the true authorship was made clear. The judge rejected the argument that to give the plaintiff a remedy would hinder the defendant's freedom of expression or right to parody. Freedom of expression is subject to the rights of others and the defendant had merely made an error of judgment in the presentation of this parody.

## 10.7 The right to privacy

Although new, this right has been included in the CDPA 1988 to compensate for the changes made to the rules on first ownership of copyright in relation to

commissioned works made by that Act (see 8.3.2). A person who has commissioned the taking of a photograph or the making of a film for private and domestic purposes has the right, where copyright subsists in the resulting work, not to have copies issued to the public and that the work is not exhibited or shown in public and that the work is not broadcast or included in a cable programme service. A person doing or authorising one of these acts will infringe the right: s 85(1) of the CDPA 1988. Exceptions are listed in s 85(2) of the CDPA 1988. Again, the home grown right is subjected to less restriction than those deriving from the Berne Convention.

While this right will serve to protect the privacy of the commissioners of such works, it will also enable them to secure the exploitation rights to the works, even though copyright is owned by the photographer or film copyright owners. In *Mail Newspapers v Express Newspapers* (1987), decided before the entry into force of the CDPA 1988, the issue related to family photographs. A husband had granted exclusive rights of publication to one newspaper following an accident to his wife and took action to prevent another paper securing prints from the photographer. The issue related to whether the wife had been a joint commissioner of the photographs. Today, the moral right to privacy would enable the same exploitation. However, in an action for damages, there might be an issue as to whether there had been any damage to privacy where publication was actively being sought. It has been suggested that though an injunction might be granted, damages after the act would not lie. Aggravated damages should be available where there is injury to feelings, but it could be argued there would be no loss where exploitation was being sought. However, although s 85 of the CDPA 1988 is entitled 'right to privacy ...,' the section itself makes no reference to privacy, suggesting that liability is strict, doing any of the acts will infringe, whatever the harm thereby occasioned.

Contractual protection at the time of commission could be sought, but it has been felt that this is not appropriate in the context of private commissions. This should be contrasted with the right of integrity, in which the onus to achieve protection has shifted back to the author or director.

### **10.8 Waiver of rights**

It is provided that it is not infringement of any of the rights conferred in Chapter IV of the CDPA 1988 to do any act to which the person entitled to the right has consented: s 87(1) of the CDPA 1988.

And any of the rights may be waived by instrument in writing signed by the person giving up the right: s 87(2) of the CDPA 1988. Waiver may be made in relation to specified works or to works generally and future works, and may be conditional or unconditional; but may also be revoked: s 87(3) of the CDPA 1988. Informal waiver effected by the law of contract or estoppel is also preserved: s 87(4) of the CDPA 1988.

It might be thought that it was inherent in the nature of a moral right that no consent could be given to the commission of a breach – this would allow consent to an immoral act. However, in a major derogation from the usefulness of the moral rights to authors and directors, s 87 of the CDPA 1988 allows for both consent to, and waiver of, the moral rights. Should this become a standard term in contracts relating to the exploitation of copyright works, the rights would be emasculated. Given the advantages of bargaining power which the entrepreneur is likely to have with all but the most well known of authors or directors, the provision for consent or waiver is a significant inroad into the provision of moral rights and a victory for commercial interests over authors' and directors' personal creative interests. This inroad into the rights was sought in order to preserve the certainty of contracts because those exploiting copyright works feared the moral rights might interfere with commercial exploitation, regardless of contracts made. It is doubtful whether the moral rights have such power in the face of the extensive exceptions, the need for assertion of paternity, and restricted ambit of derogatory treatment. The need for waiver stems in part from the very wide variety of works in which copyright can subsist. This is a result of the very low standard of originality applied in UK copyright law, which leads to protection for mundane factual items of information. The potential for exercises of moral rights by multiple authors in compilations of such works is one of great inconvenience and expense. This is less of a danger in civil systems because a higher standard of originality is applied. Even so, it seems anomalous that these rights cannot be given away, but can be given up. However, some redress for the right owners may be secured through the contractual doctrines of restraint of trade, unconscionable bargains and undue influence.

## **10.9 Commentary**

There are now positive express rights conferred directly on authors and directors of copyright literary, dramatic, musical and artistic works and copyright films, with the potential for quick relief. They will also confer a bargaining counter on authors and directors seeking to negotiate clear contractual protection and enable the courts to begin to interpret and develop the rights.

But the rights have been conferred in a way that is grudging and constrained, giving way to commercial considerations of convenience. The need for assertion of paternity, the exceptions and the possibility for consent or waiver, including informal waiver, confirm this. Nor has the UK ventured towards other moral rights existing in civil jurisdictions. That some of the fears of the entrepreneurs were significant has been highlighted in a report for

the Intellectual Property Institute by Simon Newman. The right of integrity can become an important economic weapon in dealings with adaptations of works in the record industry. In the UK, it is, at present, a common practice for authors to waive their right to integrity, allowing record companies control over adaptations. In Europe, this is not the practice, which leads to the consumption of time and money in seeking many consents. This is particularly important because a marketable record is frequently an ensemble work, in which a large number of people may be able to claim rights. It is, he points out, noticeable that the UK and US recording industries are bigger than the French recording industry, which primarily serves its domestic market (although the small size of the French industry might also reflect other factors). He argues that there are also strong moral arguments against excessive regard for an author's integrity, those of freedom of speech, the right to do as one wishes with one's own property (the record companies will often be the owners of the copyright in the work) and principles of freedom of contract. With the increasing ease of access and copying supplied by the information superhighway, these freedoms gain an increasing significance. Finally, he argues that if gaining the needed consents becomes too burdensome, to the point of the costs of adaptations reaching non-viability, this will frustrate the authors' economic interest in their works. If a need exists, it lies in securing protection from unwise or unfair bargains, which can be achieved through contractual doctrines: Newman, S, *Moral Rights and Adaptation Rights in Phonograms*, 1996, London: IPI.

Two points may be made: first, to ask why an entrepreneur should wish to exclude an author or director's name except in those cases already catered for by the exclusions for broadcasters and 'multiple' works; and, secondly, whether so many consents are really necessary if the prohibition is only against treatment which is considered to be objectively derogatory. The result is to require a commercial and contractual maturity from those authors and directors most in need of the protection of moral rights – those who have yet to establish their reputations.

No comfort can be sought from the TRIPS Agreement. TRIPS does not incorporate Art 6*bis* of the Berne Convention (see Art 9 of the TRIPS Agreement), although it also provides that nothing in the TRIPS Agreement shall derogate from the obligations Member States have to each other under the Berne Convention (Art 2 of the TRIPS Agreement). This does, however, exclude moral rights from the WTO dispute settlement procedures. The moral rights were excluded on the pretext that they were not trade related, although it is not difficult to envisage trade related effects of exercising moral rights, if unwaivable, such as an artist hindering a publisher's use of drawings commissioned for publication. The US admitted that it was merely concerned to make sure that the rights were not strengthened in any way. The civil law countries interpreted this as a triumph of common law economic copyright over authors' personal rights, particularly because it is incorrect to argue that



it is the inability to waive moral rights that creates the potential for interference with trade; in turn, this is because the Berne Convention does not state that the moral rights must be unwaivable (that is a matter left to national law).

## MORAL RIGHTS

Authors also have moral rights in their works, independent of copyright, which are related to the creative effort involved in authorship, and not to the economic interest in the work. The works must qualify for copyright, however.

Civil law systems protect a variety of moral rights, two of which are embodied in Art *6bis* of the Berne Convention.

Before the CDPA 1988, there was no specific provision for moral rights in the UK and freedom of contract prevailed. An author may bargain for any necessary protection which can be anticipated, but is dependent on his strength of bargaining power, or collective bargaining made on his behalf. Contract has the triple disadvantages of the need for bargaining power, enforceability being only *inter partes* and unavailability to employees. A remedy may also be sought in defamation, but only where treatment of a work is derogatory to the author's individual reputation. Passing off may provide a resource if an author can establish goodwill in his work, as may the tort of injurious falsehood or the action for breach of confidence, but none of these constitute a direct cause of action for an author, nor are they co-extensive with the Berne Convention. The Copyright Act 1956 did provide: protection against false attribution as an author; a remedy for knowingly selling an altered artistic work; a statutory licence for sound recordings copied from another sound recording; and protection for the commissioner of photographs and portraits as copyright owners.

The CDPA 1988 introduced four moral rights: of paternity; of integrity; against false attribution; and of privacy for commissioners of private photographs and films. The rights are introduced in general terms, but breaches are specifically defined. They are personal rights and, therefore, may not be assigned.

Breaches are remedied as breaches of statutory duty, which may deny additional damages to the injured author despite the rights being intended to protect reputation. There are significant restrictions on remedies in the refusal of an injunction for a breach of the right of integrity if a disclaimer is made, the consideration of any delay in assertion of the right of paternity, and only the removal of an architect's name from a building being possible if his right of integrity is breached.

The rights of paternity integrity, and privacy are co-terminous with the copyright in the work, whereas the right against false attribution continues for 20 years after the death of the person wrongly named as author.

### **The right of paternity**

The author of a copyright literary, dramatic, musical or artistic work, and the director of a copyright film has the right to be named as author where the work is issued to the public. Identification must be clear and prominent, and bring the author's identity to the public's notice. This right supports an author's desire to create a reputation, as well as guarding against plagiarism.

To be relied on, the right must have been asserted by the author before the breach complained of. This is designed to protect those who have already undertaken extensive preparations to exploit the work. No such requirement applies to civil rights of paternity or to the subsistence of copyright itself (other than fixation) and is seen as a grudging move towards protection of paternity. Assertion may be made in any assignment of the copyright, or in an instrument in writing signed by the author; but the latter only binds those with notice of the assertion.

Computer programs, computer generated works and the design of typefaces are excluded from the right; exceptions also apply to the performance of musical works and literary works intended for use with music (the 'disc jockey' exception); to the press and broadcast media, as well as publishers; and to works made by employees if the breach has the employer's consent.

### **The right of integrity**

Authors of original copyright works and directors of original copyright films have a right to object to derogatory treatment of their work in public disseminations of, and dealings with copies of, their work. This right is not conditional upon express assertion, but is significantly restricted by narrow definitions of 'derogatory' and 'treatment' as well as exceptions and restricted remedies.

Treatment is restricted to addition to, deletion from, alteration or adaptation other than translation or arrangement or transcription; whereas Art 6*bis* extends to other action in respect of a work (provided that it is derogatory). Treatment is derogatory if the work is mutilated or distorted, or otherwise prejudicial to the author's honour or reputation. It is not clear whether the author's view of the treatment is relevant, though Rattee J suggested that only a reasonable view would be considered in *Tidy v Trustees of the Natural History Museum* (1996). A contractual provision could accommodate subjective views, but may become separated from copyright in a work, and the author, by assignments of the copyright.

The right does not apply to computer programs or computer generated works and exceptions for the the press and publishers apply to integrity; this includes the work of freelances as well as employed journalists. A 'good taste' exception is provided for the BBC (with equivalents for independent

television elsewhere), but this does not extend to other alterations a broadcaster might wish to make.

Consent by an employer to the treatment denies an employed author a remedy and if the author has previously been named a disclaimer will suffice. Injunctions will not be granted where a sufficient disclaimer is made, so that exhibition of the treatment cannot be prevented.

### **The right against false attribution**

This repeats the remedy previously found in the CA 1956 and provides a remedy to an author of an original work or the director of a film where a work is falsely attributed to them expressly or impliedly in public exploitation of the work. The attribution need not be derogatory and there is no list of exceptions.

### **The right to privacy**

This right allows a commissioner of photographs or a film for private and domestic purposes to protect those works from public dissemination. It protects privacy, but may also be employed to secure an exploitation right for such works because no harm to privacy is expressly required by the statute.

### **Waiver of rights**

The moral rights may be waived by the right owner and consent to breaches may be given. This seems a paradoxical provision in relation to rights rooted in morality, rather than economic interests, and one of great harm should waiver become a common standard clause in contracts.

### **Commentary**

The new rights are a positive, express attempt to create new remedies. However, they are considerably restricted by commercially dictated considerations. That these considerations have some force is illustrated by the success of the recording industry in the UK, where the rights are weak, compared with France or Germany, where moral rights are stronger. The onus is still, however, largely left with authors to engage in self-protection.



## DESIGN RIGHTS

### 11.1 The design field

There would appear to be a considerable distance between the inventive, functional products and processes which fall into the sphere of patents on the one hand; and creative, artistic copyright works on the other. Yet, many products are marketed with features that have an artistic, aesthetic or functional attraction. Considerable effort and investment is poured into the design of those features which provide a competitive edge in the market place. It is these features, either of the appearance or arrangement of a commercially exploited article, which are the subject of design rights. Design rights occupy the gap in protection which would otherwise fall between patents and copyright. The economic significance of products which fall into the intermediate design sphere is considerable, ranging from the functional aspects of engineered spare parts for cars and aircraft, through the aesthetically appealing designs conferred on jars of instant coffee, to the artistic qualities given to jewellery and other designer products. It might be tempting to consider that patent rights and copyright occupy the far ends of a scale moving from the entirely functional (for example, engineering products), through the aesthetic but functional (consider, for example, a tea service), to the entirely artistic (works of art); and that the design rights occupy only the middle of that scale. In fact, design rights neither exclude the entirely functional, nor the commercially artistic, but they do provide protection for the median ground which would otherwise fall between the two stools of patents and copyright.

#### 11.1.1 Characteristics of design rights

Design rights are adapted to cater for three needs: competition; compatibility; and an industrial scale of production:

- competition between many products focuses on design. Think, for example, of the market in small kitchen appliances, such as kettles and toasters. Because protection only extends to features of an article, competition in kettles and toasters is not only unaffected, but is actually encouraged, because articles bearing a different design may well prove popular and profitable. Consider the sales potential of a children's plastic lunchbox depicting the latest Disney<sup>©</sup> character, compared to one without, to appreciate this;

- where a design relates to a functional feature in an article, the issue of compatibility arises because other manufacturers may need to copy that feature in order to provide spare parts or compatible products or, indeed, to make a competing a product at all;
- an aesthetic design may constitute a copyright work, but, if it is to be marketed on an industrial scale, the long term of copyright may be inappropriate.

Articles and features of design must be distinguished. There must be an article on which to place a design – on a tea cup or piece of metal farm fencing, say – but the design right protects only features of design which have been applied to the article (or, in the case of an unregistered design, to aspects of the article), for example, the shape of the tea cup’s handle or the plastic coating applied to the top rail of the fencing in order to allow animals being penned to lean over it without harm. It is quite possible to have an article bearing some features which are protected from use by others and other features which may be copied. A competitor’s version of the article may, therefore, only differ in one or two features.

### **11.1.2 Design protection before the Copyright, Designs and Patents Act 1988**

A design is unlikely in itself to constitute an invention and, in most cases, the article bearing the design will not be new or inventive enough to secure a patent. However, copyright has always had the potential to provide a source of design protection in one of two ways. Either the documents depicting the design may be protected as literary or artistic works (underlying works) or the article itself could constitute a copyright work. Should copyright subsist, to make a three-dimensional copy of a two-dimensional design document would infringe; as would indirect copying of an article made to a design document (see 9.2.2). However, copyright protection is of considerable duration and the low standard of originality applied would make its application in the design field sweeping in extent. Until the Copyright, Designs and Patents Act 1988 (CDPA 1988), conversion damages were available for copyright infringement. In 1988, they were abolished for copyright infringement because they were felt to be too extensive. Specific protection for design has existed since the 19th century; however, the original protection was only provided after registration of the design, was short term and required novelty and originality. This made the protection offered too restricted and awkward for many industries. It was eventually laid out in the Registered Designs Act 1949 (RDA 1949). In the Copyright Acts of 1911 and 1956 and the Design Copyright Act 1968, attempts were made to avoid an overlap between copyright and the provision for registered design. However, these did not succeed in their purpose, reaching the anomalous position (before the CDPA 1988 came into force) that entirely

functional designs received the full extent of copyright protection, whereas those with an aesthetic aspect were confined to the protection of the RDA 1949. The disadvantages of this were exacerbated by the inability of either law to distinguish between competitively necessary borrowing and unfair copying.

This received the attention of the House of Lords in *British Leyland v Armstrong Patents* (1986). In the face of the legislative incongruities, the House indulged in a frenzy of judicial invention. British Leyland owned copyright in drawings used to manufacture spare exhaust pipes for their Marina car. When Armstrong Patents commenced making spares compatible with the Marina, British Leyland sought to exercise this copyright in order to preserve a monopoly in the manufacture of the spares which would have lasted for the full copyright term. Armstrong Patents had used a British Leyland spare to 'reverse engineer' the co-ordinates necessary to make the exhausts and, thereby, had created their own design drawings. The House of Lords confirmed that copyright did subsist in the technical drawings and that Armstrong Patents' exhausts, copied from the British Leyland exhaust, were indirect infringements of the British Leyland drawings. However, their Lordships deplored both the monopoly that these rights created itself and its effects for Marina owners, who were compelled to repair their cars at prices dictated by this monopoly. Drawing on principles of land law, the House of Lords held that British Leyland could not derogate from the ownership they had granted to the purchasers of Marina cars by exercising their copyright in this way and that the protection this afforded car owners extended to commercial manufacturers of spare parts.

Accordingly, the CDPA 1988 instituted a new threefold regime for the protection of designs:

- (a) the application of design copyright to designs was restricted by two new permitted acts (ss 51–52 of the CDPA 1988);
- (b) the RDA 1949 was amended and protection was extended to 25 years; and
- (c) a new right was created – the unregistered design right – which is unique to the UK.

## 11.2 Artistic copyright

Copyright subsists automatically in a qualifying artistic work. This includes design drawings and models and may extend to the article bearing the design itself as an artistic work. This is particularly so, as s 4 of the CDPA 1988 makes no requirement of artistic quality for works falling within s 4(1)(a)–(c) of the CDPA 1988. Copyright in an artistic work may be infringed by indirect copying (s 16(3)(b) of the CDPA 1988) and by the making of a three-dimensional copy from a two-dimensional work and vice versa (s 17(3) of the



CDPA 1988). This allows for the possibility of infringement by reverse engineering (studying an article in order to recreate manufacturing drawings), as was confirmed by *British Leyland v Armstrong Patents* (1986). The CDPA 1988 introduced limits on the application of this copyright protection to industrial design.

### **11.2.1 Section 51 of the Copyright, Designs and Patents Act 1988**

The Berne Convention prevented removing the subsistence of copyright altogether from the works underlying a design. Section 51(1) of the CDPA 1988 provides that, though the copyright exists, it will not infringe copyright in a design document or a model recording or embodying a design either to make an article to the design or to copy an article made to the design. This does not apply if the design is to be applied to an artistic work. Copyright in the artistic work and its underlying works will continue to operate in the normal way. The intention is to remove any overlap between artistic copyright and protection for industrial design, so that 'design' is defined by s 51(3) of the CDPA 1988 in terms equivalent to the unregistered design right and is restricted to three-dimensional features, excluding surface decoration. A design document includes any record of a design however that record is embodied. Not all the acts which might infringe that copyright have been excepted from infringement. The exceptions are added to by s 51(2) of the CDPA 1988 to include issuing to the public, including in a film, or broadcasting anything the making of which is exempted by s 51(1) of the CDPA 1988. Any other infringing act relating to the design document or model continues to infringe, such as making a photocopy of the design drawings. Where s 51 of the CDPA 1988 applies to design document or model, a competitor may use any drawings legitimately in their possession, they may make their own drawings or model from the design owner's article. But they may do so only in order to make the competing article.

### **11.2.2 The interpretation of s 51 of the Copyright, Designs and Patents Act 1988**

Section 51 of the CDPA 1988 raises three questions of interpretation. First, because designs for an artistic work fall outside the section's ambit, renewed emphasis may be placed on defining a work of artistic craftsmanship. By implication, artistic 'quality' will be relevant to s 4(1)(c) of the CDPA 1988, although it is not clear whether this is a reference to the merit of a work, or its nature (see 7.3.4). Should the design document be for a work falling within s 4(1)(a) of the CDPA 1988, this may not preclude consideration of the artistic nature of the work. Secondly, a further uncertainty arises over how it will be determined whether a design document has been made 'for' an artistic work. Consider a cartoon drawing, made for publication in a comic strip, but

subsequently merchandised as a toy (a Popeye doll), as in *King Features Syndicate v O and M Kleeman* (1941). Would the original cartoon drawings be regarded as a record of a design made for the toy? The section apparently draws a distinction between a copyright drawing and a design document. It is possible that either the artist's intention in making the drawing will be considered, with all the difficulties of proof that that may create, or that an end result test will be adopted – asking whether the article is an artistic work or an industrial article. If a test of intention is adopted and full copyright protection is awarded to the cartoon drawing, any subsequent industrial application will be subject to the reduction of copyright term imposed by s 52 of the CDPA 1988. Additionally, it is unclear whether any test of intention will be subjective or objective. Finally, 'surface decoration' has been excluded from the definition of design. While this would appear to remove two-dimensional decoration from protection under s 51 of the CDPA 1988, it remains to be seen whether this will be extended to decorative three-dimensional designs, such as the grooves applied to the seats and backs of garden chairs in *Sommer-Allibert v Flair Plastics* (1987).

### 11.2.3 Non-derogation from grant

If s 51 of the CDPA 1988 does not apply to a design because the article to which it is applied is an artistic work, the *British Leyland* principle should continue to apply. Section 171(3) of the CDPA 1988 preserves any rule of law preventing the exercise of copyright. The Privy Council refused to apply the principle in the Hong Kong case of *Canon Kabushiki Kaisha v Green Cartridge Co (Hong Kong) Ltd* (1997), where features of 'unfairness and abuse of monopoly' were not 'plainly and obviously present'. Canon attempted to prevent Green from manufacturing spare cartridges for Canon photocopiers by relying on the copyright in drawings for replacement components included within the cartridges. The Privy Council refused to apply *British Leyland* where Canon sold photocopiers at highly competitive prices, reaped any profit from the 'aftermarket' in sales of cartridges and already faced competition from the activities of cartridge 'refillers'.

### 11.2.4 Section 52 of the Copyright, Designs and Patents Act 1988

Where an artistic work is exploited by an industrial process by or with the permission of the copyright owner, this section effectively reduces the period of copyright to 25 years after the end of the year of first marketing of the articles, a period equivalent to registered design protection. This only extends to the making of articles from the copyright work. The Berne Convention requires 25 years of protection for works of applied art. The Copyright (Industrial Process and Excluded Articles) (No 2) Order 1989 provides that an article is made by an industrial process if it is one of more than 50 articles

which all fall to be treated as copies of a particular artistic work, but do not together constitute a single set of articles or consist of goods manufactured in lengths or pieces which are not hand made. The advantage of copyright protection lies in the lack of a need to register. In addition, the moral rights will apply to the artistic work.

### **11.3 Registered design**

Registered design protection gives a design owner a 25 year monopoly over the design which is renewable in five year periods and is granted after examination for novelty, provided that it is novel. The distinguishing feature of a registered design is the requirement of material 'eye appeal'. Eye appeal amounts to a visual distinctiveness which is attractive to a consumer.

An application for a registered design is made to the Designs Registry, part of the Patent Office (s 3 of the RDA 1949). Ownership is governed by s 2 of the RDA 1949. Normally, the right is granted to the author of the design as its original proprietor. But a person commissioning a design is the original proprietor of the design. And, where the designer is an employee and the design is created during the course of employment, the employer is the original proprietor. The person making the arrangements for the creation of a computer generated design is the original proprietor. If an unregistered design right subsists in the same design, the application must be made by the owner of the unregistered design right. The proprietor need not qualify for protection in the copyright sense, but must have an address in the UK. An application may claim priority if made within six months of an application in any Member State of the Paris Convention. Once an application has been made, it is examined for novelty by the Registry and the granting of the right takes about three months. Articles made to the design may be sold once the application has been made. The initial grant is for five years from the date of registration; this can be renewed up to four times, for a maximum overall term of 25 years (s 8 of the RDA 1949). Infringements taking place after the date of grant are actionable (s 7(5) of the RDA 1949). There is no provision for opposition to grant, but the registrar may cancel a registration on the application of any person interested on the grounds of lack of novelty or any other ground open to the registrar (s 11(2) of the RDA 1949).

The defining criteria for a design to be registrable are set out in s 1 of the RDA 1949. A design in respect of an article which is new and whose appearance is material may be registered. A design comprises features applied to an article which appeal to, and are judged by, the eye (s 1(2) of the RDA 1949). Some features are excluded from registrability.

### 11.3.1 Article

This has significance in relation to two questions. The first is in relation to the medium used to carry the design. The second, the exclusion of some so called 'must match' features. A design is registered in respect of an article and, if the design is to be applied to different articles, separate registrations must be made for each article. Where the design is to be applied to something which is not made and sold separately, it is not applied to an article and no registration can be made (s 44(1) of the RDA 1949). Registration was refused for a design for the face of an ammeter in *Sifam Electrical v Sangamo Weston* (1973), because the face would only ever form part of a finished product (the ammeter) to be sold to the consumer.

This principle was applied to designs for car parts in *R v Registered Designs Appeal Tribunal ex p Ford Motor Cor Ltd* (1994), where the House of Lords upheld the decision of the Registered Designs Appeal Tribunal. Ford applied to register designs for components, such as rear lamps, a front bumper, door panels and wheels. The tribunal drew a distinction between parts for another article which could be termed 'accessories' – which were registrable – and those that were 'spares' – unregistrable. Articles which, while on the car, were *subsidiary* to the car's shape (though contributing to its appearance and capable of being substituted without affecting the car's overall shape and appearance or identity) fell into the registrable category of accessories. These were articles which could be made and sold separately. But components, such as door panels, which had no general use except as replacement components, although sold as spares to replace damaged or worn parts, were unregistrable because they fell outside the definition of 'article'.

The article and the design must be distinguished from each other. Although the registration is for an article, protection is for the design: otherwise, a monopoly over an article would result. But a design is, in turn, made up of 'features'. Not all of a design's features will fall within the definition of 'design'. Protection given by design registration will only extend to the features which are registrable. The presence of other features in the design do not prevent registration, but the use of those unregistrable features by others will not infringe the right (s 7(6) of the RDA 1949). Registration itself will only be refused if *all* features of a design are unprotectable. This rule was confirmed by Lord Oliver in *Interlego v Tyco* (1988) and expressed in s 7(6) of the RDA 1949.

Although different applications must be made for a design to be applied to different articles, registration of one design may be made for a 'set' of articles. Articles comprise a set if they are sold or intended to be used together and the identity of the design is not varied sufficiently to alter its character within the set (s 44 of the RDA 1949). Accordingly, the features claimed as comprising the design will be relevant. A set of cutlery bearing the same pattern on the handle

may only be registered as a set if the pattern or ornament is the design. If the design comprises features of shape and configuration, the pieces must be registered separately because, for example, the forks, spoons and knives will differ sufficiently to alter the identity of the design.

### 11.3.2 Design

Section 1(1) of the RDA 1949 defines 'design' for the purposes of registered design protection. This can be contrasted with the definition used in ss 51 and 213 of the CDPA 1988. A design comprises 'features of shape, configuration, pattern or ornament applied to an article by an industrial process'. The RDA 1949 defines neither 'shape', 'configuration', 'pattern' nor 'ornament', but the inclusion of features of pattern and ornament extends registered design protection to two-dimensional features of surface and decoration, such as those applied to wallpaper and textiles. Ornament may be three-dimensional: *Sommer-Allibert v Flair Plastics* (1987).

The phrase was considered in *Kestos v Kempat* (1936):

Shape and configuration are for all practical purposes considered as synonymous ... Each signifies something in three dimensions; the form in which the article is fashioned. Pattern and ornament can ... be treated as practically synonymous. It is something which is placed on the article for decoration. It is substantially in two as opposed to three dimensions. An article can exist without any pattern or ornament upon it, whereas it can have no existence at all apart from its shape or configuration.

Shape and configuration were distinguished in *Cow v Cannon* (1961), where shape was taken to describe the overall outline or form of the article, and configuration denoted the contour of the article's surface. The shape of the article and the shape which amounts to the design can be distinguished.

### 11.3.3 Excluded features

Some features otherwise falling within 'shape, configuration, pattern and ornament' are excluded from 'design'. These are included in order to allow for legitimate competition, preventing protection of features which a competitor must use to make the same article or spare parts for another article. Section 1(1)(a) of the RDA 1949 applies to all features, whether shape and configuration, or pattern and ornament.

#### *A method or principle of construction*

To allow monopolisation of such a method or principle would deprive other manufacturers of one of the basic building blocks for constructing the relevant type of article. There is little judicial interpretation of the sub-section, but, in *Swain v Barker* (1966), registration was refused to the sides of a wire filing tray arranged in semi-circular shapes without corner supports because it was

merely a feature arising from a principle of construction. In *Moody v Tree* (1889), registration was refused to a basket the pattern upon which was determined by the method of weaving.

Paragraphs (i) and (ii) of s 1(1)(b) of the RDA 1949 apply only to features of shape and configuration.

### *Features dictated solely by the function which the article has to perform*

Because features which are entirely functional are excluded, others are free to use functional features, therefore, registered design can be given monopoly protection. Originally, this exclusion was interpreted to mean excluding features chosen for their function where no other feature could be used in the alternative. In *Cow v Cannon* (1961), raised ribbing on a hot water bottle which had an insulating function was registered because the ribbing could be arranged differently by another manufacturer. This interpretation was reconsidered by the House of Lords in *Amp v Utilux* (1972). The shape of an electrical terminal for use in washing machines was held to be unregistrable because the shape was functional – it had been chosen for functional reasons – even though another shape might have been used. The result was a decline in the number of registrations and the exclusion was again considered by the Privy Council in *Interlego v Tyco* (1988). At issue was the registrability of the large plastic Lego building bricks made for toddlers. The shape of the raised knobs and underlying tubes into which the knobs fitted in order for two bricks to be joined had been adopted to achieve that function, but also in order to add to the brick's visual appeal. Lord Oliver said that, if the shape had been chosen only for functional reasons, it would fall within the exclusion, even if another shape could have been adopted, but that, where both aesthetic and functional reasons had contributed to the choice of shape, the feature was not dictated solely by function and would not be excluded from protection.

### *Features dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part*

This is known as the 'must match' exception, introduced by the CDPA's amendments to the RDA 1949. It prevents a *British Leyland* spares monopoly, although the House of Lords expressly excluded registered design from their judgment. Design protection could have equally anti-competitive effects and a report of the Monopolies and Mergers Commission in 1985 criticised the refusal by Ford to license the reproduction of spare parts. The exception does not apply to components of articles sold in sets, such as the pattern applied to a dinner service.

The 'must match' exception was argued in *R v Registered Designs Appeal Tribunal ex p Ford Motor Co Ltd* (1994). The Registered Designs Appeal Tribunal held that the spare parts also fell within the 'must match' exception, whereas the accessories did not. The car constituted the 'other article' referred to, the 'article' applied for was the spare part, and this part was dependent on

the appearance of the car, forming an integral part of it. The Tribunal rejected the suggestion that the car should be considered without the component at issue (the 'n-1 approach') as the part's designer had always intended it to form part of the completed vehicle. In contrast, the accessories were not dependent on the appearance of the car, though might be chosen to blend in with its style. The House of Lords confined their decision to the definition of 'article'. A wide interpretation of the 'must match' exception is aimed at achieving a freely competing aftermarket. Lord Beaverbrook said, during the committee stage of the Copyright, Designs and Patents Bill in the House of Lords, 'Where the circumstances compel copying we believe the need for competition in the aftermarket must prevail'. The wording of the sub-section would not accommodate the economic considerations taken into account by the Privy Council in *Canon Kabushiki Kaisha v Green Cartridge Co* (1997), as the criterion used is of the visual and structural compatibility with the 'other article'.

#### 11.3.4 Eye appeal

Features to be registered must 'appeal to' and be 'judged by the eye'. The structure of s 1(1) of the RDA 1949 suggests that it must first be determined whether the features are of shape, configuration, pattern or ornament, then, secondly, whether those features have the so called eye appeal, before, thirdly, considering whether any should be excluded. This has been criticised by Fellner (*Industrial Design Law*, 1995, London: Sweet & Maxwell), because it may lead to the expenditure of wasted time and incur unnecessary costs on the consideration of argument and evidence relating to eye appeal when the exclusions may settle the matter. However, the Privy Council did adopt this approach in *Interlego v Tyco* (1988).

In *Amp v Utilux* (1972), the House of Lords set out three principles:

- (a) to have eye appeal, the features must be externally visible (the electrical connector at issue was an internal component of a washing machine); where a feature is internal to the article for which it is registered, the covering must be transparent;
- (b) the feature must appeal to the customer's eye;
- (c) the eye appeal need be neither artistic nor aesthetic, provided that some appeal is created by distinctiveness of shape, pattern or ornamentation calculated to influence the consumer's choice.

This last point seemed to open the way to the finding of eye appeal in almost any article, the epitome being the registration of the design for the underneath of a shower tray, invisible once installed, in *Gardex v Sorata* (1986). The shape adopted in *Amp v Utilux* (1972) found no 'eye appeal' because the part, although visually distinctive, was entirely functional and would not affect the consumer's choice. This was distinguished in *Interlego v Tyco* (1988), where the

toy brick's shape, though functional, did have a visual appeal which would affect the buyer's choice. That eye appeal is related to the buyer's reasons for choosing an article is now embodied in the RDA 1949 by the requirement for eye appeal to be material (see 11.3.5).

### 11.3.5 Material appearance

Section 1(3) of the RDA 1949 requires that a design shall not be registered if the appearance of the article is not material. This reflects the interpretation given to eye appeal in *Amp v Utilux* and *Interlego v Tyco*. A two stage test of materiality is set out and a design's eye appeal is not material:

- if aesthetic considerations are not normally taken into account to a material extent by buyers or users of that description of article; and
- would not be taken into account if the design were to be applied to the article in question.

As a result, purely functional design, where visual appeal is irrelevant to the article, is confined to the unregistered design right. Examples given by Lord Beaverbrook in the committee stage in the House of Lords included structural girders, ordinary nails and screws. The addition of this requirement would reverse the result in *Gardex v Sorata* (1986) today. From *Interlego v Tyco* (1988), it would appear that, provided a particular article in question had an eye appeal that would influence a purchaser's choice, eye appeal could be shown. However, two interpretations of the new materiality test are possible. The first would embody the same approach: functional articles whose visual appearance would not normally be taken into account by purchasers or users (bottles of household bleach, for example), and would not normally be registrable, would become registrable if the applicant shows that application of a particular design to that article would give it a competitive edge and influence consumers' choice for visual rather than functional reasons. This interpretation effectively allows the materiality of the eye appeal to be presumed if the article falls within a category of articles whose visual aspect can ordinarily be expected to affect a consumer's choice; the Design Registry being able to build up a list of such category of articles, requiring evidence of the materiality of eye appeal only in the case of an unusual type of article. The second potential interpretation is more stringent, posing a double test which requires the applicant to show both that, despite what might be expected from the nature of the article, consumers are interested to a material extent in the appearance of the article, and that this interest would be maintained if the particular design in question were to be applied to that article.

It remains to be seen what evidence will be required to establish that an article has eye appeal to a material extent. It may be difficult to distinguish the causes of consumer appeal. Consider, for example, a distinctively shaped jar for instant coffee, which may be purchased for subsequent use as an attractive



storage jar; or a bottle of household disinfectant with a distinctively shaped neck which makes its use in cleaning underneath overhanging surfaces easier, but which is also distinctive and even appealing. In the former case, the eye appeal may well be material, though use for storage is functional, whereas, in the latter case, the appeal may be functional alone. The price that a consumer is prepared to pay for a 'designed' article, as opposed to one without such a design, may be relevant, although this will have no necessary implications as to whether the choice is aesthetic or functional. Survey evidence may be needed to indicate reasons for choosing an article.

### 11.3.6 Novelty

A design must be new to be registrable (s 1(2) of the RDA 1949). The comparison is not confined to the same article, or type of article, as that to which the design is to be applied, but is made with any article. It is made with designs registered in a prior application, or those published in the UK before the date of the application (s 1(4) of the RDA 1949). A design is published if it is freely available to the public. This is domestic novelty, as opposed to the absolute novelty required for a patentable invention. Where the comparison is to a design previously published in a document, the publication must contain clear and unmistakable directions to make an article bearing the design, and not merely comprise an artistic work: *Rosedale v Airfix* (1957). Where an artistic work depicts the design ('a corresponding design'), the design may be registered provided that the copyright owner's permission is given and that the artistic work has not been industrially applied (s 6(4), (5) of the RDA 1949).

A design is not new if it is the same as an earlier design, nor if it differs from the earlier design only in immaterial details, or in features which are variants commonly used in the trade. To secure registrability, a designer must add skills of a design nature to the prior art: *Phillips v Harbro Rubber* (1920). To determine whether a design is the same as an earlier one, the similarity is judged by eye alone. The comparison is not made as if the person comparing had both designs at hand, but makes allowance for an imperfect recollection of the previous design. Judicial *dicta* imply that the comparison is made with a designer's eye, rather than a consumer's.

Because comparison is with designs for all articles, a designer is protected from anticipating his own design where a later application is sought so as to apply the same design to another article, or similar design to the same or another article, by s 4 of the RDA 1949. This provides that the earlier registration will be ignored for the purposes of novelty, but the subsequent registration will be confined to whatever period remains of the original design term.

### 11.3.7 Infringement

The registered proprietor of a design is given the exclusive right to commercially exploit articles to which the design, or one not substantially different, is applied (s 7(1) of the RDA 1949). This right is infringed by anyone doing anything within the exclusive right without permission. It will also infringe to make a kit of components which, if assembled, would infringe (s 7(4) of the RDA 1949). There is also provision for contributory infringement; making anything which enables an infringing article to be made (such as a mould) (s 7(3) of the RDA 1949). Contributory infringement does not extend to components within a kit that would not be registrable in their own right, such as nails and other fastening devices, nor to a kit of parts for an article to be assembled for private purposes: *Dorling v Honnor Marine* (1964).

### *Comparing designs*

The infringing article must bear either the same design as – or one not substantially different – to that which has been registered. As registration is for the whole of the design, the comparison that is made is of the registered design and the infringing article, and it is the whole of the shape and configuration of the design which is taken into account. Where the infringing article is not the same as the design registered, similarities and differences between the two are then noted, as described by Russell LJ in *Benchairs v Chair Centre* (1974):

As we see it, our task is to look at these two chairs, to observe their similarities and differences, to see them together and separately, and to bear in mind that in the end the question whether or not the design of the defendant's chair is substantially different from that of the plaintiff is to be answered by consideration of the respective designs as a whole; and apparently ... viewed as through the eyes of a consumer or customer.

This is done both by comparing the design and article side by side, and on a 'now and later' basis whereby the interested customer comes back to the infringing article. This enables the court to conclude which of the design's features would appeal to and be noticed by the consumer: *Gaskell and Chambers Ltd v Measure Master Ltd* (1993). In this way, allowance is also made for the imperfect memory the consumer may have of the registered design: *Sommer Allibert v Flair Plastics* (1987). When making the comparison in this way, the court must disregard those features of the design which are excluded from registrability. In *Sommer Allibert v Flair Plastics* (1987), common features which were dictated solely by function, such as the proportions dictated by recognised ergonomic standards in the furniture industry and the spacing of the rear legs to allow the chairs to be stacked, were disregarded, as were features that were not part of the registered design, such as the colour and material of the chairs. Factors that may be taken into account include the prior art contained in prior applications and prior publications (see 11.3.6), any striking or commercially significant features and the statement of novelty made in the application as required by the Registered Design Rules:

- the prior art is significant in two ways. First, it draws attention to the details of the design which would appear significant to the interested consumer as, if the design is close to the prior art, the consumer will focus on details that are distinct, whereas, if the design is very distinctive, the consumer is more likely to take notice of the general form of the new design. Secondly, it provides an indication of how great a difference is required for the allegedly infringing article to differ substantially from the registered design. Where the design is close to the prior art, relatively small differences will be sufficient to distinguish the alleged infringement, while more striking differences will be needed to avoid infringing a distinctive new design set apart from the prior art;
- if a design includes particularly significant features, a difference in one or more of those features may suffice to distinguish the two designs substantially. In *Best Products v Woolworths* (1964), a design was registered for a whistling kettle. It was found that the design had three striking features: the shape of the body; the shape of the handle; and the shape of the spout. The alleged infringing kettle's body and handle were a similar shape, but the spout and whistle were markedly different. These were features of great importance to such a product and the difference was sufficient to avoid infringement;
- a statement of novelty filed with the application also draws attention to those features which the applicant considers important to the design, so that differences relating to these features may be enough to distinguish the allegedly infringing article substantially from the registered design. In *Sommer Allibert v Flair Plastics* (1987), the statement of novelty claimed all the features of shape and configuration of garden chairs. Both the plaintiffs' and defendants' chairs had grooves on the seats and backs of the chairs, but they ran in different directions. The Court of Appeal held that the grooves were features of shape and configuration, rather than pattern and ornament and, although without the grooves the chairs were markedly similar, the differences in the grooves made the two designs substantially different.

## 11.4 Unregistered design right

The CDPA 1988 replaced the indirect copyright protection for functional design with a new, hybrid right which has characteristics both of copyright and of registered design. This new property right applies to designs created after 1 August 1989. The right is automatic, subsisting once a design has been recorded in a design document or an article has been made to the design (s 213(6) of the CDPA 1988). This allows for ease of protection for the designer, but makes the determining of other's rights harder to establish; however,

protection is against copying and not independent creation.

### *Qualification for design right*

This new right does not fall within Convention obligations, so that protection for non-nationals is based upon reciprocity of treatment and is much narrower in ambit than that for registered design. As well as the need for recording, the design must 'qualify' in order for the right to subsist (s 213(5) of the CDPA 1988). It may qualify either by reference to a qualifying individual or person or by the design's first marketing by a qualifying individual in a qualifying country. The right will subsist if the designer, commissioner or designer's employer qualify by virtue of a citizen, subject or resident of a qualifying country – the UK, a Member State of the European Union or a country to which protection has been extended by Order (ss 217–19 of the CDPA 1988). Failing qualification in this way, the design may qualify by reference to first marketing by a qualifying person in the UK, Member State of the European Union or a country to which protection is extended by Order (s 220 of the CDPA 1988).

### *Ownership of design right*

Generally, the designer, the person creating the design, is the first owner of the design right in a design (ss 215(1), 214(1) of the CDPA 1988); but the person commissioning a design is first owner of the right, as is the employer of an employed designer if the design is created in the course of employment (s 215(2), (3) of the CDPA 1988). The copyright principle applies to a computer generated design, while the person first marketing a design is the first owner for a design qualifying by first marketing (ss 214(2), 215(4) of the CDPA 1988). The process of design differs from the creation of a copyright work. Whereas the author of a copyright work is the person whose skill and effort brings about the expression that is the work, a contributor of the ideas constituting a design may be considered its creator. In *C and H Engineering v Klucznik* (1992), Aldous J accepted that, where the design was the idea of incorporating a pipe into a commonplace pig fender, the designer was the person who thought of that idea. On the facts, this was either the customer or salesman involved and not the maker of the prototype or drawings. The possibility of joint ownership was raised in *Parker v Tidball* (1997). Section 259 of the CDPA 1988 makes allowance for joint ownership of a joint design and Robert Englehart QC held that whether sufficient contribution had been made to constitute joint design is a matter of fact and degree closely allied to the copyright approach adopted in *Cala Homes South Ltd v Alfred McAlpine Homes* (1995) (see 8.2.2). Sufficient significant contribution to the creation of a *design* – as opposed to a work – is required.

### *Duration of design right*

The right is of relatively short duration. The expiry of the right hinges on the end of the calendar year in which the design is first recorded or articles first made to the design. If articles made to the design are made available for sale or hire within five years from this time, the right expires 10 years from the end of the year of the articles being made available; otherwise, it will expire after 15 years. As most designs will be exploited quickly, the maximum period of protection will be the 10 years from first exploitation. In addition, the right is further circumscribed by licences of right in the last five years of the design right term (s 237 of the CDPA 1988). This places considerable restriction on the right, because, if copying begins a few years after marketing, it is unlikely that proceedings could be brought to a conclusion before the expiry of the five year period of protection and the right owner will be dependent on the availability of an interlocutory injunction. In practical terms, this makes the new right of most use in the fast moving trades linked to fashion, and to a designer in the period while awaiting registration of a design. It was agreed as common ground by the parties in the Court of Appeal in *Farmers Build Ltd v Carrier Bulk Materials Handling Ltd* (1999) that no question of an injunction arose because the design right was in the licence of right period.

### 11.4.1 Design

The subject matter of the right is the 'design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article' (s 213(2) of the CDPA 1988). There are significant differences to the nature of a registrable design. The design may be applied to only part of an article, does not include design of pattern and ornament, and there is no need for eye appeal. This is protection for three-dimensional functional design, although the aesthetic is not expressly excluded. The design may relate only to aspects of an article's design, so that, in *C and H Engineering v Klucznik* (1992), the design at issue was a metal roll bar placed on the top of a pig fender, all other aspects of the fender being commonplace. A design need not be visible to the eye. In *Ocular Sciences Ltd v Aspect Vision Care Ltd* (1997), Laddie J held that detailed dimensions of shape virtually invisible to a naked eye could be protectable designs and that 'design' here did not have the visual connotations of the RDA 1949. Laddie J also explained that the design's ambit is not co-extensive with the article or part of article to which it is applied.

The proprietor can choose to assert design right in the whole or any part of his product. If the right is said to reside in the design of a teapot, this can mean that it resides in the design of the whole pot or in a part such as the spout, the handle or the lid or, indeed, in a part of the lid. This means that the proprietor can trim his design right claim to most closely match what he believes the defendant to have taken.

That whole machines, their individual parts, and combinations of parts may constitute 'articles' was confirmed by the Court of Appeal in *Farmers*

*Build v Carier Bulk Materials Handling* (1999). This was not changed by the fact that the right did not apply to each and every part of the machine. In *Frayling Furniture Ltd v Premier Upholstery Ltd* (1999), the fact that features were excluded by the 'must fit' (or interface) exclusion did not prevent a finding of design right in the design of an armchair as a whole.

### 11.4.2 Exceptions

There are exclusions set out in s 213(3) of the CDPA 1988. These are as follows.

#### *A method or principle of construction*

This is the same wording as the exception to registered design and should be interpreted in the same way. In *Parker v Tidball* (1997), the stitching on leather cases made for mobile phones was excluded as a method of construction.

#### *Features of shape and configuration of an article which enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function*

This is known as the 'must fit' exception. Narrower than the exclusions for either functional features of a registered design or the *British Leyland* copyright exception this exclusion allows for fair competition in the features of design which must be copied by a competitor making spare parts for articles. Other features of shape and configuration remain protected if the design is original. In *Electronic Techniques (Anglia) Ltd v Critchley Components Ltd* (1997), it was argued that this exclusion did not apply to internal interface features within the plaintiff's article – a miniaturised transformer for use in electrical appliances – as the sub-section implied the existence of two separate articles to be fitted together. Laddie J held that, because the focus of concern of the new right was design and not particular articles, the excluded features may relate to internal connecting features of one article. This is difficult to reconcile with the wording of s 213(3)(b)(i) of the CDPA 1988, which refers to features of an article in relation to 'another article', although it must be borne in mind that 'article' includes part of an article and may allow the sub-section to be read as 'features of ... *part of* an article which enable *the part of* the article to be [connected] to *another part* of the article in question ...'.

This exclusion was raised in *Ocular Sciences Ltd v Aspect Vision Care Ltd* (1997). The plaintiffs alleged infringements of design right in the front and rear surface dimensions and the edge characteristics of designs for soft contact lenses. Considering the exclusion generally, Laddie J held that any features of shape and configuration which meet the interface criteria must be excluded from the design right; that any such a feature must be excluded, even if it performs some other purpose, such as being aesthetically pleasing; and that the exclusion includes those interface features where some other shape could have been chosen by the designer. He rejected the argument that the human

eye could not constitute 'another article', as the legislative intent, expressed in wide terminology, was to exclude all interface features; 'article' meant no more than 'thing'. Then, to determine whether the features of the lenses fell within the exclusion, Laddie J adopted a two stage test. First, he considered the functions to be performed by both the lens and the eye and, secondly, he considered whether the features of the lenses enabled them to be fitted to the eye. He held that the back dimensions, the radius and the edge characteristics were excluded as they did enable the lens to fit the eye, to remain centralised and in position.

*Features of shape and configuration of an article which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part*

This mirrors the 'must match' exception of registered design and only applies to the matching features. Other original features of a design retain the protection of the design right. This exclusion was not applied to the design of individual cabinets for a fitted kitchen in *Mark Wilkinson Furniture v Woodcraft Designs* (1998), as the kitchen was not an article. The cabinets formed a series of matching articles, none of which formed an integral part of another.

#### *Surface decoration*

Surface decoration is excluded in its entirety, protection must be sought through registration or copyright. Difficulties might arise with three dimensional features which are decorative, such as the grooves in the chairs in *Sommer Allibert v Flair Plastics* (1987), which were treated as features of shape and configuration, rather than pattern and ornament. Fellner (*Industrial Design Law*, 1995, London: Sweet & Maxwell) suggests that evidence as to the designer's intention, the market or views of consumers may be relevant to establish the purpose of such features. Although s 213(3)(c) of the CDPA 1988 does not exclude features of surface decoration, in *Mark Wilkinson Furniture v Woodcraft Designs* (1998), Parker J took the view that it should be read in the same way as s 51 of the CDPA 1988. It is only necessary to do so if the design is seen as being coextensive with the article to which it is applied (as is done for registered design), yet the definition of design appears to contemplate that an article or part of an article may have several separate aspects, in which separate design rights subsist. He held that surface decoration was not confined to two-dimensional features and decorative features with a functional purpose were not prevented from being surface decoration.

### **11.4.3 Original**

A design must be original (s 213(1) of the CDPA 1988), but not only in the

sense used in relation to copyright works. Aldous J gave 'original' its copyright meaning in *C and H Engineering v Klucznik* (1992) – as not having been copied. In *Farmers Build v Carrier Bulk Materials Handling* (1999), Mummery LJ held that 'time, labour and skill, sufficient to attract copyright protection' had been expended by the designer in originating the parts, their combination and the machine as a whole, although it was common ground that the design was based on two earlier machines. In addition, a design that is commonplace in the design field at the time of its creation is not original (s 213(4) of the CDPA 1988). 'Commonplace' is not defined. This gives the court a discretion in choosing the design field for a design, as illustrated by *Mark Wilkinson Furniture v Woodcraft Designs* (1998). The design field was found to be that of fitted kitchen furniture and not cabinetry in general, based on expert evidence. Tracing the word's origins from the European Directive on the protection of semiconductor topographies in *Ocular Sciences Ltd v Aspect Vision Care Ltd* (1997), Laddie J said:

Any design which is trite, trivial, common or garden, hackneyed or of the type which would excite no peculiar attention in those in the relevant art is likely to be commonplace. This does not mean that a design made up of features which, individually, are commonplace is necessarily itself commonplace. A new and exciting design can be produced from the most trite of ingredients. But to secure protection, the combination must itself not be commonplace ... In many cases the run of the mill combination of well known features will produce a combination which is itself commonplace.

The Court of Appeal considered originality in *Farmers Build v Carrier Bulk Materials Handling* (1999). Refusing to define 'commonplace', Mummery LJ adopted a purposive construction of it in its context within the CDPA 1988 and its legislative history; stating the purpose of copyright and of design right as being 'to provide limited protection against unfair misappropriation of the time, skill and effort expended by the author-designer on the creation of his work'. He said that the shorter life of design right and its narrower protection against copying, as well as the *prima facie* protection for functional designs, meant that commonplace should be construed narrowly and not broadly (that is, as well known) or many functional designs would fail to be protected. Its purpose was to guard against situations where even short term protection for a functional design would create practical difficulties. Accordingly, the proper approach, he held, was to:

- (1) ... compare the design of the article in which design right is claimed with the design of other articles in the same field, including the alleged infringing article, as at the time of creation.
- (2) ... be satisfied that the design for which protection is claimed has not simply been copied (eg, like a photocopy) from the design of an earlier article ...



- (3) ... to decide whether it is commonplace ... it is necessary to ascertain how similar the design is to the design of similar articles in the same field of design made by persons other than the parties or persons unconnected with the parties.
- (4) ... this comparative exercise must be conducted objectively and in the light of the evidence, including evidence from experts in the relevant field pointing out the similarities and the differences, and explaining the significance of them. In the end, however, it is for the court and not the witnesses, expert or otherwise, to decide whether the design is commonplace. That judgment must be one of fact and degree according to the evidence in each particular case. No amount of guidance given in this or any other judgment can provide the court with the answer to a particular case. The closer the similarity of the various designs to each other, the more likely it is that the designs are commonplace, especially if there is no causal link, such as copying, which accounts for the resemblance of the compared designs. If a number of designers working independently of one another in the same field produce very similar designs by coincidence the most likely explanation of the similarities is that there is only one way of designing that article. In those circumstances the design in question can fairly and reasonably be described as 'commonplace' ...
- (5) If, however, there are aspects of the plaintiff's design of the article which are not to be found in any other design in the field in question, and those aspects are found in the defendant's design, the court would be entitled to conclude that the design in question was not 'commonplace' and that there was good reason for treating it as protected from misappropriation during the limited period laid down in the 1988 Act ...

It was also held that the burden of proof lies on the plaintiff to identify the relevant aspects of shape and configuration and what is original to them. The burden then shifts to the defendant to show that the design is commonplace. The court accepted the submissions for the plaintiff that a new and exciting design could be produced from trite ingredients and the application of simple engineering principles; and that the relevant design field, for the purposes of originality in relation to an agricultural slurry separator, was that of slurry separators and not agricultural machinery in general.

### **11.4.4 Infringement**

Both primary and secondary infringement of the design right are provided for. The design right owner is given the exclusive right to reproduce the design for commercial purposes by making articles to the design or by making a design document recording the design for the purpose of enabling articles to be made (s 226(1) of the CDPA 1988). Reproduction by making articles is defined as copying the design so as to produce articles exactly or substantially to the design (s 226(2) of the CDPA 1988). Primary infringement constitutes either doing, or authorising another to do, anything which is the owner's exclusive

right without permission (s 226(3) of the CDPA 1988). Infringement may be direct or indirect (s 226(4) of the CDPA 1988).

Primary infringement involves reproduction and copyright principles will be applied; the test being applied of objective similarity between the plaintiff's and defendant's designs and whether any causal link exists between them: *Mark Wilkinson Furniture v Woodcraft Designs* (1998). It is not sufficient to show that the defendants have undertaken a similar design exercise and independently arrived at very similar designs – copying must be proved: *Ocular Sciences Ltd v Aspect Vision Care Ltd* (1997). Nor can copying be inferred from similarity dictated by function rather than copying: *Amoena v Trulife* (1995). Designers commonly work from earlier design and to determine whether copying has taken place will involve difficult distinctions being drawn between copying and legitimate design influence. Deciding whether, after comparison of the two designs, there is an exact or substantial reproduction of the protected design is an objective test decided through the eyes of the user or acquirer of the design: *C and H Engineering v Klucznik* (1992). This was controversially applied when Aldous J compared the plaintiff's and defendant's pig fenders. The whole of both the plaintiff's and the defendant's articles were compared, although the protected design amounted only to the tubular roll bar on the fender – s 226 of the CDPA 1988 refers to the exclusive right of making articles. This was accepted in *Parker v Tidball* (1997), but with the proviso that it does not suggest that there will never be infringement when a design for part of an article is substantially reproduced in part of another article. This is hard to reconcile with Aldous J's finding that the two features were substantially the same and that there had been copying. In the *Mark Wilkinson* case, the comparison made was of the two cabinets, but features of surface decoration whose similarity could not contribute to a finding of infringement were disregarded. There, the design applied to the whole article – the cabinet – but excluded features were ignored. On the same basis, only the roll bars should have been compared in the *Klucznik* case, ignoring the unprotected commonplace remainder of the fenders. Aldous J appears to use the word design to describe two different things: first, he describes the roll bar as the subject matter of the 'design' in which the design right subsisted, secondly, he refers to the 'design' of the pig fenders. While the design was applied to the fenders as a whole, the issue at stake was the infringement only of the design right. It is a fundamental point of difference that, whereas the substratum of a registered design is an article, this is not the case for the design right, which may apply only to part of an article. For the design to be exploited, a whole article must be made, hence the reference to articles in the right owner's exclusive right in s 226(1) of the CDPA 1988, but comparison for infringement should relate to the designs alone.

Secondary infringement constitutes importing infringing copies into the UK for commercial purposes, possessing such copies for commercial

purposes, or selling, letting for hire, offering or exposing infringing copies for sale or hire (s 227(1) of the CDPA 1988), provided that the infringer knows or has reason to believe that the copy is infringing. The design right owner may warn a potential infringer of the design right, but must otherwise avoid making groundless threats of proceedings (s 253 of the CDPA 1988).

#### **11.4.5 Remedies**

The design right owner may bring proceedings for damages, an injunction, account of profits, delivery up or other remedy available for infringement of any other property right, and additional damages may lie, though damages will not be awarded for the period during which a primary infringer does not know, or have reason to believe, that the design right subsisted (ss 229, 230, 233 of the CDPA 1988).

### **11.5 Overlap of rights**

The three means of protecting designs may overlap, providing a choice of protection. However, the relevant statutes do make some provision for such combinations:

- both registered and unregistered design rights may protect a design. If so, the unregistered design right owner must make the registered design application (s 3(2) of the RDA 1949). Any assignment of the registered design will be presumed to include the unregistered design right unless a contrary intention appears (s 224 of the CDPA 1988; s 19(3B) of the RDA 1949). Infringement proceedings may be brought for both rights;
- copyright and registered design may also overlap, subject to the constraints imposed on copyright infringement by ss 51, 52 of the CDPA 1988;
- copyright and unregistered design may both subsist in a design (subject to ss 51, 52 of the CDPA 1988), but the copyright in the work embodying the design will take precedence, so that a remedy for copyright infringement must be sought (s 236 of the CDPA 1988).

### **11.6 The future**

There have been proposals from the European Union that will mean changes to UK design law. A Regulation to create a community wide design right was adopted by the European Commission at the end of 1993 (EC Draft Regulation on Community Design (1994) OJ C29/20), but lay dormant while difficulties

over the design harmonisation Directive, European Parliament and Council Directive on the Legal Protection of Designs ((1993) OJ C345/14), were resolved. It is now waiting for its first hearing in the European Parliament. The Community design right will include both functional and aesthetic design and provide for both registered and unregistered protection, albeit in a different way to UK design law. Designs appear either to have a relatively long life, or a very short one, particularly those in the fashion industry. The Regulation provides for an initial automatic unregistered right for all designs of three years' duration. This will protect against unauthorised copying. Designs may also be registered (through a branch of the European Trade Mark Office) in a procedure that will take longer than the life of a short lived design, for a maximum protection of 25 years. World wide novelty and distinctiveness will be necessary to secure registration. Design protection and copyright will overlap.

Harmonisation of the widely differing design laws in Member States is also proposed by the Directive. The 'spare parts problem' has created significant difficulties, but the Directive was approved by the Council of Ministers and the European Parliament in September 1998. Member States have three years in which to implement the Directive.



## DESIGN RIGHTS

Design rights provide protection for aspects of the appearance or arrangement of commercially exploited articles, whether functional, aesthetic or artistic, which fall between the protection of patents and copyright.

Design rights adjust protection to facilitate competition in products, a competitor's need to use functional features in the interests of achieving a particular function or compatibility of products, and for production on an industrial scale. Design rights are applied to articles, but the features of the article's *design*, and not the article itself, are the subject of protection. Protection need not extend to every feature of a particular design.

### **Design protection before the Copyright, Designs and Patents Act 1988**

Copyright has been employed in the design field, where either design drawings and models or the designed article itself constitute a work, as any copying of the article would constitute either an indirect copy of the design documents or a copy of the work itself. This also made conversion damages available. Specific protection was made for design, but was short and required registration, also applying a standard of novelty and originality. Attempts to keep the copyright and design regimes separate were unsuccessful, with the anomalous position being reached that the long term of copyright was available for entirely functional industrial design, but only the shorter term of design rights for aesthetic designs. Neither regime could distinguish competitively necessary borrowings from unfair copying, until the intervention of the House of Lords in *British Leyland v Armstrong Patents* (1986). The CDPA 1988 introduced a three part regime for design protection:

- copyright's application restricted to the artistic field, and reduced in duration;
- registered design;
- unregistered design right.

### **Artistic copyright**

Copyright subsists automatically in artistic work, may be indirectly copied and copied in a different dimension, but its application to designs for articles and the articles themselves was restricted by:

- s 51 of the CDPA 1988

To copy an article which is not an artistic work does not infringe underlying copyright in any design document. Design is confined to three-dimensional features and excludes surface decoration;

- the *British Leyland* principle

Where copyright does apply it may not be enforced to derogate from the article owner's rights as owner if this would amount to abuse of monopoly;

- s 52 of the CDPA 1988

If the article is an artistic work, any industrial exploitation of it results in reduction of the copyright duration to 25 years from the end of the year of first marketing.

### **Registered design**

Registration of a novel design with eye appeal provides its proprietor (the designer, employer or commissioner) with a 25 year monopoly. Applications are examined for novelty. After grant, registration may be cancelled on the application of any interested party.

### **Design**

A registrable design is one which is new, its features applied to an article, and whose appearance is material. An article is something which is made and sold separately, so that designs may not be registered to protect spare parts, only accessories. Separate registrations must be made if the design is to be applied to more than one type of article, unless the articles form a set. The article and the design must be distinguished. A design comprises features applied to an article; not all of an article's features are necessarily protected. Unprotected features may be used by others without infringement.

A design is defined as:

- features;
- of shape, configuration, pattern or ornament;
- applied to an article;
- by an industrial process;
- which appeal to and are judged by the eye.

Some features of a design are excluded from the definition of design in order to allow for fair competition:

- a method or principle of construction;

- features of shape and configuration which are dictated solely by (chosen for) the function which the article has to perform;
- features of shape and configuration which are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part.

### **Material eye appeal**

The requirement of eye appeal means that a feature should be externally visible, appealing to a customer and providing a distinctiveness calculated to influence the customer's choice. Whether a customer would be influenced by distinctiveness of design involves a two step test:

- whether aesthetic considerations would normally be taken into account to a material extent in relation to that type of article; and
- whether aesthetic considerations would be taken into account in relation to the particular article in question.

### **Novelty**

Comparison with the prior art is made for all types of article, not just the one for which registration is sought. The prior art comprises designs registered or published in the UK before the date of application. A prior publication must be freely available to the public and contain clear and unmistakable directions to make an article bearing the design. A prior artistic work will not anticipate a design provided that the copyright owner's permission is obtained and the work has not previously been industrially applied. A design is anticipated if the prior art reveals the same design or one differing only in immaterial details or variants common in the trade. Similarity is judged by eye alone and the test allows for imperfect memory of the earlier design.

### **Infringement**

Registration confers the exclusive right to produce commercially articles made to the design or substantially to the design which is infringed by anyone doing so without permission. To make the article in kit form will also infringe, as will making anything to enable an infringing article to be made.

The whole of the registered design and infringing article are compared side by side and on a 'now and later' basis; similarities and differences are noted through the consumer's eye, but disregarding any features excluded from protection. The prior art and the statement of novelty made during application may be taken into account, as will any striking or commercially significant features.



## **Unregistered design right**

This right arises automatically when a design is recorded in an article or design document. Protection for non-UK nationals is on the basis of reciprocity of treatment and designs must qualify for it by reference to a qualifying individual or by first marketing by a qualifying individual. The right is conferred on the designer unless employed or the design was commissioned, in which case, ownership goes to the employer or commissioner. A designer may be the person generating the idea for a design, unlike copyright. Joint ownership may be possible. The right lasts for 10 years from the first marketing of articles made to the design (provided this is within five years of the recording of the design), otherwise it lasts for a maximum of 15 years from recording. It will be subject to licences of right during the last five years.

## **Design**

The definition of design does not mirror that for the RDA 1949. An unregistered design may be applied to part of an article, and relates only to aspects of an article. There is no requirement of eye appeal. A design comprises:

- any aspect of the shape and configuration (whether internal or external);
- of the whole or part of an article.

Excluded are:

- a method or principle of construction;
- features of shape and configuration of an article which enable the article to be connected to, or placed in, or around or against, another article so that either article may perform its function;
- features of shape and configuration of an article which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part;
- surface decoration.

## **Original**

A design must be original; it must not be copied and must not be commonplace.

## **Infringement**

A design right owner has the exclusive right to reproduce the design for commercial purposes by making articles to the design or making a design document recording it. Infringement constitutes reproduction of the design by copying it to make articles exactly or substantially to the design. Primary infringement includes authorising copying. Copyright principles are applied to primary infringement by reproduction and copying shown or inferred by objective similarity and a causal link. An objective test of substantial reproduction is applied through the eyes of the consumer of the article. Comparison should be of design with design, disregarding unprotected excluded features, and not article with article. Secondary infringement involves importing infringing copies into the UK, possessing such copies for commercial purposes, or dealing in infringing copies; subject to actual or constructive knowledge of infringement.

The usual intellectual property remedies are available, including prohibition of groundless threats of proceedings.

## **Overlap of rights**

The different means of protecting design overlap, but:

- where both registered and unregistered protection applies to a design, the unregistered design right owner must make the application for registration and assignment of the registered right is assumed to include the unregistered right; infringement proceedings may be brought for both;
- copyright and registered design protection may overlap, but copyright will be subject to ss 51, 52 of the CDPA 1988;
- where copyright and unregistered design rights both subsist in a design, copyright takes precedence and infringement of the copyright must be pursued.

## **The future**

A community design right is proposed for both functional and aesthetic design, allowing for registration as well as an interim short period of unregistered protection against copying before registration is granted. This should suffice for short lived products. A Directive harmonising Member States' design laws is awaiting implementation.



## PASSING OFF

Nobody has any right to represent his goods as the goods of somebody else [per Lord Halsbury in *Reddaway v Banham* (1896)].

It is as important to intellectual property right owners to be able to exploit their products without facing unfair market practices, as it is to have protection for the product itself. For this reason, the provisions for registration of trade marks to bolster commercial reputation is treated as an important part of intellectual property law. Equally significant protection is afforded through the common law by the tort of passing off. Since 1896, the courts have developed this tort considerably to meet the need for relief against some forms of unfair competition. However, judicial attitudes have wavered as to the legitimate extent of protection required. The tort of malicious falsehood has also, on occasion, been prayed in aid of the entrepreneur, but it quickly acquired narrow limits and is of less significance. Registered trade marks and passing off differ from patent, copyright and design protection in that they are not tied to the product itself, but focus on the producer's reputation and goodwill as the source of the goods, and the providers of the goods', quality.

Registered trade marks and passing off both protect indications of trade reputation, but there are important distinctions between them. When registration was introduced in 1875, it did not replace passing off, so that the two remedies co-exist (s 2 of the Trade Marks Act 1994), but are not co-extensive. It is a property right in the trade mark itself which is protected by registration, while passing off protects a trader's goodwill. A trade mark may be registered before any use is made of it, whereas it is implicit in the nature of goodwill that trade under the 'mark' must have already established a reputation in the buying public's mind. This has the consequence that a passing off action is both costly and time consuming because the existence of reputation must be proved to the court, rather than the fact of registration. The use made of a trade mark may outstrip the ambit of its registration, whereas the tort of passing off continues to protect whatever reputation is achieved through actual use of the mark. In the same way, passing off is not constrained by the technicalities of the definition of a registrable mark (though the Trade Marks Act 1994 significantly extended the definition).

Another important feature of protection for commercial reputation, registered or unregistered, is that it runs concurrently with the other intellectual property rights, but will continue to protect when those rights expire, preserving markets otherwise laid open to free competition. Passing off does not create a monopoly or prevent competition as competitors may

market the same goods, provided that they do not adopt confusing indications of reputation.

## 12.1 The development and definition of passing off

Passing off has a long tradition, developing from the common law of deceit. It was referred to in 1580, but its modern origins date from *Crutwell v Lye* (1810). With the industrial revolution and the growth in means of transport, trade in goods extended beyond the borders of local knowledge, so that traders began to attach signs and symbols to goods in order to indicate their origins and passing off became important to protect those signs. Lord Langdale said, in *Perry v Truefit* (1842):

A man is not to sell his own goods under pretence that they are the goods of another man, he cannot be permitted to practise such a deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters, or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person.

In this century, the growth of mass marketing, the explosion in advertising and development of new means of doing so, as well as new methods of marketing, have continued to exert pressure on the limits of the tort, and encourage its development to meet new conditions.

### 12.1.1 The elements of the passing off action

Since *Reddaway v Banham* (1896), three elements have been identified as the essential criteria for a passing off action:

- (a) it is property in a trader's reputation acquired through trade, not the mark itself, which is the subject matter of protection: *Reddaway v Banham* (1896);
- (b) misrepresentation of that reputation is prohibited: *Spalding v Gamage* (1915);
- (c) the defendant's activities must cause damage to the plaintiff's goodwill: *Bulmer v Bollinger* (1978).

These were explained by Lord Diplock in the leading case of *Erven Warnink v Townend* (1979) (the *Advocaat* case):

... it [is] possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods and services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual

damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

Later, these points were condensed by Lord Oliver, in a judgment now commonly accepted as defining the tort, in *Reckitt and Colman (Products) Ltd v Borden Inc* (1990) (the *Jif Lemon* case):

First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff ... Thirdly, he must demonstrate that he suffers, or in a *quia timet* action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff.

It should be noted that these three criteria, though expressed in general terms, are interlinked; so that only misrepresentations to the consuming public, of indicators of reputation that give rise to goodwill, cause confusion and give rise to damage to that goodwill, that are actionable. It is tempting to conclude that, if two of the three conditions are present, the third may be assumed; for example, if a misrepresentation as to reputation causes damage, it might be assumed that the plaintiff has goodwill. This, in effect, occurred in *Taittinger v Allbev* (1992). Recent case law suggests that such assumptions are not legitimate: *Hodgkinson and Corby v Wards Mobility Services* (1995) (the *Roho* case). In addition, Lord Diplock emphasised that passing off remains essentially a question of fact, so that the presence of the three conditions is not the only prerequisite for success.

Passing off thus protects information about products and services. This supports the understanding built up by the consuming public of changing trade practices and the conclusions they draw from the information supplied. As practice and the public's understanding changes, so has, and must, the action adjust.

### 12.1.2 Developments in passing off

Development in the action can be traced since *Reddaway v Banham* (1896).

#### *The subject matter of protection*

In *Crutwell v Lye* (1810), Lord Eldon referred to a defendant setting up trade under 'the same name or sign'. By *Perry v Truefit* (1842), reference was being

made to 'names, marks, letters or other indicia' being protected. This was further extended by the House of Lords in *Reddaway v Banham* (1896) to exclusively descriptive names ('Camel Hair Belting') and it is now recognised that it is not the means by which a reputation is built up that is protected, but the goodwill which the reputation engenders.

### *Shared reputations*

It is not only a reputation unique to an individual trader that may be protected. It has become recognised that a group of traders sharing a reputation may protect that joint reputation. This was confirmed by the House of Lords in *Advocaat* (1979). To do so moves some way towards protecting generally against unfair competition, as no one trader was required to show any special prejudice from the defendant's activities.

### *Reputation as to quality*

Originally, passing off protected against misrepresentations as to the source of goods, but, in *Spalding v Gamage* (1915), the House of Lords accepted that the tort could extend to a trader's indications of the quality of his goods. The plaintiffs made footballs of different grades, which had different names. The defendant sold balls genuinely made by the plaintiffs, but using the name of a superior grade to that of the product actually being sold. This amounted to passing off. The shared reputation cases also recognise that the reputation each trader acquires through use of the joint name is one for quality rather than the origin of the product.

It should not be thought that the action for passing off will not continue to adapt to commercial needs. The general nature of the criteria laid down by the courts allows for a measure of interpretation as new circumstances arise. It seemed, after *Erven Warnink v Townend* (1979), that the House of Lords had opened the way to the emergence of a tort against unfair competition. In effect, their decision appeared to allow a remedy for misdescriptive advertising by a competitor, and one conferred on a group of traders sharing a reputation in a descriptive name (*Advocaat*). The tort's continuing development can also be seen in the recognition of 'reverse (or inverse) passing off' (see 12.3.5), and misrepresentations as to the quality of goods and services, rather than their source. In *Associated Newspapers v Insert Media* (1991), the insertion of advertising 'flyers' into the plaintiff's newspapers was regarded as an actionable misrepresentation (see 12.3.2). New heads of damage were contemplated in *Taittinger v Allbev* (1992) (see 12.4.1), and the public's understanding of the practice of licensed character merchandising was recognised in *Mirage Studios v Counter-Feat Clothing* (1991).

However, the courts have also been careful to ensure that passing off remains within acceptable limits. The Privy Council drew an important

distinction between competition, and unfair competition, in *Cadbury Schweppes v Pub Squash* (1981). While willing to recognise that reputations may now be built up under many types of descriptive material, including television advertising themes, Lord Scarman said:

... competition must remain free ... A defendant, however, does no wrong by entering a market created by another and there competing with its creator. The line may be difficult to draw; but, unless it is drawn, competition will be stifled.

More recently, Jacob J has reaffirmed that this line is to be drawn by the requirement that the defendant's misrepresentation cause confusion in the consuming public, causing real damage to the plaintiff's goodwill: the *Roho* case (1995). Controversy remains over protection against dilution of a reputation through passing off. The result is an action of fascinating scope, though recent changes to registered trade mark law made by the Trade Marks Act 1994, including a remedy against dilution, may divert attention from the common law action.

## 12.2 Reputation

Plaintiffs must first establish that they have a commercial reputation and that it gives rise to goodwill. It is in this sense that Lord Oliver's reference to 'reputation or goodwill' must be understood. It is the plaintiff's reputation as a trader that must be established: *Day v Brownrigg* (1878). Trade both in goods and services can be protected in passing off. Trade is interpreted widely to include professional and charitable organisations: *British Medical Association v Marsh* (1931); *British Diabetic Association v The Diabetic Society* (1996). The plaintiff's reputation may extend to indicating the quality of goods or services, as well as their source: *Spalding v Gamage* (1915).

Although the public may recognise the goods or services of a trader, but have no knowledge of the plaintiff's actual identity (for example, not recognising that an AERO bar is made by Nestlé®), the reputation attaches to the trader as the source of those goods and services. Therefore, the reputation may not be transferred with the product. In *Saxlehner v Appolinaris* (1897), an injunction was granted when the defendant used the plaintiff's name for bottled spring water, although the plaintiff had sold the spring to the defendant. Where one trader has developed a widely known reputation for high quality, it is a temptation to other traders to use references to that reputation for its associations. This raises a question as to whether there can be passing off between two of such 'borrowed' reputations. In *Rolls Razor v Rolls (Lighters)* (1949), the plaintiff and defendant both used names with allusions to the ROLLS ROYCE Company. Harman J refused to grant an injunction, on the ground that no direct misrepresentation had been made, nor confusion



caused, as the plaintiff's activities did not extend from the manufacture of razors to that of lighters, avoiding the issue of a borrowed reputation. Similarly, in *Evian v Bowles* (1975), the makers of EVIAN water bottles for EVIAN bicycles were unable to prevent a rival selling bottles under the same name. The plaintiff must establish that it is his reputation that has been misrepresented by the defendant, and not just that general association with a third party's reputation has occurred.

### 12.2.1 Shared reputation

It was established in a series of cases that a group of traders may share a reputation in a jointly used name or other identifying feature. The names 'sherry', 'whisky' and 'Champagne' all designate the region from which the drink comes, and denote the superior quality of the genuine product, a reputation shared by all producers within the region: *Bollinger v Costa Brava* (1961); *Vine Products v Mackenzie* (1969); *Bulmer v Bollinger* (1978). This was taken a step further by the House of Lords in *Erven Warnink v Townend* (1979), with the recognition that a name for a drink designating its composition, rather than its source, may be shared and protected. European Community law has extended protection to such shared designations in two ways. Regulations cater for geographical designations of origin for agricultural products, foodstuffs and beverages, by providing a system of registration for products from a particular region or with particular characteristics. In addition, jurisprudence of the European Court of Justice (ECJ) recognises appellations of origin as 'industrial and commercial property' for the purposes of Art 30 of the European Community Treaty: see 16.2 and *Delhaize v Promalvin* (1992).

### 12.2.2 Goodwill

Traders spend a great deal of effort and expense in building an identifiable reputation in order to create and enhance a market for their goods and services, and it is this resulting appeal to customers' goodwill that passing off protects. There can be no goodwill without a reputation, though a reputation may exist without goodwill. Goodwill was defined by Lord McNaughton, in *IRC v Muller's Margarine* (1901), as:

... the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force that brings in custom. It is the one thing which distinguishes an old established business from a new business at its first start ... is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates.

Because it is only reputation giving rise to goodwill which may be defended through passing off, reputation and its accompanying goodwill must coincide

in temporal and geographical terms, as well as the sphere of trading activity of plaintiff and defendant. Should this coincidence not exist, the defendant may encroach on the plaintiff's reputation, and no damage will be caused to the plaintiff's goodwill as the defendant's actions do not overlap with the plaintiff's commercial activities. It is a question of fact for the court whether reputation has outstripped goodwill.

### **12.2.3 Coincidence of reputation and goodwill in point of time**

It is possible for reputation either to precede goodwill or to outlast it. A reputation may also be abandoned.

#### *Reputation preceding goodwill*

A reputation may be established, for example, by advertising, before trade begins, so that no custom can ensue. However, a court may be prepared to find that goodwill has resulted from the reputation before there is actual trade if it can be found that customers are ready and waiting for the product to become available: *BBC v Talbot* (1981). Consider, for example, the advertising that precedes the release of a new film. In *My Kinda Bones v Dr Pepper's Stove* (1984), Slade J refused to strike out a passing off action although the plaintiff had not yet opened his restaurant, as it was arguable that goodwill could exist without trade through advertising, at least where steps to begin trading had been taken. And, in *Elida-Gibbs v Colgate Palmolive* (1983), Goulding J held that television advertising for a new toothpaste gave rise to immediate goodwill. This does not mean that all advance advertising will necessarily give rise to goodwill. It will depend on the understanding of the public engendered by the advertising: *Cadbury Schweppes v Pub Squash* (1981). Where reputation precedes trade, though there is goodwill, only an appropriate remedy may be granted. In *Nationwide Building Society v Nationwide Estate Agency* (1987), the plaintiff sought an injunction against the defendant's use of name, although the building society's estate agency activities had not yet begun. The court would have granted an injunction, finding that confusion was likely in such closely linked activities, but only on condition that the plaintiff did nothing to spread the use of their name for estate agencies before the trial. As they refused to give this undertaking no interlocutory injunction was granted.

#### *Reputation outlasting goodwill*

If trading activity ceases after a reputation bearing goodwill has been established, eventually the goodwill will decline and expire: *Norman Kark v Odhams* (1962). However, this may not be instant and will depend on the circumstances. In *Ad-Lib Club v Granville* (1972), the plaintiff's club had been closed for five years after complaints about noise when the defendant opened a club using the same name. Pennycuik J granted an injunction, holding that an actionable reputation survived. The plaintiff intended to re-open and was

seeking new premises.

#### *Abandoned reputations*

If a reputation is abandoned by its owner, even though a residue of goodwill might remain, this goodwill is abandoned along with the reputation. In *Star Industrial Co v Yap Kwee Kor* (1975), the Privy Council considered whether the plaintiffs had any rights of property left to defend in the name 'Ace Brand', given to toothbrushes. They sold the brushes in Singapore until the imposition of an import duty made the sales unprofitable. Three years later they formed a subsidiary in Singapore and granted it the exclusive use of the mark. The defendants then adopted the same name for toothbrushes sold in Singapore. It was found that, when the plaintiffs transferred the name to the subsidiary, they had abandoned any goodwill that might have remained capable of being revived.

#### **12.2.4 Geographical coincidence of reputation and goodwill**

In the same way, the activities of the defendant must actually encroach upon the geographical area in which the plaintiff trades, so that, in *Outram v London Evening News* (1911), the plaintiff proprietors of the *Glasgow Evening News* failed to secure relief against the proprietors of the *London Evening News*, as there was no overlap in the area of circulation of the two newspapers. *Dicta* in *Star Industrial Co v Yap Kwee Kor* (1975) suggest that goodwill is both local and divisible, and Lord Fraser's judgment in *Advocaat* (1979) concentrated on goodwill in England. However, this does not preclude the courts from recognising an international reputation and concomitant international goodwill where it can be found to exist in fact: *Habib Bank v Habib Bank* (1981).

Difficulties arise when misrepresentations extend into areas where the plaintiff has no existing trade. These have become acute in an age of international communications and travel, which mean that reputations have the potential to spread world wide in a short time. It can be argued that a trader may suffer damage by misrepresentations of his reputation in an area in which he has not yet begun to trade. Such activity will hamper any future expansion plans, as well possibly injuring his reputation for quality among travelling customers. The answer lies in defining what amounts to goodwill. The courts appear to have taken two lines of approach to this problem.

#### *The hard line approach*

In some cases, a strict view of goodwill, as a trader having actual customers in the relevant area, has led to the refusal of relief in passing off, despite the apparent damage the plaintiff perceives from the defendant's actions. Three cases illustrate this line of authority. In *Bernardin v Pavilion Properties* (1967), an action against a Crazy Horse Saloon in London by the owners of the famous

Paris Crazy Horse Saloon failed, despite advertising and publicity carried out in the UK. Similarly, in *Athlete's Foot v Cobra Sports* (1980), the plaintiffs had an extensive reputation in the US, doing business by the grant of franchises, and they were in the process of negotiating (eventually unsuccessfully) a franchise in the UK. The defendant opened Athlete's Foot Bargain Basement, registered a business name and advertised in magazines. Walton J refused to grant an injunction; holding that the *defendant was* merely suggesting a connection with the plaintiffs, who could suffer no damage in the UK, where they had no customers. This was followed by *Anheuser-Busch Inc v Budejovky Budvar Narodni Podnik* (1984) (the *Budweiser* case). Beer bearing the name Budweiser was legitimately made by companies in the US and Czechoslovakia after an agreement dividing world markets between them. Both then began preparations to enter the UK market. The American company had a reputation in the UK, and the beer had been sold on US Air Force bases in the UK. Their passing off action failed, however, despite evidence that the British public were confused as to the source of Budweiser beer. The Court of Appeal held, following *Star Industrial Co v Yap Kwee Kor* (1975), that, as goodwill must be attached to a business and be local, the plaintiffs had no goodwill because they had no customers on the open market in the UK. They could not, therefore, suffer damage by loss of sales. This decision was subjected to criticism as the authorities did not dictate that goodwill be interpreted as a need for actual customers within the jurisdiction, and both the confusion and damage were clear.

### *The soft line approach*

There have been cases where, despite the lack of actual business in the UK, plaintiffs have succeeded in passing off actions. In *Sheraton v Sheraton Motels* (1974), the fact that bookings were taken in the UK for the American hotels sufficed to constitute goodwill. So too, in *Maxim's v Dye* (1977), the fact that customers would book from the UK for the Paris restaurant created enough goodwill to protect against the opening of a Maxim's restaurant in Norfolk. Yet, it is unlikely that the real Maxim's customers would be confused or that damage could be caused in these circumstances.

It is difficult to distinguish these lines of authority. There was a likelihood of custom and damage in *Athlete's Foot v Cobra Sports*, as a franchise was being negotiated and the action was for an interlocutory injunction. The facts of *Maxim's v Dye* and *Bernardin v Pavilion Properties* appear almost identical. It is true that apparently very similar passing off cases can appear inconsistent because the decision is based on a different aspect of the trinity of reputation giving rise to goodwill, misrepresentation and damage. So that, while there may have been goodwill in both the *Athlete's Foot* case and the *Maxim's* case, the different result could be explained by the presence of damage in *Maxim's*, but the lack of it in *Athlete's Foot*. This explanation is difficult to sustain on the

facts, however, despite the presence of goodwill and the likelihood of damage being questions of fact for the court. It is notable that the court held that no damage would be sustained in *Budweiser* (1984). The difference, then, does not appear to be one of fact, nor one based on different conditions of passing off.

Because communications, advertising and marketing are becoming increasingly international, traders are not receiving protection from passing off commensurate with modern technological and commercial conditions. Traders feel that real damage is caused by the misappropriation of an internationally known reputation because the chance of later expansion is prevented and any lack of quality in the imitator's activities may rebound to the detriment of the international reputation owner. In addition, the reputation becomes 'diluted', particularly as the association is created without any ability to control it and the possibility of earning licensing fees from later merchandising of the reputation is lost.

Two resolutions are possible. Either it could be recognised that reputation and goodwill are, in modern conditions, co-extensive and that the presence of a commercial reputation necessarily implies an accompanying goodwill; or it could be recognised that goodwill and damage need an interpretation extending far enough to accommodate these new circumstances. It is likely that a definition of goodwill framed within the expectations of 1901 has become outdated and inappropriate now. To adopt the first solution may go too far, as it would allow a trader with a reputation anywhere in the world to prevent any other trader adopting a confusing indication of source and quality, even though that first trader had no intention of ever expanding into the UK market. This would confer a monopoly. However, the monopoly would only extend to any confusingly similar indicator of reputation and s 56 of the Trade Marks Act 1994 only requires a reputation in the UK, not actual trade, to give the equivalent protection laid down by Art 6*bis* of the Paris Convention.

To adopt the second solution involves determining at what point reputation becomes goodwill. That the courts may be willing to do this may be deduced from decisions in New Zealand, Canada and Hong Kong. In *Tan-Ichi v Jancar* (1990), an injunction was granted in Hong Kong. The plaintiffs owned a chain of restaurants in Japan and were negotiating over the opening of another in Hong Kong. The defendants opened a Japanese restaurant in Hong Kong using the same ideograms as the genuine Japanese restaurants. These had been deliberately copied, creating an allusion to the plaintiffs. *Sears J* held that the plaintiffs had an international reputation and that, in a developing area of the common law the court must respond to changing conditions. It was a question of fact at what point goodwill in Hong Kong arose and, as the plaintiffs did have both actual and potential customers there, there was goodwill. Additionally, the defendants' activities prevented the plaintiffs from controlling and developing their reputation in Hong Kong. It

was significant, however, that the defendants had clearly taken a deliberate risk for financial gain. This does suggest that the fears of damage are real, and that it may, therefore, be legitimate to assume goodwill from the presence of reputation. In the UK, the case of *Jian Tools v Roderick Manhattan Group Ltd* (1995) suggests a move in this direction. The plaintiff had reputation and goodwill in the US in business software, named BizPlan Builder. The defendant adopted the name BusinessPlan Builder for similar software in the UK. Although 127 units of the plaintiff's software had been sold to UK buyers and had been extensively advertised in American publications that had some UK circulation, only two advertisements had been placed in UK publications, these giving rise to the sale of only 10 programs. The plaintiffs had no commercial outlet nor sales employees in the UK. Knox J accepted that reputation alone would not suffice and that goodwill in the UK must be shown. Nevertheless, he found that there was sufficient UK goodwill if the nature of the goods was taken into consideration. As the software was capable of continued use and was not an article of everyday household use, the relatively small number of sales made constituted goodwill. It has been suggested that the presence of a two way market opportunity allowing repeat sales to UK customers is necessary by Rose: see 'Season of goodwill: passing off and overseas traders' [1995] EIPR 356.

### 12.2.5 Coincidence of activity of plaintiff and defendant

Trade marks are registered for particular classes of goods and services. This raises the question of whether passing off will protect a trader's reputation beyond the actual goods and services which he provides. Before 1948, it did not seem that the plaintiff's field of activity was relevant, so that, in *Eastman v John Griffiths* (1898), it was held that to use the name applied by the plaintiff to cameras for bicycles amounted to passing off, although the plaintiff did make cameras for use on bicycles. Equally, in *Walter v Ashton* (1902), for the defendant to sell a Times bicycle was actionable. It was held that this raised the tangible possibility of damage to the plaintiff if any confusion with the plaintiff's newspaper led to litigation against them. Again, however, the plaintiff newspaper was in the practice of occasionally offering goods to readers under the *Times* name.

In 1948, the case of *McCulloch v May* (1948) appeared to establish a less generous approach by the courts. Wynn Parry J added another factor to passing off: a 'common field of activity' which had to be shown between the plaintiff's and defendant's spheres of trade. This case is distinguishable from the earlier ones, since in 1948 it was less likely that the public would think that a presenter of radio programs had allowed his name to be used by makers of breakfast cereal and, therefore, unlikely that any confusion would result from the defendant's activities. However, it was followed by later courts as laying down a necessary requirement, and not as a finding of fact as to confusion and

damage, in cases such as *Wombles v Wombles Skips* (1977). This practice was criticised in Australia, and not followed, in *Henderson v RCA* (1969). The plaintiffs were well known dancers, who successfully sued the defendants for using a photograph of them on a record of dance music. It was held to be sufficient that the parties were in business and that the activities of plaintiffs and defendants were competing in a broad sense. In the UK, Oliver J reassessed the effect of *McCulloch v May* (1948) in *Lyngstad v Anabas* (1977), explaining the need for a common field of activity as a 'convenient shorthand term for indicating a real possibility of confusion'. The defendants had sold t-shirts bearing a photograph of the pop group 'Abba' without permission. Confusion in such cases of association depend on the public's growing understanding of celebrity endorsement and merchandising, so that *McCulloch v May* can be distinguished on this basis. In 1983, a new approach was confirmed in *Lego v Lemestrich*. *McCulloch v May* (1948) was explained as a need for real confusion and the court was willing also to consider new forms of damage. The plaintiffs, the makers of the well known children's construction toy, succeeded in passing off against the Israeli defendant company, who made irrigation equipment, including bright coloured plastic garden equipment. However, Falconer J did not discount the relevance of the fields of activity entirely:

Of course, that is not to say that the proximity of a defendant's field of activity to that of the plaintiff will not be relevant to whether the defendant's acts complained of amount to a misrepresentation in any particular case – plainly it will, at least in most cases. But, in my judgment, there is much force in Mr Aldous' submission, based on the extent of the plaintiffs' reputation in their mark LEGO, that if, as he contended was this case, the plaintiffs' mark has become part of the English language in the sense that everybody associates LEGO with a particular company ... then the misrepresentation by the defendants' use of the mark is easier to assume and prove; on the other hand, if the mark or name concerned has only a limited field of recognition, it is obviously more difficult to establish its understanding as denoting the plaintiff's goods in a field which is not directly comparable with the field of the plaintiff's goods.

It is not clear how far *Lego* extends. The decision may be confined to household words such as LEGO. It is difficult to reconcile the decision with Lord Fraser's definition of passing off in the *Advocaat* case (that the trader must trade in a clearly defined class of goods), unless it is seen as an example of a wide field of activity being found – of coloured plastic goods. That there must also be confusion and damage was reaffirmed by *Stringfellow v McCain* (1984). The plaintiff, owner of Stringfellows nightclub, did not succeed in preventing the defendant naming oven chips 'Stringfellows', even though these had been advertised on television by using a nightclub theme. 'Stringfellows' was not regarded as a household name, and the overlap in activity was too nebulous to cause substantial confusion.

## 12.3 Misrepresentation

It is not the plaintiff's use of any particular form of mark that is important, but the understanding that the plaintiff has developed in the public mind by use of any name, logo, symbol, colour, shape, slogan or any other feature identifiable with goods or services. There is no definition of an actionable 'mark' equivalent to s 2 of the Trade Marks Act 1994. What is necessary is that the plaintiff's use of the symbol has created a distinctive association between the symbol used and his goods or services, so that consumers have been educated to associate the symbol with the plaintiff's product alone. This will be difficult to establish if the symbol used describes the product in some way, as it could relate to any producer of that type of product. The more descriptive the symbol, the more difficult it will be to establish the existence of a reputation (consider, for example, 'soap' for soap), the more distinctive the symbol, the more likely a reputation has arisen ('mango' for soap). An initially distinctive symbol may actually become descriptive – generic – if a trader is able to use it exclusively in association with his product so that the association made by the public becomes one as to the nature of the product, rather than its source. Consider, for example, the name KLEENEX.

Traditionally, a mark has been regarded as an indicator of the source of a product, but passing off is not restricted to misrepresentations as to source. Accordingly, the indications of quality which the plaintiffs had given to their footballs founded a successful passing off action in *Spalding v Gamage* (1915), as these were understood as such. The same was true in *Rizla v Bryant May* (1986) when the plaintiff used different colours for different grades of cigarette papers, although the action failed because the defendants had sufficiently distinguished their product from the plaintiff's to avoid confusion. Whether an actionable misrepresentation has been made can only be judged in relation to this understanding. Examples of indicia used, and the extent of distinctiveness required, follow.

### 12.3.1 Indicia of reputation

#### *Get-up*

The shape of goods themselves may indicate their source: *Edge v Nicholls* (1911). The plaintiffs sold washing blue attached to a stick. It was held that the stick was distinctive of the plaintiffs despite the writing also on the product, as the purchasing public for washing blue was largely illiterate. The leading case on get-up, controversially, is the *Jif Lemon* case (1990). The House of Lords held that the sale of lemon juice in plastic containers shaped and coloured to resemble real lemons was distinctive of the plaintiffs' product and that get-up could sustain reputation. This was so despite the fact that the container was so descriptive of the product. The House of Lords felt bound by the trial judge's finding of fact that confusion had been caused, and it was clearly significant



that the plaintiffs had been the only sellers of lemon juice in plastic lemon shaped containers for some 20 years, giving the necessary secondary meaning to the get-up. Where get-up is unlikely to confuse, there will be no passing off: the *Roho* case (1995). And, if shape has not become associated with any particular source (though the trader's name need not be known) in the public mind, there can be no passing off: *Politechnica v Dallas Print* (1982). Shapes became registrable as marks in the Trade Marks Act 1994 and no confusion need be shown if a registered mark is used on identical goods or services, lessening pressure on passing off to provide a remedy. Get-up could be relied on, however, to protect a functional aspect of a design.

### *Colour*

Use of colour may amount to reputation, provided that it is distinctive of the plaintiff's goods and has not become generic in the public's mind: *Rizla v Bryant May* (1986); *Sodastream v Thorn Cascade* (1982).

### *Styles*

Styles have not been so readily protected, being difficult to delimit with sufficient precision: *Gordon Fraser v Tatt* (1966). The plaintiffs made a series of successful greetings cards with designs of whimsical children, whimsically dressed, in a recognisable and distinctive colour scheme. This was held too nebulous to be capable of protection despite the plaintiffs' arguments that their artists had exclusive contracts and that the cards were often asked for by name. The Court of Appeal also refused an injunction in *My Kinda Town v Soll* (1983). The defendants left the plaintiffs restaurant Chicago Pizza Pie Factory and set up a rival Grunts Chicago Pizza Company. The menu design, decor, and style of the two were similar. No passing off was made out as the names, which were descriptive, were held not to be confusing. However, Oliver LJ was prepared to say that the other features were confusing and, had they been pleaded as the source of reputation, he might have decided differently.

### *Names*

The most obvious indication of reputation is a name, but generic, invented and personal names require separate consideration.

- (a) *Generic names*. Where a name is descriptive, the plaintiff must establish that the name has come to associate him with his goods or services by having acquired secondary meaning: *Reddaway v Banham* (1896). The name 'Camel Hair Belting', although entirely descriptive of the plaintiffs' product and, therefore, a name that any manufacturer of similar goods might wish to use, had become distinctive of the plaintiffs through 12 years' exclusive use. Others wishing to use such descriptive names can do so provided that sufficient is done to distinguish their products. In contrast, Chicago Pizza Pie remained descriptive as there had not been

sufficient use by the plaintiff and so the name was free for others to use: *My Kinda Town v Soll* (1983). Secondary meaning that has been acquired through use can be lost once the public begins to understand the name as descriptive of a type of goods. The point at which this occurs is an objective question for the court. The first user of a descriptive name will have to prove reputation if he is to succeed: *McCain International v Country Fair* (1981). In 1979, the plaintiffs introduced a new product, which they named McCAIN Oven Chips. In 1980, the defendants entered competition with COUNTRY FAIR Oven Chips, arguing that the name 'oven chips' was descriptive of the nature of the product and not indicative of their source. The Court of Appeal held that 18 months' use, and use with the name McCain attached, could not give 'oven chips' secondary meaning, nor would there be any confusion between the plaintiffs' and defendants' goods.

- (b) *Personal names*. It is natural for a trader to use his own name. Difficulties may arise where other traders share the same name, particularly when family businesses divide. It was held by the House of Lords in *Marengo v Daily Sketch* (1948) that, provided the use is honest, a defendant may use his or her own name for a business, but not for goods, even if the result is confusion. In *Parker Knoll v Knoll International* (1962), an injunction was granted against use of the defendant's name for goods, but not against its use as the company name. However, a personal name may acquire secondary meaning, preventing its use even for another's business. In the South African case of *Boswell-Wilkie v Brian Boswell Circus* (1985), it was found that the name of Boswell had acquired such significance to the circus going public that a scion of the family was unable to use his personal name even for his business, a rival circus. It was held that, even though the full business names were used in advertising and an announcement was made to the audience once inside the big top alerting them to the two different concerns, the evidence showed that the public shortened both names to merely 'Boswell' and would be confused.

Nicknames do not receive the same treatment as ordinary surnames, so that Biba could not be used for a business in *Biba v Biba Boutique* (1980). Concurrent use of a family name will be sanctioned when the two reputations have built up side by side (rather than one following the other): *Habib Bank v Habib Bank* (1981). A family owned and named bank established an overseas subsidiary with the same family name. Later, the family bank was nationalised and split from the foreign subsidiary. The attempt to prevent a new branch of the now independent subsidiary taking its parent company's name failed. It was held that use of the name implied no association with the nationalised bank, although the branch

acquired its parent's reputation immediately. The only association was with the foreign subsidiary (which had branches in the UK).

- (c) *Made-up names*. The clearest way of adopting a distinctive name is to invent a new word, and to do so ensured success where copyright failed in *Exxon v Exxon Insurance Services* (1981).

#### *Advertising themes*

Themes used in advertising have been held to be able to sustain reputations in *Cadbury Schweppes v Pub Squash* (1981); *Elida-Gibbs v Colgate Palmolive* (1983); and *Stringfellow v McCain Foods (GB) Ltd* (1984), provided that the public has, in fact, come to associate the theme with the plaintiff.

### **12.3.2 The nature of misrepresentation**

The defendant must misrepresent his goods or services to the consumer. The misrepresentation must suggest either that the goods have come from the plaintiff (*Reddaway v Banham* (1896)) – a misrepresentation as to source – or that they have the quality of the plaintiff's product (the *Advocaat* case (1979)) – a misrepresentation as to quality. A distinction can be drawn between a misrepresentation and a misappropriation of the plaintiff's reputation. Misappropriation occurs where the defendant's actions evoke an association between the plaintiff's and defendant's products without creating actual confusion as to their source. Such a misappropriation is likely to create associations with respect to quality, however, and one of the consequences of the House of Lords' extension of passing off in *Advocaat* (1979) was to raise a question as to how far such a misappropriation might fall within its new parameters. This is particularly relevant to the question of dilution (see 12.4.1).

The clearest express misrepresentation is the direct taking of the plaintiff's indicium of reputation by the defendant, be it name, logo, slogan, colour or get-up. However, a misrepresentation may also be indirect. An allusion to the plaintiff's activities without any use of their indicia at all may amount to misrepresentation. So, in *Sony v Saray* (1983), the defendants' claim to be an agent of the plaintiffs, which they were not, was actionable. Similarly, for the defendants to claim that theirs was the product 'as shown on television', when it had been the plaintiffs' that had been advertised, amounted to misrepresentation in *Copydex v Noso* (1952). Even less overt associations have been held to be misrepresentations. In a case which represents another of passing off's steps forward in response to advancing commercial practices, it was held that for the defendant to have advertising leaflets placed inside the plaintiffs' newspapers was passing off: *Associated News v Insert Media* (1991). Whether such an activity amounts to misrepresentation is a question of fact for the court which Browne-Wilkinson VC said depended:

... upon the nature of the product, the alterations made to it and the circumstances in which the altered product is put before the public. For example, in the present case if it were to be widely thought by the public that advertising inserts were put into the papers by newsagents and not by the publishers, the activities of the third defendant would not constitute any actionable misrepresentation. The question whether or not there has been a misrepresentation causing confusion or deception must depend upon the perceptions of the matter by the public at large. If a substantial body of persons assume that such inserts are made by the publishers, then the insertion of the inserts into the newspaper by newsagents will be calculated to misrepresent the position to the public. In my judgment therefore the mere fact that the inserts have been made without the plaintiffs' consent does not establish the existence of a misrepresentation.

Even a true statement may amount to a misrepresentation if the result is public confusion. In *McDonald v Burger King* (1986), the statement 'It's not just big, Mac' placed on advertisements in London Underground trains for BURGER KING Whopper burgers was held likely to cause confusion with McDONALD's Big Mac.

A misrepresentation need not be deliberate or conscious. Although, in *Advocaat* (1979), Lord Diplock spoke of a misrepresentation 'calculated' to injure the plaintiff, the reference was not to the defendant's intention, but the effect of the defendant's actions. An innocent defendant is equally liable for passing off (*Baume v Moore* (1958)) and will be subject to an injunction, account of profits and delivery up. It was not so clear whether damages would lie against defendants unaware of the consequences of their actions. In other areas of intellectual property, the innocent defendant is not liable to damages (see 15.4.3), but the point was left open by the House of Lords in *Marengo v Daily Sketch* (1948). However, it was held, at first instance, in *Gillette v Edenwest* (1994), that substantial damages would be awarded against an innocent defendant.

### 12.3.3 The test of misrepresentation

Once an action capable of constituting a misrepresentation by the defendant has been established, the test to be applied is whether that action had induced the public to confuse the source or quality of the defendant's product with the plaintiff's. Both inducement and confusion must be shown. In *My Kinda Town v Soll* (1983), it was held that the plaintiff had not established that the defendant's use of the name Chicago Pizza Pie had induced confusion and, also, that this is a question of fact for the court.

Passing off's origins lie in deceit and, while it is not necessary to show any element of fraud on the defendant's part, the essence of misrepresentation lies in the confusion that is induced by the defendant's action. Recently, the courts have reaffirmed the need to show confusion, or the likelihood of confusion, in

order to distinguish between an actionable misrepresentation and mere misappropriation. In the *Roho* case (1995), Jacob J sought to distinguish between competition and unfair competition. The plaintiffs alleged that the defendants were riding on the back of their reputation. He said:

There is no tort of copying. There is no tort of taking a man's market or customers. Neither the market nor the customers are the plaintiff's to own. There is no tort of making use of another's goodwill as such. There is no tort of competition.

At the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular. Over the years, passing off has developed, from the classic case of the defendant selling his goods as and for those of the plaintiff, to cover other kinds of deception, for example, that the defendant's goods are the same as those of the plaintiff when they are not (for example, *Combe International Ltd v Scholl (UK) Ltd* (1990)); or that the defendant's goods are the same as goods sold by a class of persons of which the plaintiff is a member when they are not (for example, *Warnink (Erven) BV v J Townsend and Sons Ltd* (1980)). Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness – it would only serve to stifle competition.

This approach was followed by the Court of Appeal in *Harrods Ltd v Harrodian School* (1996), where it was also said that, if the defendant's actions were deliberate, this would be a factor that influences a conclusion as to whether a misrepresentation had been made.

The case of *Neutrogena v Golden Ltd* (1996) sets out the relevant principles. The plaintiffs marketed a range of shampoos and other hair and skin care products under the name Neutrogena. The defendants entered the market with a narrower range of competing products with the name Neutralia. The plaintiffs' reputation was clear; the issue was confusion. At first instance, Jacob J had held that deception and confusion had to be above a *de minimis* level. The Court of Appeal upheld his judgment, laying down the relevant considerations:

- (a) the correct principle to be applied was that of *Jif Lemon* (1990), that 'a substantial number of members of the public will be misled into purchasing the defendants' [product] in the belief that it is the respondents' [product]'. Although Jacob J had applied the correct test, Morritt LJ said that phrases such as 'more than *de minimis*' and 'above a trivial level' should be avoided in order to concentrate on the qualitative elements of the 'substantial number' test. A substantial number does not mean the majority, however;
- (b) it is not necessary that the person confused should have had the opportunity to compare the plaintiffs' and defendants' marks;
- (c) the defendants' mark must be an operative cause of the confusion;

- (d) it is ordinary members of the public who must be confused;
- (e) the nature of the confusion and the degree of awareness which is required of the public depends on all the circumstances. Customers are to be taken as they are found. The question to be asked is how far the defendants' mark bears such a resemblance to the plaintiffs' as to be calculated to deceive incautious customers. This must be decided against the background of the relevant market in which the goods are sold and the habits and characteristics of purchasers in that market. It is confusion of likely customers for the plaintiffs' product that needs to be shown, and the misrepresentation is tested for its effect on those customers. Consequently, characteristics of the relevant group of the public will be taken into account, as was the illiteracy of buyers of washing blue (*Edge v Nicholls* (1911)) and the nature of housewives in a supermarket shopping for lemon juice (*Jif Lemon* (1990)). Practices in the relevant market will also be relevant. In *Tamworth Herald v Thomson Free Newspapers* (1991), no passing off was found. The defendants were to name their newspaper *Tamworth Herald and Post*; the plaintiffs published the *Tamworth Herald*. Aldous J held that there was only a small risk of confusion, although both papers served the same area of circulation, because the defendants' masthead contained the paper's old name, similar names were common in the newspaper field, and could be sufficiently distinguished in the telephone directory, Yellow Pages;
- (f) confusion is a 'jury question'. The court will take into account the amount of time and attention a customer is likely to pay, the way the product is marketed, the imperfect memory a customer will have of the plaintiff's reputation when encountering the defendant's product and all other relevant circumstances. The similarity of the plaintiff's symbol to the defendant's misrepresentation of it will be relevant, including the sound, appearance and any distinctive features of the symbols. The comparison will be of the way they have actually been used by plaintiff and defendant.

On the facts, it was held that, although it was common ground that most people were not confused, the names were inherently capable of deceiving because of their common prefix. Although the marks must be compared as a whole, the court was not precluded from considering the significant features of the mark, particularly the first syllable of a word mark and the fact that, for many, the eye is not an accurate recorder of detail. Substantial confusion was found.

One question that continues to puzzle is that of confusion occurring only after purchase, once the product's external packaging has been removed, so called 'post-sale confusion'. The House of Lords took into consideration that the distinguishing features on the label of Borden's lemon would be removed

once the lemon was in use in the *Jif Lemon* case (1990). However, no such confusion was recognised in either the *Roho* case (1995), nor *Bostik v Sellotape* (1994). In the latter case, the defendants adopted the same colouring as the plaintiffs for their product, so that, once removed from the packaging, the two reusable adhesive putties were confusingly similar. No clear evidence of post-sale confusion was put forward in either case. Such a practice is likely to lead to damage, for, while the defendants' goods would be unlikely to be purchased in mistake for the plaintiffs', any defects in quality manifested after the distinguishing packaging had been removed could redound to the detriment of the plaintiffs' reputation. In New Zealand, post-sale confusion was accepted in *Levi Strauss and Co v Kimbyr* (1994). The plaintiffs sold jeans with a red tab stitched into the seam of the back pocket in order to continue their association with the product after sale. The defendant adopted a similar tab, though a cardboard label avoided confusion at the time of sale. Williams J held that the post-sale confusion amounted to passing off.

An apparent misrepresentation will not amount to actionable passing off if the defendant takes adequate steps to avoid confusion by distinguishing his goods or services from the plaintiff's: *Rizla v Bryant May* (1986). A disclaimer may suffice to make the necessary distinction. In *Sony v Saray* (1983), the defendant was ordered by the Court of Appeal to mark all Sony goods with labels stating expressly that they were not authorised Sony dealers, and that the goods were not covered by Sony guarantees. They were not prevented from selling Sony goods, even though to do so amounted to an implicit misrepresentation. However, a disclaimer may not always be adequate and, in *Associated News v Insert Media* (1991), both Mummery J and the Court of Appeal rejected a disclaimer by the defendant printed on the leaflets. They did so on the basis that the disclaimer was unlikely to come to the attention of the reader and that, even if it did, might serve only to cause greater confusion as to responsibility for the inserts. The result was to confer a monopoly on the plaintiffs in using their newspapers for advertising purposes, but this was an activity in which they were preparing to engage. A disclaimer that is not effective to avoid confusion will not be sufficient: *Football Association v Graymore* (1994).

### **12.3.4 Evidence of confusion**

The question of confusion is one for the judge, but the parties may adduce evidence of actual or potential confusion. Evidence of witnesses, market survey evidence of public reactions and expert evidence has been adduced.

#### *Market survey evidence*

Guidelines for the use of such evidence were laid down in *Imperial Group v Philip Morris* (1984):

- (a) interviewees must be selected to represent a relevant cross-section of the general public, with knowledge both of the party's product and the relevant market and unaware of the litigation;
- (b) a sample of statistically significant size must be used;
- (c) the survey must be conducted fairly;
- (d) all the surveys carried out must be disclosed to the other side, including both the number surveyed, the instructions given to interviewers, any coding instructions and the method adopted;
- (e) all answers, in exact and verbatim form, must also be disclosed, with no confidentiality offered to interviewees;
- (f) no leading nor suggestive questions should be used;
- (g) a sample initial survey to iron out any problems may be advisable.

The courts have been cautious in accepting such evidence; it was rejected in *Scott v Nice-Pak* (1988) because the question posed to members of the public was based on the false premise that the defendants' product was already available in the UK. The weight to be attached to such evidence is a matter for the court.

### *Expert evidence*

Though expert evidence is admissible, where the goods at issue are of a type sold to the general public for consumption or domestic use, it will not be so unless the judges' own experience does not allow them to assess the likelihood of confusion. In *Gucci v Gucci* (1991), Browne-Wilkinson VC heard expert evidence in relation to designer goods, but, in *Dalgety Spillers Foods v Food Brokers Ltd* (1993), expert evidence in relation to an ordinary convenience food product was not admitted. In all cases, evidence to show the circumstances and places in which goods are sold, the kind of people buying them and the manner in which the public is accustomed to ask for such goods is admissible.

### *Evidence of witnesses*

In *Neutrogena v Golden Ltd* (1996), Jacob J preferred the evidence of witnesses to survey evidence, and it was such evidence which contributed to the Court of Appeal's decision in the same case. Evidence was led of letters of complaint about a television advert for Neutralia; of those who had communicated both with the plaintiffs and defendants; of those responding to an internal e-mail by the plaintiffs' solicitors asking for those who had heard of Neutralia; and from members of the public interviewed after buying either Neutralia or Neutrogena in shops with a promotion on Neutrogena.

### **12.3.5 Reverse passing off**

The case of *Bristol Conservatories v Conservatories Custom Built* (1989) raised the



issue of 'reverse' or 'inverse' passing off. In traditional passing off, the defendant induces the public to believe that the plaintiff is responsible for the defendant's product by associating it with an indication of the plaintiff's reputation. But, in this case, the defendants used photographs of the plaintiffs' conservatories in selling their own, under their own name. Therefore, the defendants did not use the plaintiffs' reputation to suggest that their (the defendants') goods had come from the plaintiffs, rather they used representations of the plaintiffs' goods when selling their own product, suggesting that the plaintiffs' goods had come from the defendants. In other words, instead of inducing the public to believe that the defendants' goods came from the plaintiffs, they were induced to believe that the defendants were responsible for the quality of the plaintiffs' goods. The public were in no doubt that the goods they were buying came from the defendants and no reference was made to the plaintiffs by name. In so doing, the defendants were, of course, still benefiting from the public associating the plaintiffs' quality with their (the defendants') product. *Dicta* in *Reddaway v Banham* (1896), *Spalding v Gamage* (1915) and *Jif Lemon* (1990) suggest that a defendant's misrepresentation must indicate that the goods or services offered by the defendant are the goods or services of the plaintiff. However, the court held that, without deciding whether reverse passing off was actionable, the defendants' action fell within the bounds of *Advocaat* (1979). The application to strike out the plaintiffs' claim was unsuccessful. This is a logical development from the growth of passing off to encompass misrepresentations as to quality and falls within Lord Diplock's definition of the tort in *Advocaat* (1979). Provided that both confusion and damage continue to be necessary elements of the tort, this development should not see passing off develop into a remedy against unfair competition. This is illustrated by the case of *LEEC Ltd v Morquip Ltd* (1996). The defendant used photographs of the plaintiffs' equipment in tendering for a health authority contract. The plaintiffs suffered no loss of sales as a result but sought an injunction against any future use of the photographs. Laddie J held that the use of the photographs did not alone amount to passing off, there must be a misrepresentation and damage. As no sufficient confusion was proved, the plaintiffs' action failed.

## 12.4 Damage

It is damage or, in an interlocutory application, potential damage to goodwill that must be shown. Following *Advocaat* (1979), it is a claimant's reputation, both as the source of particular goods or services and as the provider of their quality, on which passing off depends. This suggests that protectable goodwill should include these commercial attributes of a claimant. Precisely how damage to goodwill is defined will make a considerable difference to the ambit of passing off protection. At the time when passing off related to

misrepresentations as to source, goodwill was defined as loss of custom, a decline in sales: *IRC v Muller's Margarine* (1901).

However, the way in which traders develop and use reputations in the course of their trade has changed with the development of new means and methods of advertising and trading practices. These have evolved from personal service given to local customers to mass marketing through self-service outlets and now include electronic commerce, global markets, and world wide broadcast advertising. Modern conditions have also seen the development of new value in such reputations, with marks in themselves becoming attractive commodities. Another significant development has been diversification by traders, so that one enterprise may produce an enormous variety of goods and services. Thus, the use of a trader's reputation, even on widely differing goods or services, by commercial rivals may redound to his detriment by causing 'dilution' of the mark. It was this fear that lay at the heart of the so called drinks cases and the *Lego* case (1983).

The boundaries of actionable damage have expanded to accommodate some of these new practices. Damage to the plaintiff's reputation was recognised in *Harrods v Harrod* (1924) and to a reputation for quality in *Bollinger v Costa Brava* (1959) and *Bulmer v Bollinger* (1978). The risk of litigation stemming from the public's confusion of defendant with plaintiff was treated as a recognised head of damage in *Walter v Ashton* (1902), though not in *McCulloch v May* (1948). In the *Lego* case (1983), one head of damage was said to be the plaintiff's loss of chance to expand into the field of coloured plastic gardenware and, in *Stringfellow v McCain Foods* (1984), it was argued that the loss of an opportunity to license one's mark amounted to actionable damage, though, on the facts, it was found that the plaintiff had not anticipated such an opportunity. All these heads of damage can ultimately be seen to result in a loss of customers.

### 12.4.1 Dilution

The vexed question that remains is the problem of dilution of a mark. Dilution occurs when a mark is used on non-competing products, so that there is no loss of custom through direct competition, but the connotations of the mark, particularly one with high associations of quality, are tarnished in some way. Dilution differs from traditional passing off in two ways. Rather than being confused between the two products, the public associate the two as being related and the resulting damage is to the connotations of the claimant's mark in the public's mind. The Trade Marks Act 1994 introduced remedies for dilution of registered marks and well known marks, so that there would be a symmetry in passing off doing the same.

This was an issue in the *Elderflower Champagne* case: *Taittinger v Allbev* (1992). The legitimate users of the Champagne name objected when the defendants made and sold a sparkling, non-alcoholic drink at a much lower

price than Champagne, named 'Elderflower Champagne'. Larger bottles were made up to have the appearance of Champagne and sold in supermarkets and other outlets selling both alcoholic and non-alcoholic drinks. The plaintiffs sought injunctions against the name Champagne being used in relation to the defendants' drink. There are two significant aspects to the Court of Appeal's judgment. First, they upheld the finding at first instance that the use of the Champagne name constituted a misrepresentation. Although it was accepted that the majority of the public would not confuse the defendants' drink with the plaintiffs', it was held that 'the simple unworldly man who has in mind a family celebration ... may well suppose that he is buying Champagne'. Peter Gibson LJ accepted that this did not include 'any majority part of the public or even ... any substantial section of the public', but said that it did amount to 'many members of the public'. He went on to say:

It seems to me at least as likely that a not insignificant number of members of the public would think that it had *some association* with Champagne [emphasis added] ...

apparently regarding such an association as an actionable misrepresentation. Such a development in regard to misrepresentation opens the way to providing a remedy for dilution.

Secondly, the Court of Appeal disagreed with the trial judge's finding that the misrepresentation would not cause damage to the plaintiffs' goodwill. The damage found was contributed to by the fact that the public would misassociate the product with Champagne. Peter Gibson LJ accepted the damage that dilution could induce, eventually resulting in the name becoming a generic term for any sparkling wine, or even any sparkling drink:

... it seems to me no less obvious that erosion of the distinctiveness of the name Champagne in this country is a form of damage to the goodwill of the business of the Champagne houses.

Sir Thomas Bingham MR added:

The first plaintiffs' reputation and goodwill in the description 'Champagne' derive not only from the quality of their wine and its glamorous associations, but also from the very singularity and exclusiveness of the description, the absence of any qualifying epithets and imitative descriptions. Any product which is not Champagne, but is allowed to describe itself as such must inevitably, in my view, erode the singularity and exclusiveness of the description 'Champagne' and so cause the first plaintiffs damage of an insidious but serious kind ... I cannot see ... any rational basis upon which, if the defendants' product were allowed to be marketed under its present description, any other fruit cordial diluted with carbonated water could not be similarly marketed so as to incorporate the description 'Champagne'. The damage to the first plaintiffs would then be incalculable but severe.

In evidence, the defendants admitted that they wanted to use the Champagne name in order to promote the elderflower drink, consequently, any benefit in doing so might be presumed to have an equivalent detrimental effect to the plaintiffs. This was not a case where there had been a deliberate attempt to take the Champagne name, so that the defendants' actions had not been a deliberate and cynical riding on the back of the plaintiffs' fame. The Court of Appeal's finding of damage rested therefore on the damage caused by dilution. Whether the Court of Appeal's view of misrepresentation as including misappropriation can be reconciled with the later decision in the *Roho* case (1995) remains a moot point, although that is a case at first instance. The decision in *Harrods Ltd v Harrodian School* (1996) does give rise to such a doubt. Millett LJ found it difficult to accept that, in an action where the law requires a finding of *both* confusion and damage, damage could result which did not depend on confusion. The dilution of the HARRODS name by the defendant's use of it for their school which was alleged in that case did not secure an injunction in a majority decision of the Court of Appeal. Whether confusion can be found depends largely on the sector of the public regarded as relevant, be it the public at large, or a smaller section familiar with the plaintiffs' product. The majority in the *Harrods* case concentrated on the 'affluent members of the middle class who live in London, shop at HARRODS and wish to send their children to fee-paying schools'; the minority concentrated on 'the far greater sector of the public' who are aware of the plaintiffs' reputation. In the *Elderflower Champagne* case (1992), Peter Gibson LJ considered the public at large. That dilution does cause damage seems to have been implicitly recognised by the Court of Appeal in *British Telecommunications plc v One in a Million* (1999), where registration of a very well known domain name (see 12.4.2) by someone unauthorised to use it was said to be 'an erosion of the exclusive goodwill in the name which damages or is likely to damage' the name's owner.

It has been argued that passing off should not stray from the 'classic trinity' enumerated in *Jif Lemon* (1990). This is because it is these criteria which secure the public interest in being protected from confusion, while simultaneously allowing for the benefits of competition. But, it is also worth considering the consequences of refusing a remedy for dilution. To refuse such a remedy would allow unregistered marks to be eroded and devalued, not just to the detriment of the owner, who has spent considerable sums in promoting the connotations that the mark brings, but also to the public, who would soon learn not to trust the message of such marks in general and would then incur extra costs involved in having to seek the information necessary to make wise consumer choices. To protect against dilution does confer a virtual monopoly in the mark, but does not inhibit competition in products. Competitors must merely choose their own marks. This should not allow the monopolisation of words, names, shapes and colours, for example, although the choice is

eventually finite, because commonly used and descriptive indicia will not acquire a reputation without a great deal of effort on the owner's part. The result in *Jif Lemon* (1990) was anomalous in that competitors had allowed the plaintiffs to build up a reputation in such a generic mark. There is also a median position between protecting *all* indications of reputation from dilution and refusing to protect *any*. Unless a reputation is very widely known indeed (such as that of LEGO, COCA-COLA, McDONALD'S, for example) inconspicuous use by another will not cause any real damage. Dilution could be preserved for the genuinely household names such as Champagne.

#### 12.4.2 Passing off and domain names

Dilution is an issue that will require resolution. New ways of impinging upon a trader's reputation continue to develop. The latest application of passing off to a similar situation comes from the adoption of well known names as domain names (addresses) for the internet by unauthorised individuals. In *Harrods v UK Network Services Ltd* (1997), individuals registered the domain names *ladbroke.com*, *ourprice.com*, *cadburys.com* and *harrods.com*. After securing suspension of the registration, the plaintiffs succeeded in an undefended passing off action, despite the fact that the name, once suspended, could not be used and, therefore, posed no threat of damage to the plaintiffs' goodwill. A similar result was achieved in *Glaxo plc v Glaxowellcome Ltd* (1996). This case did not involve a domain name, but the creation of an 'off-the-shelf' company bearing the name Glaxowellcome Ltd by the defendant just as Glaxo plc took over Wellcome plc, creating Glaxo-Wellcome plc. The defendant offered to sell the new company to the plaintiffs for a hundred times the normal price. Lightman J granted an injunction, despite the defendant's undertaking not to trade under the Glaxowellcome name. Had he done so, and Lightman J did not find the defendant a credible witness, the necessary element of damage to goodwill would still have been nebulous as it is hard to see what damage could have been done to the plaintiff pharmaceutical multinational enterprise. The Court of Appeal also upheld an injunction against the registration of well known names as domain names in *British Telecommunications plc v One in a Million* (1999). Aldous LJ was prepared to treat the registration as equipping, or intending to equip another, with an instrument of fraud (that is, passing off), despite the lack of a threat to carry out any deception. He recognised that a finding of passing off involved a further extension of the doctrine's boundaries as laid out in *Advocaat* (1979), but that this extension was necessary to allow the common law to evolve to meet changes in methods for trade and communication. The same would not apply where parties with concurrent reputations in the same name are contesting the right to register that name: *Pitman Training Ltd v Nominet UK* (1997).

## 12.5 Character merchandising

Character merchandising is now a familiar method of marketing goods and services, by association with a fictional or real character, name, location, title or logo, in order to enhance the products' consumer appeal. Some characters are of enduring marketability, MICKEY MOUSE, for example. Others are very short lived, tied, perhaps, to a popular film or program. A character 'owner' cannot prevent unauthorised use of the character unless it is protected in some way, such as by intellectual property rights or contractual terms. There is no specific right adapted to protect the practice of character merchandising. Often, owners license use of the character to the makers of products, or providers of services, and do not trade in merchandised products themselves. However, importantly, the licence agreement often includes provision for the character owner to exercise control over the quality of the resulting merchandise which may emanate from many different manufacturers. The character may be protected by copyright, design rights or even be registered as a trade mark.

### 12.5.1 Passing off and character merchandising

Passing off has not proved an effective means of defence for the character merchandiser, despite the early promise of *Samuelson v Producers Distributing* (1932). Here, the plaintiff had copyright in a popular revue sketch. The defendants made a film which they held out to include the sketch. The copyright, which had not been infringed, was treated as tantamount to goodwill and passing off was found to have occurred. Since this case, however, two aspects of passing off have posed problems for its application to character merchandising: the need for a common field of action; and the requirement of misrepresentation.

#### *Common field of action*

If the licensor of the character sues, the necessary element of damage must be found in damage to that licensor's goodwill. Commonly, though, the licensor is engaged in a completely different field of commerce, film making, for example, and does not produce merchandise such as that to which licensees have applied the character. Although poor quality imitations may cause considerable damage to the licensing potential of the character, if a common field of action between defendant and plaintiff is required, this damage will not suffice. Initially, the courts followed *McCulloch v May* (1948) and licensors did not succeed: *Tavener Rutledge v Trexpalm* (1975); *Wombles v Wombles Skips* (1977); *Lyngstad v Anabas* (1977). The argument that quality control provisions in the licensing agreement with the merchandiser licensees constituted a common field of action with the defendants did not prevail. Yet, potential damage can be ascertained: the loss of licensing opportunities or opportunities

to expand into new fields of commerce, as well as damage to reputation and dilution of the character itself. The result was criticism of the position in the UK. In Australia, a right to publicity and a remedy for misappropriation of reputation were recognised following *Henderson v RCA* (1969). In *Children's TV v Woolworths* (1981), the plaintiff succeeded against the defendant who made unlicensed use of the Muppet characters. In Australia, the courts have moved away from a requirement of damage to goodwill to requiring only damage to reputation. In *Hogan v Koala Dundee* (1988), the defendant sold items which appeared to be associated with the *Crocodile Dundee* films without authority. The plaintiff, the creator and actor of the character, carried on no business at all (other than as an actor), but was able to restrain this misappropriation of his reputation. Since *Lego's* re-interpretation of the common field of action, the case of *Mirage Studios v Counter-Feat Clothing* (1991) has given cause for cautious optimism. The plaintiff copyright owners and licensors of the Ninja Turtle characters secured an interlocutory injunction against the defendant, who had applied very similar drawings of turtle characters to children's clothing. The earlier UK cases were distinguished as there was no copyright in the names of Wombles or Kojak. Damage was found because, although the plaintiffs' primary business was as makers of cartoons, films and videos, a large part of their business also lay in licensing the reproduction of the characters' images for the films, leading to loss of royalties from the defendant's activities. Effectively, therefore, the copyright in the characters was regarded as creating goodwill. It is not clear that a name (in which there is no copyright) could be protected in the same way. However, in *Football Association Premier League Ltd v Graymore Marketing Ltd* (1995), a short injunction was awarded to the plaintiffs, who licensed their name. It was arguable that they had a property right in the name which could be defended in passing off. A lack of willingness to expand definitions of damage to goodwill will limit the application of passing off to character merchandising in cases where the damage is less clear cut than it was in *Mirage Studios v Counter-Feat Clothing* (1991).

### *Misrepresentation*

As a finding of misrepresentation hinges on the finding of customer confusion, there can be no success in passing off for the licensor of a character if the public do not understand the practice of such licensing. They will not draw any connection between the licensor and the defendant's unauthorised merchandise, nor confuse the two. Walton J refused to accept any public understanding of character merchandising in *Tavener Rutledge v Trexpalm* (1975). Such recognition did not come until *Mirage Studios v Counter-Feat Clothing* (1991). It may be that the courts will require evidence of public awareness of a misrepresentation; otherwise, such a misrepresentation could be implied from public understanding of character merchandising in every case where there is potential for any such exploitation. It may be that a

representation from the defendant that his merchandise is authorised by the plaintiff will be necessary. It would seem that there can be no misrepresentation if the plaintiff is not engaged in any commercial activity, as in *Hogan v Koala Dundee* (1988), where there was only a misappropriation of reputation. The misrepresentation in *Mirage Studios v Counter-Feat Clothing* (1991) was clear because of the plaintiffs' extensive licensing activities. This case clearly differed from *Stringfellow v McCain Foods* (1984), where the plaintiff had not engaged in any licensing or exploitation of his name.

## 12.6 Lookalike products

A recent practice that has caused much discomfort to brand owners is that of the sale of 'lookalike' products. It is particularly evident in the supermarket own brand imitations of well known products, such as breakfast cereal and biscuits. The lookalike is sold as an equivalent to the 'genuine' goods, but usually at a lower price, taking advantage of an already established market and reputation for quality. The lookalike bears the trade mark of its producer, but the remainder of the product's packaging is strongly reminiscent of that of the branded product, even to the point of confusion. While there is nothing to stop competition in equivalent goods, to do so almost in the guise of a known branded product is to ride on the back of the effort and expenditure incurred in developing the brand's reputation. The supermarkets also have the advantage of controlling the outlets for the goods (both their own and the brands) and of economies of scale which allow them to undercut the brands' price. Lookalikes are regarded as unfair competition by the brand owners, but legitimate competition by the lookalike producers. During the passage of the Trade Marks Bill through the House of Lords, brand owners lobbied strongly to secure a remedy against lookalikes, but this was not forthcoming.

Unregistered get-up may be protectable in passing off. The stumbling block lies in the requirement of confusion, however, as both products bear their manufacturer's trade marks. Side by side, the packaging may not confuse a careful shopper alert to the practice of lookalike products. Early cases of challenge to lookalike products were settled out of court for this reason. But confusion is possible where both products are not simultaneously available and the consumer must rely on remembered get-up and, after purchase, when more attention may be paid to the nature of the product than to any trade mark. Brand owners may draw some reassurance from the first case to reach court, *United Biscuits (UK) Ltd v Asda Stores* (1997). Walker J held that, although there was no trade mark infringement, Asda's PUFFIN biscuits did pass off the McVITIE'S PENGUIN biscuits. It was clear that the defendants had intended to sail as close to the wind as possible and this intention was taken into account. The evidence established that a significant proportion of shoppers would distinguish the two products, but that a



substantial number would assume an association between them in the form of a common manufacturer. This was held to satisfy the 'classical trinity' of passing off.

The PUFFIN was a particularly blatant lookalike. Brand owners may not fare so well against a better calculated imitation. Lookalikes have threatened the dominant position of the brand owners, who argue that the expense of establishing of a brand reputation is deserving of protection. The answer may lie in incorporating Art 10*bis* of the Paris Convention, which gives a remedy for unfair competition, into UK law.

Registration of get-up as a trade mark might prevent lookalike competition, subject to the argument that the whole get-up of goods or their packaging does not amount to a 'sign' (see 13.3.1). It would also appear that attempts to register get-up after the competition is established will fail. Although the Court of Appeal was willing to consider composite marks (which comprised the shape of three bottles for domestic cleaning products, considered with their labels and the colours of the bottles) in *Re Procter and Gamble* (1999), the marks failed the absolute ground as being devoid of distinctive character (see 13.4.2).

## PASSING OFF

Intellectual property right owners need to be able to exploit their property and to be able to do this free of unfair market practices in the same way as other traders. The tort of passing off supports this exploitation by preventing others passing off their goods and services as having come from the plaintiff (by misrepresenting indicia of the plaintiff's reputation), thus protecting the plaintiff's goodwill. The provision for registered trade marks provides an additional or alternative statutory remedy where a trade mark has been registered. Such protection is concurrent with other intellectual property protection, but may also significantly outlast it.

### **The development and definition of passing off**

Tracing its origins to 1580, passing off developed with the industrial and transport revolutions and is now adapting to an age of global mass-marketing and advertising.

There are three elements to the action:

- protection for a trader's reputation giving rise to goodwill;
- a misrepresentation of that reputation;
- damage to the plaintiff's goodwill.

Development of the case law has established that:

- protection is for reputation and not the mark or other indicium of reputation;
- reputations may be shared by other traders;
- both a reputation for quality and a reputation indicating the source of goods or services may be protected.

However, development of the action continues. Character merchandising and inverse passing off have been recognised, although doubts have still to be overcome in relation to dilution of a mark. The courts have reaffirmed that the limits of the passing off remedy lie along the boundaries of public confusion.

### **Reputation**

Protection is allied to a trader's, or group of traders', reputation as provider of goods or services, or of products of a particular quality. But the remedy only extends to protection for goodwill arising from a reputation. Goodwill

amounts to the 'attractive force that brings in custom'.

Reputation and goodwill must coincide. Goodwill can arise before trade begins, it is a question of fact whether advance notification has established a ready market; it can also outlast the end of trading and it is a question of fact for how long it does so. Abandoned reputations can no longer be protected.

Reputation and goodwill must also coincide geographically, but goodwill may extend, as a question of fact, beyond the geographical limits of actual trade. In practice, a trader may wish to protect a reputation in an area in which there is no trade, with a view to future expansion. In a line of cases where a narrow view of goodwill has been applied (the 'hard line') this has not been possible; but, where the courts have been prepared to adopt a more generous view (the 'soft line'), some protection has been achieved. The authorities are difficult to distinguish, but may rest on the likelihood of real damage. As trade mark protection extends to reputation alone, it is arguable that passing off should always recognise the potential goodwill in a reputation, or should adopt a definition of goodwill that determines the point at which reputation does become goodwill.

The coincidence of reputation and goodwill in terms of the products or services of plaintiff and defendant has also been considered. Before 1948, such coincidence was not required, but, in a line of cases following *McCulloch v May* (1948), the courts appeared to add this as a factor to a successful passing off action. That this was not a necessary condition, provided damage would be incurred, was established by *Lego v Lemelstrich* (1983), at least in relation to household words.

## **Misrepresentation**

Anything which a trader has adopted as a means of identification may be protected, provided that it is distinctive of him. A descriptive symbol may support a reputation if it has acquired secondary meaning, but a distinctive symbol may become descriptive if used exclusively so as to associate it with the nature of the product rather than its source. Get-up of the most descriptive sort has been protected where the necessary secondary meaning had been acquired through long use (for example, the JIF lemon). Colours have been protected, but styles do lend themselves so readily to protection. Names are the commonest form of symbol, but generic names must acquire distinctiveness before they can be protected. Personal names pose difficulties where others share the name and the courts have distinguished between use for a business, which is protected, and use for goods, which is not. Nicknames are treated in the ordinary way. Invented names are the clearest form of distinctive word on which to found reputation. Advertising themes may support a reputation, depending on the understanding built up by the public.

A defendant must misrepresent his product as coming from, or having the

quality of, the plaintiff's product. There is a distinction between a misrepresentation and a misappropriation of a plaintiff's reputation: the latter evokes associations with the plaintiff's product without creating confusion.

Misrepresentations may be express or implied: either by use of the plaintiff's indicia of reputation or by allusions to the plaintiff's activities, including the placing of advertising leaflets in a plaintiff's publications. They need not be deliberate and may be innocent.

A misrepresentation is found where the act complained of induces public confusion between the plaintiff's and defendant's trading activities. This is a question of fact. Confusion has been reaffirmed as an essential ingredient of a successful action, distinguishing between fair and unfair competition.

A substantial number of members of the public must be misled. This does not mean a majority. The nature of confusion and the degree of awareness of the public required varies with the circumstances, as it is likely customers for the product at issue, in the context of the practices of that sector of the market, which is relevant.

It may be that confusion caused only after purchase may be actionable. A defendant may avoid public confusion by separately distinguishing his product, with a disclaimer, for example, provided that it is effective.

Evidence of confusion may be adduced to the court, by the use of witnesses, experts, or market surveys. Market survey evidence is received carefully by the courts.

A misrepresentation that suggests that the plaintiff's product has come from the defendant, rather than that the defendant's are from the plaintiff (classic passing off), has been regarded as actionable, but confusion and damage remain essential elements of the tort.

## **Damage**

Damage, or potential damage, to the plaintiff must be shown. Traditionally, damage has been shown by the loss of custom, and the concept of goodwill dictates the acceptable heads of damage. The acceptance of new heads of damage suggests an expanding concept of goodwill in advancing commercial conditions. Damage to reputation and to reputation for quality is actionable, as is any risk of litigation stemming from the defendant's acts, and the loss of opportunity to expand. It may be that the loss of opportunity to license the mark relied on for reputation might secure a remedy.

The question of dilution of a mark has yet to be resolved. Dilution occurs where a mark is used by a defendant without causing confusion as to products, but still eroding the associations which the plaintiff's reputation bears. This can be regarded as a form of unfair competition and relief has recently been given for such use of a trade mark. The *Elderflower Champagne*

case seemed to take a positive view of such damage for passing off, but recent decisions reaffirming the need for confusion create uncertainty as to dilution as an actionable head of damage. It may be that it is confined to household names.

### **Passing off and domain names**

The registration of names as Internet addresses or as a company by individuals unauthorised to use the name for resale has been remedied as passing off, even though complaint has secured suspension of the domain name so that no damage to goodwill through use could occur.

### **Character merchandising**

The merchandising of characters in order to add attractiveness to products in the eyes of consumers is familiar. Characters are often licensed by the non-manufacturing owners of intellectual property rights in the character to manufacturers of products. Passing off had not proved an effective defence against illegitimate users of the character; the stumbling blocks being the character owner's lack of goodwill in relation to the product at issue, and the lack of recognition by the courts that the public understood character merchandising sufficiently to be confused by the illegitimate use. Australian courts did not suffer from the same hesitations, even providing a remedy where the character owner did not exploit the character in any way. Recognition of public understanding of the practice and of goodwill in the character owner through licensing copyright in the character were given by the case of *Mirage Studios v Counter-Feat Clothing* (1991). Where goodwill could not be found through an absence of copyright or other intellectual property rights, there still may be no passing off remedy available.

### **Lookalikes**

The practice of selling goods in get-up closely reminiscent of that of branded products, but without infringement of any registered trade marks, usually at lower prices, has been regarded as another form of unfair competition. The practice is understood by consumers, so that often confusion does not result, the lookalike being regarded as an equivalent. Passing off was found, in the first case to be decided by the courts, where the defendant had 'sailed too close to the wind': *United Biscuits (UK) Ltd v Asda Stores* (1997). Better calculated imitation may not pass off – this has yet to develop into protection against unfair competition in general.

## REGISTERED TRADE MARKS

### 13.1 Introduction

Trade marks are the by-product of market enterprise and market place competition. They identify goods and services in the same way that names identify individuals and companies, and have the advantage of being able to do so in attractive and internationally recognisable ways. The use of trade marks has a long history, from the marks used by potters in Roman times, to the internationally known marks in use today, such as McDONALD's 'golden arches', the NIKE 'swoosh' or the name COCA-COLA. The use, and the importance of trade marks have flourished in a changing commercial environment, one that has progressed from well known manufacturers supplying a local market, to today's mass marketing and international markets. As the Industrial Revolution led to more goods becoming available and, in turn, a revolution in the means of transport (canals, railways and roads, now extended to air transport) led to widespread and long distance distribution, the result was the development of a global market place and international trade (including parallel importing). Allied to this, the development of mass marketing techniques (self-service shopping and mail order catalogues, for example) and of new advertising media and practices, emphasised and increased the use and numbers of trade marks. Trade mark registration was first introduced in the UK in 1875. Today, their proprietors consider trade marks to be of vital commercial importance and, in recent years, companies have been encouraged to value these assets on their balance sheets. It has been estimated that the COCA-COLA trade mark is worth US\$33.4 billion. Development in the uses of trade marks is not static, so that continuing progress in the means of competition and communication (such as digital networked communications) continues to push at the boundaries of trade mark law and new means of unfair competition develop. The unauthorised use of trade marks in domain names is a practice now challenging trade mark law.

#### 13.1.1 The new law

The Trade Marks Act 1994 (TMA 1994), which came into force on 31 October 1994, introduced new a trade mark law for the UK. The old law was complex, the statute (TMA 1938) was difficult to use and the protection given to trade marks had fallen behind trading practices. There were three general reasons for the new law: European, international and domestic changes. Two European initiatives, a harmonisation Directive and Regulation establishing a

community wide trade mark required implementation; changes to domestic law were necessary before the UK could ratify the Madrid Protocol and fulfil obligations under Art 6*bis* of the Paris Convention; and the parlous state of the old law called for reform.

The Council Directive to approximate the laws of Member States relating to trade marks (89/104/EEC) was enacted in the TMA 1994. It lowered the standard of registrability for a mark (making a wider range of marks registrable), broadened the scope of infringement, and made third party challenges to the validity of a registration easier. Much of the Directive's language was directly re-enacted, although couched in terms of broad principle, and the Directive must be used in interpretation of the 1994 Act, with references being made to the European Court of Justice (ECJ) under Art 234 of the EC Treaty (ex Art 177) when necessary.

The Council Regulation on the Community trade mark (40/94/EC) established a unitary trade mark for the whole of the EU. The Regulation is directly applicable in the UK, but s 52 of the TMA 1994 provided for the making of regulations by the Secretary of State for the Community trade mark's introduction. Registration is in the Community Trade Mark Office, the Office for Harmonisation in the Internal Market (OHIM), in Alicante, Spain. Although the Community trade mark provides an easier and cheaper means of securing EU wide protection, the costs of application still must include Europe wide searches for confusing marks if an applicant is to avoid opposition to his application from an alert competitor. Another advantage of the unitary mark is that its proprietor may take action against infringements in several Member States by proceedings in a designated court in one Member State (the High Court is the designated UK court). The OHIM started proceedings on 1 April 1996.

The Madrid Protocol was signed on 27 June 1989, but could not be ratified by the UK until changes were made to domestic trade mark law. The Madrid Agreement 1891 established a system of international recognition, by the Agreement's Member States, for domestically registered trade marks deposited with WIPO in Geneva, provided that the countries designated for protection have not objected to the mark within 12 months. This allows the proprietor of a domestically registered mark to secure multiple protection with a single application. The UK was not a party to this Agreement, however, as, with its strong examination system for trade mark applications, the period of 12 months was not sufficient for objection to be made to an unregistrable mark. Unlike the OHIM, and other national trade marks systems, the UK does not leave the onus of objecting to invalid marks to competitors (but see 13.2.1), and marks are examined for all grounds of refusal before grant. The Madrid Protocol is designed to accommodate countries with this paternal approach to examination by allowing an 18 month period for objection. It also makes changes to mitigate some of the other disadvantages of the Madrid

Agreement, such as 'central attack' to a mark. This allowed a successful challenge to the national registration underpinning protection in other Madrid Agreement States to cause the failure of the mark in all the countries in which protection had been sought. Membership of the Protocol, which came into effect on 1 April 1996, should ease the expense and burden of multiple trade mark protection.

Article 6*bis* of the Paris Convention provides for protection for 'well known' marks. This is incorporated in UK law by ss 5, 6(1)(c), 56 of the TMA 1994 (see 13.5.1 and 14.3). It is no longer necessary for the owner of a well known mark to seek redress through the tort of passing off and prove a reputation in the UK (see 12.2.4).

The TMA 1938 had been criticised for its bad drafting and 'fuliginous obscurity' (*Bismag v Amblins (Chemists)* (1940)), nor did it adequately protect the guarantee function of a trade mark as statutory definitions expressly referred to trade marks as indicators of the source of goods or services (see 13.1.3), leading to reliance on expensive passing off proceedings. The implementation of harmonisation measures by the TMA 1994 has led to some difficulties of interpretation (see, in particular, *Wagamama Ltd v City Centre Restaurants* (1995)), both in the materials to be used by the courts in this process and in traditions and concepts surviving from the old law. The Directive, decisions of the ECJ and, possibly, decisions of national courts in other Member States are all relevant (see 13.5.3).

### 13.1.2 The nature of a trade mark

Registration of a trade mark confers an exclusive (personal) property right in the mark, entitling its proprietor to remedies for infringing use: ss 2(1), 9(1), 22 of the TMA 1994. It confers monopoly powers in the mark, for registration may be renewed indefinitely (provided that the mark does not become generic and continues to be used); however, it is a monopoly in the mark, and not in the goods and services for which it is used. Other intellectual property rights permitting, competitors may trade in the same goods and services, but may not adopt an identical or similar mark. The protection is, therefore, for the proprietor's reputation, not their product. Additionally, it is only a monopoly in the mark for the purposes of trade, the mark is not removed from the public domain entirely. The registration of BOOTS, for example, does not constrain use of the word in any context other than use on identical or similar goods or services to those for which the mark is registered, or on dissimilar goods or services where the use would take unfair advantage of or be detrimental to the character or repute of the mark (see 14.2.3). That registration of a mark can have monopolistic potential is illustrated by the fears of the House of Lords, and expressed by Lord Templeman, in particular, in *Re Coca-Cola* (1986). The application was to register the shape of the famous Coca-Cola bottle as a mark



and was refused because the definition of a trade mark did not include containers. This was a decision under the old law, and would not now be the same, but Lord Templeman said:

This is another attempt to expand the boundaries of intellectual property and to convert a protective law into a source of a monopoly ...

It is not sufficient for the Coca-Cola bottle to be distinctive. The Coca-Cola Co must succeed in the startling proposition that a bottle is a trade mark. If so, then any other container or any article of a distinctive shape is capable of being a trade mark. This raises the spectre of a total and perpetual monopoly in containers and articles achieved by means of the Act of 1938.

Now, the TMA 1994 allows for shapes of containers and packaging to be registered (see 13.3.3), but registrability is subject to absolute grounds of refusal designed to exclude those shapes which it is necessary for competitors to adopt (see 13.4.10).

### **13.1.3 The functions of a trade mark**

A trade mark identifies the goods or services with which it is associated. Thus, it is inherent that a mark must be distinctive, that is, able to be easily distinguished from the identifying features of the products and services of others. Identifying products in this way is of small value to modern consumers (often separated by long distances from that source and with little knowledge of it) except in the indication that it also brings of a reputation for quality and reliability. The identification of products enables traders to build and maintain reputations. It encourages them to maintain and enhance the standard for which they have become known, and supplies the information necessary for informed consumer choices, proving mutually beneficial to producer and customer. The two prime functions of a trade mark are, first, to provide an indication of source and, secondly, to guarantee quality. Both these functions can be isolated in a mark's 'capacity to distinguish'.

It is primarily by advertising that reputations are created and maintained. Trade marks provide an economical and effective means of advertising, and are, therefore, very useful for promoting products. A great deal of time and money can be invested in the development of trade marks. The growth both in the scale, and means, of disseminating advertising in the latter half of the 20th century (from print to broadcast radio and television and now to electronic transmission) has seen a new value in trade marks as a vehicle for advertising. Incentives, such as mugs, golf umbrellas or t-shirts decorated with the mark, aid in advertising, but are not the prime aim of the proprietor's business. Some marks have even become commodities in themselves, enabling trade in products to which the mark is affixed in the manner of a design rather than identification (the product often coming from a source other than the trade mark proprietor). Effectively, some marks can be

merchandised as a 'character' (see 12.5), creating a new market outside the proprietor's business; for example, transistor radios dressed to resemble a COCA-COLA can. A third, and distinct, function for trade marks as a vehicle for advertising and promotion, or even as a commodity, can thus be identified. It is this function which is undermined by so called 'dilution' of a mark (see 14.2.3).

The source function of a mark was explicitly, but solely, recognised by the TMA 1938, in its definition of a trade mark. The preamble to the Directive states that the function of a trade mark is 'in particular to guarantee the trade mark as an indication of origin', implicitly recognising that other functions may exist. The UK courts were reluctant to provide any protection for an advertising function under the old law and, in *Kodiak Trade Mark* (1990), refused to regard the use of the KODAK mark on t-shirts, given away as an advertising exercise, as *bona fide*, or commercial, use of the mark for clothing. This allowed Kodiak to have the mark expunged from the Register for clothing in order to register their otherwise similar mark in this class of goods. Although the Directive and s 10(3) of the TMA 1994 now provide a remedy for dilution of a mark, it is not yet clear how far the advertising function of a mark is protected by the new law.

Recognition of the varied roles of a trade mark is not altogether new. HG Wells said that a mark reaches over a retailer's shoulder and across the counter straight to the customer and sells the goods (*The World of William Clissold*, 1927, Vol 1, Leipzig: Bernhard Tauchnitz, p 237). Schechter provides another early and wide reaching analysis of the mark's function in 'The rational basis of trademark protection' (1925) 40 Harvard L Rev 813. He said:

The true functions of the trade mark are, then, to identify a product as satisfactory and thereby to stimulate further purchases by the consuming public ... To describe a trademark merely as a symbol of goodwill, without recognising in it an agency for the actual creation and perpetuation of goodwill, ignores the most potent aspect of the nature of a trade mark and that phase most in need of protection ...

... Quite apart from the destruction of the uniqueness of a mark by its use on other goods ... once a mark has come to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for 'the natural expansion of his trade' to other lines or fields of enterprise.

### 13.2 Registration of a mark

Section 2(2) of the TMA 1994 preserves the law of passing off, but the chief advantage of registering a mark is that protection can be obtained before any use is made of it (provided that the application is made in good faith: s 3(6) of the TMA 1994 (see 13.4.9)), without the constraints of needing to establish the

existence of local reputation and goodwill, nor of confusion where both mark and product are identical, nor damage. An applicant for registration of a trade mark may choose between a purely domestic UK trade mark, international protection through the Madrid Protocol, or a Community trade mark.

### 13.2.1 National application

The TMA 1994 simplified application procedures, which were left to national law by the Directive. The Trade Marks Registry is located in the Patent Office in Newport and maintains a computerised register of marks and transactions in marks. Any person may apply to the Registrar for registration of a trade mark. The contents of an application are specified in s 32 of the TMA 1994. When the completed application is submitted, it receives a filing date (s 33 of the TMA 1994), which enables issues of priority on competing applications to be resolved if no seniority can be claimed from prior use. This is aided by provision of a system of six months priority for trade marks from an application made in another Convention country by the Paris Convention (s 35 of the TMA 1994).

For the purposes of registration, goods and services are divided into classes according to the Nice Agreement concerning the International Classification of Goods and Services 1957 (s 34 of the TMA 1994). There are 34 classes for goods and eight for services. The application must state all the goods and services for which the mark is required. Classification does not determine whether goods or services are 'similar' (see 13.5.4) and is for administrative convenience in searching the register. The TMA 1994 allows a single application to encompass registration in more than one class, unlike the TMA 1938.

Once filed, the Trade Marks Registry examines the application for all grounds of refusal (see 13.4 and 13.5), making the necessary searches of earlier marks (s 37 of the TMA 1994), although the applicant will often have made a similar search before designing the trade mark, in order to avoid conflict with prior rights, thus inflating the expense of registration. Section 8 of the TMA 1994 allows for future reconsideration (after 2004) of the strong paternalistic examination system in the UK in favour of the approach adopted in the OHIM and other European States. This leaves trade mark owners to oppose applications on the relative grounds of refusal, which involves comparison of the mark applied for with earlier existing marks. The change was considered in the White Paper (*Reform of Trade Marks Law*, Cm 1203, 1990), as it would accelerate applications, and reduce their expense, but the majority view was that full examination should continue. It was felt unfair to expect a trade mark owner, who had paid for registration of his mark, to have the onus of defending that mark against later, conflicting, applications, a burden in particular for small and medium sized companies. In fact, there is also a cost

to be borne in an opposition based approach, where a high percentage of applications may be opposed, a cost imposed on both applicant and opposer, and one which has the potential to prolong application proceedings by involving a third party. Registry fees would have to cover these costs. At present, few UK applications are opposed. If, after examination, the Registry are not satisfied that the mark is registrable the applicant is informed, and may make representations and permitted amendments. If these do not succeed, the application will be refused.

Once the Registrar is satisfied that the requirements for registration are met, the mark must be registered. There is no residual discretion for the Registrar, as there was under the TMA 1938 (*Eurolamb Trade Mark* (1997)). The application is then advertised in the *Trade Marks Journal* (s 38 of the TMA 1994). It may be opposed, or objections made to the Registrar, by anyone within three months of the date of publication. Provided such objections, if any, are overcome, the mark is registered from the filing date of the application (s 40 of the TMA 1994). The mark is registered for 10 years (s 42 of the TMA 1994) and is renewable in 10 yearly periods, provided it does not become subject to revocation (see 14.5.1). (Priority does not affect the date of registration, which is the date of filing, only the date relevant for comparison with earlier marks.) A mark that is not renewed must be removed from the register (s 43(5) of the TMA 1994).

### **13.2.2 International protection**

The Protocol route is available to applicants who are nationals of, domiciled in, or have a real and effective industrial or commercial establishment in, a Protocol country. A national application must first be made (not, as the Madrid Agreement required, a home registration), then, the international application may be submitted to WIPO, requesting protection in as many Protocol States as are designated by the applicant. WIPO conducts a formal examination of the application, which is then transmitted to the designated national offices, where the applications are treated in the same way as domestic applications in those States. The offices have 18 months, plus any time needed to complete an opposition, to reject the application. If the application is not rejected, the trade mark is treated in the same way as a national mark. Protection in the UK gained through the Madrid Protocol is termed an 'international trade mark (UK)'. Registration is for 10 years, is entered on the International Register maintained by WIPO, and is renewed centrally through WIPO. Registration is also published through WIPO. The possibility of central attack remains for five years from the date of filing an international application with the home national office, but the result is not to jeopardise protection in all other States designated by the applicant (see 13.1.1). Instead, the international application is converted into national applications in those States.

### 13.2.3 The Community trade mark

Application for a Community trade mark may be made direct to the OHIM, or through the Trade Mark Registry. The Office operates in five official languages (English, French, German, Italian and Spanish). An application may be filed in any language, but must nominate one of the official languages for the purpose of proceedings in the OHIM. Only one application need be made for protection in all Member States, saving on the time and expense of multiple European registrations. The substantive provisions of the Regulation mirror those of the Directive. The application is examined only for the absolute grounds of refusal (see 13.4). An applicant may ask for examination on the relative grounds, which comprise comparisons with other marks in order to avoid dual registration of confusingly similar marks (see 13.5). The results of a relative search are transmitted to the applicant and to the owners of any rival registrations found, but will not lead to refusal of registration unless the mark is opposed by a rival mark owner. The onus is thus placed on trade mark proprietors to 'police' their own marks by opposing such applications. If conflict is found with another mark in one or more Member States, the applicant may request that the application be converted into national applications in Member States where there is no conflict. The Community trade mark is granted for 10 years and may be renewed in 10 year cycles.

### 13.2.4 Registrability of a mark

To be registrable, a mark must satisfy three criteria:

- (a) it must fall within the definition of a trade mark;
- (b) it must not fail on the absolute grounds of refusal;
- (c) it must not fail on the relative grounds of refusal.

Under the old law, a mark had to be shown to be registrable (s 9 of the TMA 1938) and was refused if it could not be positively shown to fit one of the categories of acceptable mark. The Directive has reversed the position, so that a mark is presumed to be registrable unless it can be shown to fail under one or more of these criteria. This change of emphasis is designed also to speed up the process of registration.

## 13.3 The definition of a trade mark

The 1938 Act contemplated use of a trade mark as a visual mark placed on goods or their packaging. The White Paper (*Reform of Trade Marks Law*, Cm 1203, 1990) pointed out the considerable changes in trading practices since then – in particular, the use of broadcast advertising and the extension of registration from goods to services, meaning, for example, that radio advertising did not infringe. The 1938 definition of a mark also confined use of a trade mark to the indication of the source of goods.

It is of the essence of a trade mark that it is able to distinguish one undertaking's product from another's (see 13.3.4) and one that does not do so cannot be registered. However, the new definition of a trade mark does not exclude some signs as being unable to distinguish by definition rather than in fact, as the old law did (*Re Coca-Cola* (1986)). The White Paper quoted the Explanatory Memorandum to the Community Trade Mark Regulation, which states that the emphasis should be placed on the question of whether a sign is performing the function of a trade mark. This was also the reasoning adopted by the House of Lords in *Smith Kline and French v Winthrop* (1976). They allowed the registration under the 1938 Act of combinations of colour used on pharmaceutical capsules which had become distinctive through use of the applicant's products, although similar reasoning did not prevail in *Re Coca-Cola* (1986). In that case, the bottle had benefited from design registration, which had expired, so that trade mark registration would have had the effect of extending design protection beyond its statutory limits.

The result is a new definition in the 1994 Act. Section 1(1) of the TMA 1994 defines 'trade mark' as:

... any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings.

A trade mark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging.

Section 3(1)(a) of the TMA 1994 provides that a sign which does not satisfy the requirements of this definition shall not be registered (an absolute ground of refusal).

Potentially, there may be an overlap with both copyright and design law. There is no restriction on shapes, colours, sounds, smells or even tastes being regarded as signs. It is an open-ended definition intended to accommodate any means which a trader may adopt to distinguish products. Although such a wide definition might lead to uncertainty if unusual signs are adopted, an equally wide definition in the US has been in use without difficulty, causing few administrative or legal problems. In *R v Clarke* (1990), the fragrance of plumeria blossom added to embroidery yarn was registered as a trade mark. It is notable that a fragrance added to yarn is unexpected. If a sign be adopted that is, or is part of, the product itself, such as a roasted coffee fragrance added to jars of instant coffee, a great deal would have to be done in the way of advertising and promotion to provide the requisite element of 'capacity to distinguish'. While the definition may suggest that anything is capable of being a 'sign' (but see 13.3.1), it must be used in a symbolic sense in order to be regarded as a sign. Whether the use is symbolic or product related may be determined by the response of competitors to the practice, so that, if rival makers of instant coffee follow suit, the fragrance would not be functioning as

a sign, but, if they do not, the necessary distinctiveness may arise (as it did in the *Jif Lemon* case (1990) (see 12.3.1)). The only overriding criterion, however, is that the sign be represented graphically, such as by musical notation, description, a formula or diagram, or even chemical or gas chromatographical analysis, in the case of a smell. The representation must not be three-dimensional so that searches can be performed.

### 13.3.1 A sign

A trade mark must be a 'sign', so that, although the definition refers to 'any sign' and no express limit is given as to what may constitute a sign, the definition does exclude anything that is not a sign. It is possible that the approach employed in *Re James* (1886) could be applied to refuse registration to the goods themselves or their packaging (although the shape of packaging is specifically stated to be within the definition). Lindley LJ said that 'a mark must be something that is distinct from the thing marked. A thing itself cannot be the mark of itself'. Thus, registration was refused to the shape of a lump of lead, the product itself. This was applied in *Re Coca-Cola* (1986), where the bottle was regarded as the goods themselves – since a liquid could have no shape of its own. In both cases, the rejection was of a shape as a trade mark, and, as shapes are now expressly included within the definition, the 1994 Act may overrule these decisions. But the reasoning went beyond the refusal to regard shape as a mark, to consideration of the nature of the goods themselves, and it was this that was being held could not, in these instances, be separated from the goods and, therefore, could not be a trade mark. It remains open to the courts to reject marks on the basis that they do not constitute a sign, however distinctive they may be, because they relate to the nature of the goods themselves.

It has been suggested that, although the TMA 1994 does not provide absolute grounds of refusal for particular types of sign other than shapes (see 13.4.10), similar objection may be made to marks which give value to goods or contribute to their nature at the same time as adding distinctiveness on the ground that they are not signs: Firth, A, *Trade Marks: The New Law*, 1995, London: Jordans. A drawing of the shaver head of an electric razor (which was claimed to enhance the product's effectiveness), registered as a trade mark under the TMA 1994, was held to be invalid, but on the ground that it was not capable of distinguishing (see 13.3.4), rather than that it was not a sign: *Philips Electronics NV v Remington Consumer Products Ltd* (1998). Jacob J recognised that, if the plaintiffs were to succeed, they would secure a permanent monopoly in significant matters of engineering design. On the facts, it was shown that, to make a rotary shaver, it was not necessary to adopt the plaintiffs' shape, but that the scope for variation was very limited and that the plaintiffs' configuration was one of the best. Jacob J said:

I think a 'sign' is anything which can convey information. I appreciate that this is extremely wide, but I can see no reason to limit the meaning of the word. The only qualification expressed in the Directive is that it be capable of being represented graphically ...

What I conclude is confirmed by Recital 7(b), which emphasises the necessity to list the examples of a 'sign'... You need the examples of a sign to see just how wide the meaning is. What the examples have in common is the ability to convey information.

This was provisionally upheld by the Court of Appeal, but reference was made to the ECJ.

### 13.3.2 Colour

Provided that it is distinctive of an undertaking, colour associated with goods or services should now fall within the definition of a trade mark, so that *Smith Kline and French v Winthrop* (1976) (see 13.3) would be decided in the same way under the TMA 1994. In the US, colour is registrable provided that there is no competitive need to use the same colour, that it does not serve any functional purpose and that it has acquired a secondary meaning as a sign rather than being merely decorative. Decisions under the 1938 Act suggest similar results in the UK. In *Unilever Ltd's Trade Mark* (1984), an application to register the red stripe in SIGNAL toothpaste was refused because the stripe was functional (it contained an added mouthwash) and red was one of the few colours which could be used for this purpose. Registration was again refused in *Unilever Ltd's Trade Mark* (1987) as the colour had not been chosen as a sign and had not acquired secondary meaning as a trade mark. The same was held in *John Wyeth Coloured Tablet Trade Mark* (1988). The colours blue and yellow were used to indicate particular dosages, but were held to be common in the trade and not distinctive, so that a generic drug manufacturer was able to apply the same colours to indicate the same dosages.

### 13.3.3 Shapes

*Prima facie*, shapes are now registrable as trade marks. The fact that a shape might also be protected by another intellectual property right, such as a design right or copyright, does not appear to bar registration as a trade mark. *Dicta* in *Smith Kline and French v Winthrop* (1976) suggest that the fact that the design for the capsules was registrable was no hindrance to trade mark registration. But trade mark registration, unlimited in duration as it can be, does carry the danger of monopolisation of a specific shape, at least when used as a sign. Trade mark registration could also provide a way of evading the limits of the other intellectual property rights designed to allow fair competition. It was the danger of monopolisation of containers that influenced the House of Lords in *Re Coca-Cola* (1986). On the other hand, once a shape has become distinctive as a sign in the public's mind, there is little to be gained by the refusal of



registration (*Smith Kline and French v Winthrop* (1976)), so that the TMA 1994 adopts a compromise. Shapes may be signs, but the absolute grounds of refusal restrict the registration of some shapes: those which result from the nature of the goods, those which are necessary to obtain a technical result and those which give substantial value to the goods (see 13.4.10).

Registrability for a shape sign is a two stage enquiry: first, whether the sign has the capacity to distinguish; and, secondly, whether, although potentially distinctive, the shape falls within the absolute grounds of refusal. A shape sign must be distinctive (see 13.3.4 and 13.4.2). It is thought likely that, in many cases, unless a manufacturer has deliberately adopted the shape as a badge of origin, that shape will not be regarded as inherently able to distinguish, nor that many shapes will achieve registration: Annand, R and Norman, H, *Blackstone's Guide to the Trade Marks Act 1994*, 1994, London: Blackstone. This is borne out by the fate of the registered drawing of the shape of the shaver head in *Philips Electronics NV v Remington Consumer Products Ltd* (1998). It was held to be incapable of distinguishing PHILIP's product as it primarily denoted the product's function. In this case, no amount of use could overcome the inherent nature of this shape sign. The Court of Appeal agreed. That some shapes may acquire secondary meaning as a badge of origin is illustrated by the *Jif Lemon* case (1990).

### 13.3.4 Capable of distinguishing

Only a sign which is 'capable of distinguishing' may be a trade mark. This reflects the essence of a trade mark as an identifying feature related to goods or services. If the sign does not identify it cannot distinguish: it must allow the public to recognise one trader's product as emanating from a different source to products emanating from other traders. A sign that is distinguishing is said to be 'distinctive'. A sign may distinguish in one of two ways, either by being distinctive in its nature (inherently distinctive), or by having become distinctive through its use in relation to a particular trader's product (factually distinctive). A word such as APPLE used in relation to computers or a word newly invented, such as KODAK for cameras and film, is inherently distinctive, while even an inherently descriptive sign may be distinctive in fact once the public have come to recognise it in that sense, such as a yellow plastic lemon-shaped containers for lemon juice. Signs that do not distinguish are often said to be 'descriptive'. However, although signs may vary from the completely descriptive to the completely distinctive, many are capable of distinguishing whether descriptive or distinctive. It is tempting to think that descriptive signs may not distinguish, but it is possible that use in the right way may provide the necessary element of distinctiveness. Conversely, a distinctive mark may become descriptive through use. For example, a mark such as HOOVER has almost become a descriptive word for vacuum cleaner, although, initially, it was inherently distinctive, whereas the JIF lemon was

initially inherently descriptive, but became distinctive through prolonged exclusive use. Fletcher Moulton LJ explained, in relation to the use of the word mark PERFECTION for soaps, in *Joseph Crosfield's Application* (1909):

Much of the argument before us on the part of the opponents and the Board of Trade was based on an assumption that there is a natural and innate antagonism between distinctive and descriptive as applied to words, and that if you can show that a word is descriptive you have proved that it cannot be distinctive. To my mind, this is a fallacy. Descriptive names may be distinctive and vice versa ... But the question whether a word is or is not capable of becoming distinctive of the goods of a particular maker is a question of fact, and is not determined by its being or not being descriptive.

Under the old law, some types of mark were regarded as legally incapable of ever distinguishing, whatever use had been made of them (geographical names, for example), but this had been criticised when it led to the rejection of marks which use had made factually 100% distinctive (*York Trade Mark* (1984)). The 1994 Act requires only a capacity to distinguish, accepting either an inherently distinctive or factually distinctive sign, although the latter may need evidence of use before registration is granted. In *British Sugar plc v James Robertson and Sons* (1996), Jacob J expressed his opinion that the TMA 1994 had not incorporated the old law with respect to factual distinctiveness, although there might be some signs which were factually incapable of distinguishing whatever use might be made of them, such as SOAP for soap. In fact, evidence of use having created distinctiveness may overcome some of the absolute grounds of refusal: s 3(1) of the TMA 1994 (see 13.4.3).

A trade mark's capacity to distinguish is related to its function. This was expressly incorporated in the definition of a trade mark in the TMA 1938, but no such limitation appears in s 1(1) of the TMA 1994. To distinguish goods and services as originating from one undertaking rather than another serves both the source and guarantee functions of a trade mark (see 13.1.3), but it is not yet clear whether a capacity to distinguish for the advertising and promotional function will suffice to constitute a sign a 'trade mark'. Comparing two decisions made under the 1938 Act illustrates the point. In *Have a Break Trade Mark* (1993), Whitford J refused registration to the well known slogan for the KIT-KAT bar because it was being used to advertise the chocolate bar in conjunction with the KIT-KAT name and ROWNTREE'S trade mark, not operating as a trade mark. By contrast, in *I Can't Believe it's Yogurt* (1992), the slogan was registered as it was to be used alone on products to distinguish them. This raises the question whether the KIT-KAT slogan might be registrable today as distinguishing the product in advertising. Annand and Norman (*Blackstone's Guide to the Trade Marks Act 1994*, 1994, London: Blackstone) suggest that it may. The real objection to the slogan, however, lay in the fact that it was used with other trade marks by which the product was identified. Jacob J has termed such a mark a 'limping mark' and said, of Remington's use of the same shape shaver head always together with the

Remington trade mark, that '[the] sign was [n]ever used by the proprietor on its own. And that was evidence of a lack of capacity to distinguish': *Philips Electronics NV v Remington Consumer Products Ltd* (1998) (see 13.4.2). He took the same approach in *British Sugar plc v James Robertson and Sons* (1996), where advertising use had been made of the registered mark 'TREAT', but only in conjunction with the trade mark SILVER SPOON. He looked for use understood by the public as a 'badge of origin'.

An intriguing question, raised by Prescott, in 'Trade marks invisible at point of sale: some corking cases' [1990] EIPR 241, in relation to the 1938 Act is whether a sign which is not visible at the point of sale may be a trade mark. This is a question of whether the sign is 'capable of distinguishing goods or services of one undertaking from those of other undertakings' under the 1994 Act. He argues that such a sign serves an important verification function when goods are used after purchase and will promote repeat sales, an important part of trade, as well as serving as an effective advertisement of the goods to other users.

### 13.3.5 Retail services

When the 1938 Act was amended in 1984 to allow registration of trade marks for services as well as goods, registration was still refused for 'retail services' if these were provided by undertakings primarily engaged in the supply of goods: *Re Dee* (1990). Several large supermarket chains applied for registration of their marks for retail services, such as the free provision of car parking and in-store crèches. Their primary business was, of course, the sale of goods, but they hoped such registration would prevent independent providers of the services they were supplying as an ancillary to their business from exploiting their well known reputations. The distinction between an undertaking trading in goods and trading in services had first been drawn by the House of Lords in *Aristoc v Rysta* (1945). It was later applied to retail services because the definition of 'services' required that they be provided for 'money or money's worth'. It would seem that the distinction between a main trade in goods and only ancillary provision of services will continue to prevent the registration of retail services as s 1(1) of the TMA 1994 refers to the 'goods and services of one undertaking...'. Ancillary services may not be regarded as the services 'of' an undertaking which is mainly engaged in trade in goods. This was the intention stated in the White Paper (*Reform of Trade Mark Law*, Cm 1203, 1990). Although other jurisdictions, such as Hong Kong, Australia, South Africa and the US, do allow for retail service registrations, it is not the practice to do so in Europe and the Community Trade Mark Regulation does not allow such registrations. The supermarkets' fears are met by two new provisions in the 1994 Act. Section 10(3) of the TMA 1994 provides relief where a mark is used on dissimilar goods or services, if to do so takes unfair advantage of the trade mark proprietor's reputation. Section 10(4)(b) of the TMA 1994 makes a

defendant's use of a sign near goods infringing, so that use on a shop would infringe a goods registration.

## 13.4 The absolute grounds of refusal

The absolute grounds of refusal prevent, in general, marks that are purely descriptive, functional or objectionable from being registered. These are grounds rooted in the mark itself or the use that is proposed for it. A mark shall not be registered if it falls into one of the categories of mark set out in s 3 of the TMA 1994.

### 13.4.1 Not a trade mark

A sign which does not satisfy the requirements of the definition of a trade mark will not be registrable: s 3(1)(a) of the TMA 1994. The standard of distinctiveness required is either inherent or factual (see 13.3.4): *AD2000 Trade Mark* (1997). In both *British Sugar plc v James Robertson and Sons* (1996) and *Philips Electronics NV v Remington Consumer Products Ltd* (1998), Jacob J considered that the requirement for 'capacity to distinguish' excludes no more than would be excluded by s 3(1)(b) of the TMA 1994 (see 13.4.2), so that no sign shown in fact to be distinguishing can be refused as not constituting a trade mark, unlike the old law.

### 13.4.2 Non-distinctive signs

Section 3(1)(b) of the TMA 1994 excludes 'trade marks which are devoid of any distinctive character' from registration. To be regarded as a trade mark, a sign being considered under this sub-section must have already passed the 'capacity to distinguish' hurdle imposed by ss 1(1) and 3(1)(a) of the TMA 1994, so that a mark is devoid of distinctive character where it has no inherent distinctiveness and its factual distinctiveness has not yet been realised: *British Sugar plc v James Robertson and Sons* (1996).

The word 'devoid' is an extreme one, suggesting that it would catch only the most descriptive of signs. By contrast, it was thought that the standard of distinctiveness required under the TMA 1938 was much higher, so that the change would allow the registration of a greater number of marks. Under the 1938 Act, descriptive words with distinctive capacity, such as ELECTRIX (*Electrix Ltd's Application* (1959)) or ORLWOOLA (*Joseph Crosfield's Application* (1909)), were refused, as the misspelling was not enough. Invented words were regarded as distinctive, but any allusiveness on the part of a made up word was fatal, so that SOLIO was allowed for photographic paper (*Eastman's Application* (1898)), but DIABOLO refused for toys because of its similarity to the word 'diabolical': *Philippart v Whiteley* (1908). Generic words were also unregistrable, TARZAN was refused as a word having passed into general

usage: *Tarzan Trade Mark* (1970).

Notwithstanding the new wording, a common laudatory word was held to be devoid of distinctive character in *British Sugar plc v James Robertson and Sons* (1996). TREAT was registered by the plaintiffs for dessert sauces and syrups, though sold primarily as an ice cream topping. The defendants counterclaimed for invalidity of the registration in infringement proceedings. Jacob J held that the trade mark must first be considered alone (without evidence of use), asking whether it was the sort of sign which cannot do the job of distinguishing without first educating the public that it is a trade mark. While an inappropriate (such as NORTH POLE for bananas) or meaningless word clearly could distinguish, this common laudatory word was found to be inherently devoid of distinctiveness, as was AD2000 in *AD2000 Trade Mark* (1997). It was held that the mark EUROLAMB would be understood as an abbreviation of 'European lamb' and was, therefore, devoid of distinctive character in *Eurolamb Trade Mark* (1997). In *Philips Electronics NV v Remington Consumer Products Ltd* (1998), Jacob J held that, because the drawing, without more, was a sign which primarily denoted the function of the goods, it was devoid of distinctive character. The Court of Appeal agreed. He went to hold that there are some signs, whether words or pictures, which are so descriptive that they are incapable of ever distinguishing goods (or services) properly even if they do so partially. In a judgment which will not be welcomed by those anxious to prevent competition from 'lookalikes', Robert Walker LJ held, in *Re Procter and Gamble* (1999), that a composite get-up mark was inherently non-distinctive. The applications were to register the shapes of three bottles for domestic cleaning products, but the impact of the shape, label and colours of the bottles was to be assessed together. They were found to be typical of the get-up for such products. The Court of Appeal applied Jacob J's *dictum* from the *Philips* case that marks which were unusual, or even absurd, arrested the eye and mind and were recognised for what they were, so that they were able to perform the essential function of a trade mark. In that sense, the bottles were not inherently distinctive.

### 13.4.3 The proviso to s 3(1)(b)–(d) of the TMA 1994

Where the TMA 1994 has relaxed registrability is in the ability of an applicant to overcome the inherent lack of distinctiveness in a mark by evidence of distinctiveness having been acquired through use. The proviso to s 3(1) of the TMA 1994 allows for factual distinctiveness:

... a trade mark shall not be refused registration by virtue of paragraph (b), (c) or (d) ... if, before the date of application for registration, it has in fact acquired a distinctive character as a result of the use made of it.

Neither the Directive, nor the 1994 Act define 'distinctive character', so that, in

*British Sugar plc v James Robertson and Sons* (1996), Jacob J applied a 'common sense' test, holding that it was a question of degree whether through use the sign had 'really become a trade mark' (distinguishing one trader's goods or services from another's). In *Re Trade Mark No 2,023,949* (1998), Laddie J adopted the test posed by the ECJ in *Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc* (1998) Case C-39/97: 'to guarantee the identity of the origin of the marked product to the consumer or end user', stating it colloquially as needing to ask whether the sign indicated who the product or service came from or whether it only told a customer what the product or service was, or only conveyed the message that they were a particular trader's goods, as in *Philips Electronics NV v Remington Consumer Products Ltd* (1998). Jacob J held in *British Sugar plc v James Robertson and Sons* (1996) that, for common or apt descriptive or laudatory words, 'compelling evidence' of acquired distinctiveness was needed. Extensive use was not enough, it must be use that resulted in a substantial majority of the public regarding the mark as a trade mark, 'almost a household word'. The use giving a mark distinctive character must therefore be use in a trade mark sense: as a 'badge of origin'. On the facts, TREAT was found to have been invalidly registered. It was significant, however, that it was a so called 'limping' mark, one used in conjunction with another mark clearly recognised by the public as a trade mark. The same was true of the Philips drawing used in conjunction with their PHILISHAVE trade mark in *Philips Electronics NV v Remington Consumer Products Ltd* (1998). In fact, Jacob J took the view that no use was capable of ever teaching the public that the drawing was a trade mark, rather than a description of the product. Although the public associated the shaver with the plaintiffs, this was as the hitherto sole manufacturer of such a design.

Laddie J held the mark JERYL LYNN to have been invalidly registered in *Re Trade Mark No 2,023,949* (1998). The mark was registered for pharmaceuticals. It was the name given to a particular strain of mumps virus for which the trade mark proprietor produced a vaccine, and was therefore descriptive. The mark was challenged by a rival company wishing to describe their own product. He held that, where a name had been used for many years (as it had) before the application to register, the answer to the factual issue of whether the mark described the product or indicated its origin could be had in the response to four questions:

- (a) What was the product to which it had been applied?
- (b) Had it been used exclusively in relation to that product?
- (c) Had it been used on the product as a designation of origin?
- (d) Had it come to be recognised by the relevant public as a designation of origin, rather than as an indication of type?

JERYL LYNN was overwhelmingly generic and could not be used on other

products made by the proprietor without misdescription, therefore, it was not capable of distinguishing in a trade mark sense. Where a trader has a monopoly in a product and has used a word to describe that product, it is likely that that word will be taken to describe the product, rather than to distinguish it ('distinguish' does imply that the particular products are also available from others, from which the one in question must be separated out).

To provide evidence of the public's response to the use of a trade mark survey evidence has been adduced. This, however, was subjected to careful critical scrutiny, and its value doubted, by Jacob J in both *British Sugar plc v James Robertson and Sons* (1996) and *Philips Electronics NV v Remington Consumer Products Ltd* (1998). The need for evidence showing that ultimate purchasers recognised the goods by shape was reaffirmed in *In re Dualit Trade Mark* (1999) and the survey evidence adduced rejected.

#### 13.4.4 Descriptive marks

Trade marks which describe characteristics of the product with which they are used are unregistrable. Section 3(1)(c) of the TMA 1994 excludes 'trade marks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose value, geographical origin, the time of production of goods or rendering of services, or other characteristics of goods or services'. The mark must consist 'exclusively' of the descriptive sign to be excluded, so that a mark comprising a combination of descriptive matter with an added distinctive logo or name, for example, may be registered. The description must be one used in trade (and not just by the general public). The proviso that factual distinctiveness may be acquired through use applies (see 13.4.3), though the more descriptive the mark, the more evidence of factual distinctiveness will be required before registration. Marks, such as PERFECTION for soap (*Joseph Crosfield's Application* (1909)), TASTEE FREEZ for ice cream (*Tastee Freez Application* (1960)), or YORK for vehicle trailers (*York Trade Mark* (1984)), descriptive, but factually distinctive marks or marks capable of acquiring distinctiveness refused registration under the old law might now be registrable. TREAT (*British Sugar plc v James Robertson and Sons* (1996)) fell within this exclusion, as did JERYL LYNN (*Re Trade Mark No 2,023,949* (1998)), EUROLAMB (*Eurolamb Trade Mark* (1997)), and the PHILIPS drawing (*Philips Electronics NV v Remington Consumer Products Ltd* (1998)).

The policy behind the definition of registrable mark provided by the 1938 Act was to prevent monopolisation of marks which any trader might legitimately wish to use. But, because evidence of acquired factual distinctiveness could not be considered, the exclusions operated stringently; in practice, competitors could not use marks such as YORK, although unregistrable, without liability for passing off because it had acquired secondary meaning as a trade mark. The 1994 Act continues to provide for the non-registrability of descriptive, customary and non-distinctive marks, while

allowing for added and acquired distinctiveness. Although defences provided by the TMA 1994 cater for legitimate uses by other traders (see 14.4), it was said in *AD2000 Trade Mark* (1997) that the defences should not be taken into consideration in determining a mark's registrability. The policy behind decisions at the margins is likely to remain the same. Fletcher Moulton LJ said in *Joseph Crosfield's Application* (1909):

... the registration is not to affect the use of the word by other traders in any *bona fide* description of goods. The court will do well to ask itself the question: will the registration of the trade mark cause substantial difficulty or confusion in view of these rights of user by other traders?

### 13.4.5 Customary marks

Registration is also refused to trade marks which are customary, so that marks which 'consist exclusively of signs or indications which have become customary in the current language or in the *bona fide* and established practices of the trade' are excluded by s 3(1)(d) of the TMA 1994. TREAT (*British Sugar plc v James Robertson and Sons* (1996)) was regarded as likely to fall into this sub-section because many people use 'treat' in advertisements and on goods, although Jacob J did not define 'customary'. The common colouring of lids given to jars of instant coffee by different manufacturers (gold for superior blends, red for decaffeinated, brown for the standard grade) might amount to a customary practice, for example, or the blue colouring applied to the lids of tubs of baby wipes; similarly, the word 'cola' is commonly adopted for a particular kind of soft drink.

### 13.4.6 Objectionable and deceptive marks

Trade marks that are contrary to public policy or to accepted principles of morality may not be registered: s 3(3)(a) of the TMA 1994. Public morality was measured by contemporary standards under the 1938 Act, so that, in *La Marquise Application* (1947), OOMPHIES was registered for shoes, despite the suggestion that the word might encourage shoe fetishism. Rejection according to 'accepted' principles of morality suggests a similar standard, and implies an objective test, as before; something to which a substantial minority would object. On this basis, HALLELUJAH was refused registration in *Hallelujah Trade Mark* (1977). It may be that, as common standards of morality become increasingly difficult to determine, marks once regarded as unregistrable should reach the register, such as OPIUM or POISON. The proviso to s 3(1) of the TMA 1994 (use contributing distinctiveness (see 13.4.3)) does not apply to these absolute grounds of refusal, but evidence of use made without protest might be used to overcome such a potential objection. In *Philips Electronics NV v Remington Consumer Products Ltd* (1998), Remington argued that the drawing had been registered contrary to public policy because the shaver head's shape



had been included in patent claims and was functional, so that trade mark registration should not be allowed to prolong protection after other intellectual property rights had expired. Jacob J held that s 3(3)(a) of the TMA 1994 was not concerned with such economic grounds of objection, but was 'confined to matters such as are covered by the French legal term *ordre publique*, a matter involving some question of morality', nor that there is any ban on parallel intellectual property rights where there is no express rule of law to that effect.

A mark that infringed copyright was refused in *Karo-Step Trade Mark* (1977) and should still be objectionable as being contrary to public policy. To use another individual's character without their consent or to use a religious device without authority is also likely to be contrary to public policy. Under the TMA 1938, the objection had to lie in the mark itself. In *Fairest's Application* (1951), the mark itself was unobjectionable, but it was to be used on pools coupons for a pool run in breach of the Betting and Lotteries Acts. It was refused under the Registrar's discretion (now abolished) instead.

Deceptive marks will also be rejected, s 3(3)(b) of the TMA 1994 excluding trade marks 'of such a nature as to deceive the public', giving, as examples, marks deceptive as to 'the nature, quality or geographical origin of the goods or service'. Examples of likely deceptive situations can be drawn from case law decided under the 1938 Act: although the test was differently worded, marks 'likely to deceive or cause confusion' were rejected. The mark RYSTA was refused by the House of Lords for hosiery on the ground that it was to be used both on new stockings of the applicants' manufacture and on stockings made by others but repaired by them: *Aristoc v Rysta* (1945). The court took into account the class of goods in question, the nature of the system of repair used (which might change in the future) and the likely effects of registering the mark when there were large numbers of such stockings on the market, deciding that registration might cause confusion as to how the mark was being used. Viscount Maugham regarded the nature of the goods' customers, rich and poor alike, and the way in which the word was used as relevant. The House of Lords decided that the public would not be able to distinguish use of the mark to denote origin of goods and use to denote the provision of a service to second hand goods. By contrast, in *Eastex's Application* (1947), the use of the mark LASTEX on a component included in garments made by other manufacturers was allowed, as the practice was found to be understood by the public (in the same way, for example, as a mark such as LYCRA is now used on goods made by many different manufacturers to indicate the fabric used). All relevant circumstances can be considered, so that, in *Nova Trade Mark* (1968), the size of the opponent to the registration of a mark's business was relevant to determine whether real confusion was likely.

Deception as to nature of goods may be illustrated by the case of *China Therm Trade Mark* (1980) where the mark was refused for goods made of plastic and not china. It is a matter of the public's understanding, however, and, in *Pound Puppies Trade Mark* (1988), Aldous J did not take the view that

the public would be confused by the mark as to the cost of the goods (soft toy dogs), nor would they suffer any detriment as the toys could only be purchased at the true price. Marks suggesting an incorrect geographical origin will be refused and, in *Hill's Trade Mark* (1893), FORREST LONDON was refused for clocks made in Coventry. Where confusion between products would be dangerous, marks have also been refused. In *Edward's Application* (1945), JARDEX was already registered for bleach (the consumption of which would be harmful), preventing registration of JARDOX for a meat extract.

### **13.4.7 Prohibited marks**

Marks whose use is prohibited in the UK by any enactment, rule of law or provision of Community law will not be registrable: s 3(4) of the TMA 1994. A mark breaching the Trade Descriptions Act 1968 would be refused on this ground, for example.

### **13.4.8 Specially protected emblems**

Section 4 lists specially protected emblems, such as the Royal Arms, a representation of the Royal Crown or flags or the Union Jack (the national flag of the UK) and the Olympic symbols, which shall not be registered as specified in that section: s 3(5) of the TMA 1994.

### **13.4.9 Applications made in bad faith**

To the extent that an application is made in bad faith, a trade mark shall not be registered: s 3(6) of the TMA 1994. The provisions for application also provide that an applicant must state that a mark is being used or that he has a *bona fide* intention to use it (s 32(3) of the TMA 1994). Although it cannot be used as an aid to interpretation (*British Sugar plc v James Robertson and Sons* (1996)), the White Paper (*Reform of Trade Marks Law*, Cm 1203, 1990) stated that a *bona fide* intention was one that was 'genuine'. The phrase 'bad faith' is a new one to trade mark law and is not expressly linked to '*bona fide*' in s 32 of the TMA 1994. In *Road Tech Computer Systems Ltd v Unison Software (UK) Ltd* (1996), in an application for summary judgment, Robert Walker J refused to interpret this new phrase, but did hold that the defendant had an arguable defence. Their argument related the meaning of bad faith to a lack of a *bona fide* intention to use. The plaintiff argued that 'bad faith' should be read merely as meaning dishonest. A dishonest intention would clearly be in bad faith, but the defendant's argument that bad faith also included a lack of a *bona fide* intention to use was regarded as arguable. It may be, therefore, that an application made without the requisite use or genuine intention to use of s 32(3) of the TMA can be regarded as one made in bad faith. Section 3(6) of the TMA 1994 provides the only sanction – if such it is – for the lack of the requisite intention to use. Guidance as to genuine intention can be sought

from cases decided under the 1938 Act. Where an intention to use a trade mark was conditional on some external factor, or could be otherwise regarded as colourable, registration was refused. A colourable intention is one where the genuine nature of the proprietor's desire for registration of the mark may be questioned.

If the applicant is reserving a final decision as to the use of a mark until some contingency occurs, his intention is not likely to be regarded as *bona fide* or in good faith. In *Rawhide Trade Mark* (1962), the applicant applied to register RAWHIDE for children's games. A television program of the same name was due to commence and the application was made in advance of one by the series' producers, Granada. Cross J held that the use proposed was contingent on the film being shown in the UK and the mark was disallowed; registration could not be used to stake out a claim without sufficient and unconditional intention to use a mark. One notable difference under the TMA 1994 is that the use proposed need not be made by the applicants themselves: s 32(3) of the TMA 1994. A character merchandiser, for example, may therefore apply for registration for a character to be applied to goods or services made by licensees, so that the decision in *Pussy Galore Trade Mark* (1967) would no longer apply. Applications made for the mark in a large number of classes of goods, for goods to be made by other manufacturers, were refused as the use was not the applicants'. This change should facilitate the merchandising of characters registered as marks.

Colourable intentions to use did not suffice, so that making an application in order to 'block' another's application, or to protect an unregistrable mark, will not succeed. In *Imperial Group v Philip Morris* (1982), the mark NERIT was registered in order to protect the unregistrable name 'Merit' which the proprietor wished to use (any use of 'Merit' would infringe 'Nerit' (see 14.2.2), known as a 'ghost registration'). Some minimal use was made of the mark, a small amount of test marketing without any advertising. The mark was expunged from the register on the ground that there had been no genuine intention to use it, the real aim being to secure a copyright interest in an unregistrable word (see 14.5.1). The small number of sales made were colourable and not 'substantial or genuine'.

*Road Tech Computer Systems Ltd v Unison Software (UK) Ltd* (1996) suggests that application for a range of goods and services wider than those to which the mark is actually to be applied is not *bona fide* and, by implication, one made in bad faith. The plaintiffs had registered ROADRUNNER for computer software, using it on a business applications package for the road haulage business. The defendants made a 'RoadRunner' back up facility for the UNIX operating system. In infringement proceedings, one ground of their defence was that the application had been made in bad faith because the mark was applied to a very narrow category of the goods (business applications software) for which it was registered, and could not be a *bona fide* intention to use the mark 'in relation to' the goods and services stated (software in general)

in the application. This was accepted as arguable.

If bad faith is to be equated to unacceptable forms of use, it may be argued that use in a 'non-trade mark' sense should lead to refusal. This is uncontroversial unless an interpretation of trade mark use is adopted which ignores some of the functions of a trade mark now valued by traders. The definition of a trade mark requires a capacity to distinguish (s 1(1) of the TMA 1994), which need not be confined to the origin and guarantee functions (see 13.1.3). Although, in *Kodiak Trade Mark* (1990), the advertising use of a trade mark was not regarded as *bona fide* nor commercial use under the old law, the Directive's preamble does not preclude such a function and use being recognised as being in good faith.

'Trafficking' in trade marks (registration of marks so as to deal in them, rather than for purposes of the applicant's trade in goods or services) was prohibited by s 28(6) of the TMA 1938. While this was abolished by its omission from the 1994 Act, stockpiling of marks so as to sell them to others may well fall within the ambit of applications made in bad faith.

An application is also likely to be made in bad faith if made in the knowledge that a mark belongs to another person. This was dealt with differently under the 1938 Act, by finding that the applicant was not the 'proprietor' of the mark and a subjective test was applied in *Loudon Manufacturing v Courtaulds* (1994). Aldous J required that applicants have an honest belief in their claim to a mark.

### 13.4.10 Shapes

Although shapes are now potentially registrable as trade marks (see 13.3.3), the absolute grounds of refusal prevent some shapes from being registered. The fears of the House of Lords in *Re Coca-Cola* (1986) (see 13.1.2) were not without foundation, for, if a shape performing a technical function or comprising a commercially attractive addition to goods were to receive the potentially eternal protection of a registered trade mark, competition would be unjustifiably hindered. This absolute ground of refusal may not be overcome by evidence of acquired factual distinctiveness, for the basis of refusal is not a lack of capacity to distinguish, but the preservation of fair competition. This is reflected in US trade mark law by a doctrine of functionality applied to shape marks, rejecting functional shapes from protection. The Directive is based on Benelux law, and is rooted in similar considerations, so that attention is directed to the question whether another trader will need to adopt the same or a similar shape in order to compete effectively.

Section 3(2) of the TMA 1994 prohibits registration of signs which consist exclusively of:

- (a) a shape which results from the nature of the goods themselves;

- (b) a shape which is necessary to obtain a technical result; or
- (c) a shape which gives substantial value to goods.

This exclusion first received consideration in *Philips Electronics NV v Remington Consumer Products Ltd* (1998). The drawing of the shaver head was regarded as, in substance, graphical representation of a shape sign.

To exclude shapes which result from the nature of the goods themselves avoids registration of a mark which actually comprises, or comprises a part of, the actual product, for example, the indentations of an egg box or shape of an umbrella. However, it is difficult to give the provision sustainable meaning. Jacob J pointed out, in *Philips Electronics NV v Remington Consumer Products Ltd* (1998), that a shape will define the whole or part of the object depicted and that, if this object is taken to be the 'goods themselves' of s 3(2)(a) of the TMA 1994, all shape signs will result from the nature of the goods. Because the goods are articles of commerce, Jacob J took 'the goods' to be the category into which the product at issue would belong as a matter of business. This was 'electric shavers' and, therefore, the three-headed rotary shape did not result from the nature of the goods (electric shavers coming in a variety of other shapes as well). This is a common sense approach, but another interpretation is possible. If the product and 'the goods' are taken to be synonymous, registration would only lie for a capricious addition to or variation of that shape, a shape applied to an electric toaster to make it resemble a juke box, for example, or an umbrella handle shaped like an animal's head. Such a shape may well fall within s 3(2)(c) of the TMA 1994, however, making Jacob J's interpretation more tenable. The Court of Appeal upheld Jacob J's reasoning. Strowel ('Benelux: a guide to the validity of three-dimensional trade marks in Europe' [1995] EIPR 154) suggests that only basic shapes are imposed by the nature of goods and that the sign must be regarded globally with all added arbitrary features, giving the example of registration of the shape of a bottle of olive oil allowed by the Tribunal of The Hague ([1992] IER 115). Although the general shape of the bottle was dictated by its nature, grooves in the surface and a purposively designed integral handle meant that the composite shape was distinctive as a trade mark.

A shape achieving a technical result must be 'necessary' for that result to fall within the exclusion. Thus, the exclusion might be interpreted to mean that, if there is 'design freedom' in choosing a particular shape for a particular function, registration is possible, as it is in Benelux law. The shape of a pump action toothpaste container or handle for a carrier bag should remain registrable, though utilitarian, if the actual shape chosen is arbitrary. If 'necessary' is interpreted strictly, even an obvious choice of a functional shape should be registrable, provided that a choice of shape is possible. Helbling argues that to refuse to register a shape, if minor alterations are possible, when a company has established a strong and distinctive shape (such as the LEGO brick), disadvantages the company and acts as a disincentive to designers:

Helbling, 'Shapes as trade marks?' [1997] IPQ 413. However, Jacob J, in *Philips Electronics NV v Remington Consumer Products Ltd* (1998), rejected such an interpretation, by analogy with the exclusion of registration for functional designs (see 11.3.3), on the ground that, in the majority of cases, design choice will be possible and that he felt it unlikely that the Directive was intended to allow permanent monopolies in matters of significant engineering design. It is often the case, as it was with the shaver, that, although a choice of shape is possible, only one shape will provide optimum results, so that registration would fundamentally affect the quality of competitors' products. Accordingly, any shape in substance solely achieving a technical result, as the shaver head shape did, should not, he said, be registrable. Minor embellishments or variations would not escape the exclusion. Registration would still be possible for distinctive shapes chosen for non-functional reasons. The Swedish Court of Appeal, however, applied a design choice test in relation to the Philip's drawing (*Ide Line AG v Philips Electronics NV* (1997)). Reference to the ECJ has been made by the Court of Appeal, who upheld Jacob J's judgment.

The final exclusion relating to shape marks is for those which give substantial value to the goods. This is designed to avoid overlap between copyright or design protection and trade mark registration. A distinction is drawn between a shape which adds to the distinctiveness of goods (such as the COCA-COLA bottle or shape of the TOBLERONE bar), and one which adds aesthetic value to goods (fruit shaped soaps or house shaped bottles of spirits, for example) so that they are bought for their eye appeal. Strowel suggests ('Benelux: a guide to the validity of three-dimensional trade marks in Europe' [1995] EIPR 154) that two questions may be asked in order to distinguish between shapes which add substantial value to goods and those which do not: first, whether the appeal the shape gives to the product constitutes the consumer's primary reason for buying those goods; and, secondly, whether the reason for purchase is because of the appeal or because the shape has acquired goodwill (distinctiveness) in the public's eyes. It is not merely a question of whether the use of the shape enables a higher price to be charged, which may occur where an attractive shape is used or where goodwill is engendered by a distinctive trade mark (evidenced, for example, by the COCA-COLA bottle). In Benelux law, 'substantial value' denotes qualities added to the goods themselves by the shape ('product value'), not just their market value. In *Wokkels* (1985), the Dutch Supreme Court accepted that a shape given to a biscuit added to its market value (price), but did not increase its quality as a biscuit (product value), and the shape was held to be registrable. In *Bacony* (1989), by contrast, they held that, as the difference in taste between competing brands of crackers was so insubstantial that the shape given to them was the only determinant of both market and product value, the shape was not registrable. Jacob J held that the shape of Philip's shaver head fell within this exclusion, as the public had been carefully educated to associate the shape with an effective product (product value):

*Philips Electronics NV v Remington Consumer Products Ltd* (1998). However, on this point, the Court of Appeal disagreed in *Philips Electronics NV v Remington Consumer Products Ltd* (1999). They took the view that substantial reputation was not relevant to s 3(2)(c) of the TMA 1994. The test to be applied was a comparison between the shape sought to be registered and shapes of equivalent articles. On the evidence, the registered shape had no more value than other shapes which were established to be as good and as cheap to produce.

### **13.5 The relative grounds of refusal**

Other reasons for objecting to the registration of a mark arise externally, rather than within the mark itself, in the form of others' prior rights, so that the relative grounds of refusal require a mark to be compared to other registered and unregistered marks in order to protect the prior rights of others: s 5 of the TMA 1994. This comparison is the mirror image of the one that is made when infringement is alleged. A sign or mark that would infringe if used after registration will prevent a mark being registered.

There are four elements to the comparison that is made:

- (a) the date from which the marks are compared;
- (b) the prior marks which must be considered;
- (c) the degree of likeness between the new and earlier mark necessary before registration is precluded; and
- (d) the degree of likeness between the goods or services for which the new mark is required and those to which the earlier mark or earlier right is applied.

The comparison is with prior rights dated before the date of application for registration of the new mark, allowing for any Paris Convention priority (see 13.2.1) awarded to it. The mark sought to be registered (hereafter, 'the new mark') is compared to two types of prior right: 'earlier trade marks' and 'earlier rights'.

#### **13.5.1 Earlier marks**

Section 6 defines earlier trade marks as other (domestic) registered trade marks, international trade marks (UK) or Community trade marks, whose date of application for registration (including allowance for any priority) is earlier than that of the new mark. This will include Community trade marks able to claim seniority from earlier UK or international registrations, and well known marks entitled to protection under the Paris Convention (see 14.3). Earlier marks include prior applications for marks and registered marks whose registration has expired up to a year before the date of the new mark,

unless the Registrar is satisfied that no *bona fide* use had been made of it in the two years preceding expiry.

### 13.5.2 Earlier rights

A new trade mark will not be registered if to do so would infringe any rule of law protecting an unregistered trade mark or other sign used in the course of trade: s 5(4)(a) of the TMA 1994. It is expressly stated that this applies particularly to passing off. Likewise, a new mark will not be registered if any prior right (other than earlier registered marks or those within s 5(4)(a) of the TMA 1994) is liable to prevent its use, such as copyright and the design rights: s 5(4)(b) of the TMA 1994. In *Oscar Trade Mark* (1979), a trade mark representing the Oscar award statuette (protected by copyright) was refused as the applicant was not the copyright owner.

### 13.5.3 Interpretation

The wording of the TMA 1994 differs from that of the 1938 Act and is modelled on the Directive which, in turn, is thought in places to have been modelled on Benelux law. Interpretation of the new terminology, therefore, raises the question of the materials able to be used for construction. The courts are willing to look at the decisions of the OHIM and those of other Member States, as Jacob J did in *Philips Electronics NV v Remington Consumer Products Ltd* (1998); at the Directive and its preamble, as well as *travaux préparatoires* (*Wagamama Ltd v City Centre Restaurants* (1995)); and will also make reference to the ECJ where necessary (see the comments of Robert Walker J in *Road Tech Computer Systems Ltd v Unison Software (UK) Ltd* (1996)). However, the judges will not slavishly follow the courts of other Member States purely because they are the first to have decided a particular point, for they may be wrong: *Wagamama Ltd v City Centre Restaurants*. Laddie J decisively rejected the statements as an aid to interpretation in *Wagamama Ltd v City Centre Restaurants* (1995).

### 13.5.4 The comparison

Both the marks and goods or services of the applicant and the prior right owner are compared. There are three levels of comparison.

#### *Identical marks/identical goods or services*

If the earlier mark and the goods or services to which it is applied are identical, no registration of the later mark is allowed: s 5(1) of the TMA 1994. It is not necessary to show any confusion, this is effectively assumed.

#### *Identical marks/similar goods or services and similar marks/identical or similar goods*



*or services*

If a prior identical mark has been applied to similar goods or services to those of the applicant (s 5(2)(a) of the TMA 1994) or a similar prior mark has been applied to either identical or similar goods (s 5(2)(b) of the TMA 1994), registration will be refused, but only if the accompanying condition is also made out. It must be shown that 'there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark'.

*Identical or similar marks/dissimilar goods or services*

If the marks are identical or similar, but the goods or services of applicant and prior right owner are not similar, the mark will not be registrable 'if ... the earlier trade mark has a reputation in the UK (or, in the case of a Community trade mark, in the European Community) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark': s 5(3) of the TMA 1994. This prevents registration of marks which would 'dilute' an earlier mark and replaces the ineffective provision for defensive registration in the 1938 Act. It may be applied to protect an undertaking's wish to diversify, or to protect new advertising functions for trade marks. It is likely that the use of KODIAK for shoes could have taken unfair advantage of Kodak's repute (*Kodiak Trade Mark* (1990)); if so, there seems to be good reason to regard such use as being made in good faith for the purposes of s 3(6) of the TMA 1995 (see 13.4.9).

The interpretation and application of these provisions so mirrors those of infringement that their detailed consideration will be reserved to Chapter 15.

### **13.5.5 Raising the relative grounds of refusal**

That comparison on the relative grounds is necessary by virtue of s 5 of the TMA 1994 does not determine on whom the onus to do so falls. The former UK approach was for all bars to registrability to be raised and examined by the Registry on application being made, however, European tradition leaves the relative grounds to competitors, examination only being made by the granting authority for absolute grounds and this is the practice of the OHIM. Relative grounds would then be raised in opposition proceedings, the onus being on other mark owners to defend their property. At present, the old paternalistic UK approach is continued and the Trade Mark Registry will examine for the relative grounds, rejecting a mark on this basis without the need for intervention by a third party. There is provision in s 8 of the TMA 1994 for the Secretary of State to alter this to the OHIM method in the future (see 13.2.1).

### **13.5.6 Honest concurrent user**

Another area in which domestic practice has been preserved, for the time being, by the TMA 1994 is that of allowing conflicting registrations in situations of 'honest concurrent user'. This is a curious departure from the Directive, which states that a mark which fails on the relative grounds 'shall not' be registered: Art 4 of the Council Directive to approximate the laws of Member States relating to trade marks (89/104/EEC). The old UK law is expressly preserved by s 7(3) of the TMA 1994. The provision is something of a paradox in the light of the Directive's extension of the relative grounds of refusal (see 13.5.4), as it will allow conflicting registrations. This measure of independence cannot continue if an order is made under s 8 of the TMA 1994 (see 13.2.1).

Where a new mark conflicts with an earlier mark or earlier right, registration may still be allowed if the applicant satisfies the Registrar that there has been honest concurrent use of the new mark: s 7(1) of the TMA 1994. The Registrar shall not refuse to register unless objection is taken on the relative ground by the proprietor of the earlier right or earlier mark in opposition proceedings: s 7(2) of the TMA 1994 (but must be satisfied that there has been honest concurrent use). If the earlier right owner *does* object, Robert Walker J held in *Road Tech Computer Systems Ltd v Unison Software (UK) Ltd* (1996), the Registrar must refuse the application as there is no residual discretion left. The earlier right or mark owner may also seek a declaration of invalidity if the mark has secured registration: s 47 of the TMA 1994.

The test to be applied in order to determine whether there has been sufficient and honest concurrent use of a mark by the new mark's applicant and the earlier right owner is that set out by the House of Lords in *Pirie's Application* (1933). In this case, registration of ABERMILL for stationery was allowed, despite concurrent use of the phonetically similar HAMMERMILL for paper, because the choice of mark by the applicant was honest, they had substantial trade and no confusion was proved. The House of Lords considered five factors:

- (a) the degree of likelihood of confusion – some potential confusion is almost inevitable if the mark falls within the relative grounds, so that it is the extent of likely confusion which is relevant;
- (b) whether the choice of the mark by the applicant was honest – knowledge of the earlier mark does not render the choice automatically dishonest if made in the belief that no confusion would result, and this remains the case even if the earlier mark owner objected;
- (c) the length of the applicant's use of the mark – usually at least seven years' use is required, although, on the facts of the case, five years sufficed;
- (d) evidence of actual confusion occurring from the concurrent use, the confusion resulting from use and not registration;

- (e) which of the parties had the longer and greater trade – balancing the hardship to the applicants in refusing registration with hardship to the other right owner, and with the inconvenience to the public.

It is a test based on policy and, in *GE Trade Mark* (1973), Lord Diplock held that, once there was potential confusion between the two marks, the public interest lay in refusing the registration, balanced only against the legitimate interests of traders acquired through use. Traditionally, the courts adopted a cautious approach and marks were refused registration if they failed a test of 'triple identity'. If the marks themselves were identical or very similar and so were the goods or services of both concerns and their areas of sales or services, registration was unlikely.

## **REGISTERED TRADE MARKS**

Trade marks identify. They do so economically and conveniently and are of great value to their proprietors. The TMA 1994 introduced the new law for the UK, in order to harmonise domestic law with that of other EU States, to accommodate the Community trade mark and the Madrid Protocol and to reform the old law.

Trade mark registration confers a personal property right in the mark and a monopoly in the mark (but not the product) for trade use. Registration (initially granted for 10 years) may be renewed indefinitely.

To identify, trade marks must be distinctive, indicating the source of goods or services to consumers. In turn, this identifies a reputation for quality and provides encouragement for a trader to provide and maintain that quality. Trade marks are also of enormous importance in advertising and have a value to their proprietors as commodities in themselves. Protection may be sought for all three functions – indication of source, guarantee of quality and advertising and investment value – in trade mark law.

### **Registration of a mark**

The registration of a mark does not preclude a remedy in passing off, but does allow protection before any use has been made of the mark. Application may be made for domestic protection, a Community trade mark or international protection through WIPO and the Madrid Protocol.

Anyone may apply for a UK mark. Priority may be claimed from an application made in a Paris Convention country within the six months preceding the application's filing date. It is at the filing date that comparison with earlier marks is made. Goods and services are classified in 42 classes for the purposes of registration. An application is examined for both absolute and relative grounds of refusal, though the Act contains provision for the relative grounds to be raised only by opponents in the future. If the requirements for registration are met, the Registrar must register the mark. It is advertised and anyone may make observations or oppose registration within three months of the publication. Registration is for 10 years and may be renewed in 10 year intervals.

Application to WIPO is a convenient way of securing protection in other jurisdictions. Once a national application has been filed, the application is transmitted to WIPO for formal examination and then transferred to the national offices of all countries designated in the application. If not rejected

within 18 months, the mark secures protection in those designated States. Registration is for 10 years and may be renewed in 10 year intervals.

A Community trade mark is a unitary mark for every Member State of the EU. Application is to the OHIM in Spain. It is examined only for the absolute grounds of refusal. Refusal on the relative grounds is dependent on opposition. Registration is for 10 years, renewable in 10 year intervals.

A registrable mark must satisfy three criteria:

- it must be a 'trade mark';
- it must not fail on one of the absolute grounds; and
- it must not fail on one of the relative grounds.

### **Definition of a trade mark**

A new definition recognises changes in trading practices since the 1938 Act and some of the shortcomings of that Act.

A trade mark is:

- any sign;
- capable of being represented graphically;
- which is capable of distinguishing goods or services of one undertaking from those of other undertakings.

There is no restriction on the type of sign in the definition, so that tastes, smells, shapes and other unusual signs may be registered.

Reference to a sign implies use of the mark as a symbol representing its proprietor, so that the goods themselves are unlikely to be treated as a mark. A sign is anything which conveys information. Distinctive colours may be registered, though functional colours might be refused. Shapes are registrable, provided that they are distinctive and do not fail on the absolute grounds of refusal. A shape must be used as 'badge of origin' to be regarded as a sign.

A sign distinguishes by being either inherently distinctive in its very nature or having become so through use (factually distinctive). A mark only factually distinctive may require evidence of use to be registered. The definition makes no express mention of the functions a trade mark serves and 'capacity to distinguish' potentially includes all three trade mark functions. Marks not seen until after sale may be capable of distinguishing. Marks are not registered, however, for ancillary retail services, as they are not the services 'of' the retail undertaking.

### **The absolute grounds of refusal**

These are reasons for refusing registration rooted in the nature of the mark itself, where it is descriptive, functional or objectionable.

A mark that is not a 'trade mark' within the definition cannot be registered.

Trade marks which are devoid of distinctive character will be refused. This will apply to marks which are inherently non-distinctive and have yet to acquire factual distinctiveness. Common laudatory words such as TREAT will be refused.

Objections to non-distinctive, descriptive and customary marks may be overcome by evidence of acquired distinctiveness, under the proviso to s 3(1) of the TMA 1994. Use alone may not suffice: it must be use which has educated the consuming public that the sign is a mark, distinguishing goods or services of one trader from those of another. This will be particularly so if the mark has been used in conjunction with a recognised mark (a 'limping mark'). Generic use does not confer factual distinctiveness as a trade mark – a badge of origin.

Marks which are exclusively descriptive or customary in the trade will not be registered, but distinctiveness may be acquired through appropriate use.

Trade marks contrary to public policy or to accepted principles of morality will be refused. Morality is measured according to contemporary standards and is likely to be tested objectively. Economic grounds of objection will not lie under this absolute ground, but infringement of other rights should remain relevant. The objection must lie within the mark and not the proprietor's activities.

Deceptive marks will also be refused, as will marks likely to cause harmful confusion between products. Marks prohibited by statute, common or Community law will not be registrable, nor will specified specially protected emblems.

An application made in bad faith will be refused, however registrable the mark. It is likely that the lack of a *bona fide* intention to use a mark will be regarded as in bad faith. An intention to use that is conditional on some contingency or is colourable is also likely to be in bad faith. It is possible that registration for a much wider category of goods and services than those actually dealt in by the applicant will be in bad faith, as might registration for the purpose of stockpiling marks and applications made in the knowledge that the mark belongs to another person. It is to be hoped that use for all of the three trade marks functions will be regarded as in good faith, although, under the 1938 Act, investment use of a mark was regarded as not being *bona fide*.

Although shapes are capable of constituting trade marks, some shapes will be refused under the absolute grounds. Shapes which:

- result from the nature of the goods themselves;
- are necessary to obtain a technical result; or
- which give substantial value to goods,

will not be registered. It is difficult to interpret shape resulting from the nature of goods as this could mean either that only capricious additions to the basic shape of the particular product at issue will be registrable or that a general meaning is given to goods, so that particular manifestations of a wider category of product should pass muster. Shapes achieving a technical result must be 'necessary' to that result, so that registration could remain possible where design freedom exists as to that function. A strict interpretation of 'necessary' would also exclude obvious choices of shape. In the *Philips* case, a strict view was taken, any shape substantially achieving a technical result should be excluded. Other European jurisdictions do not take such a strict view. A shape which adds to the value of a product, rather than just to its market value, will give substantial value to goods and be refused.

### **The relative grounds of refusal**

These are reasons for rejecting a mark for external reasons by comparison with other marks. The comparison that is made mirrors that made for the purposes of infringement. A sign that would infringe after registration will prevent registration. There are four elements to the comparison:

- the date from which the mark and prior right are compared;
- the prior marks to be taken into consideration;
- the degree of likeness required before registration is refused; and
- the degree of likeness between the parties' goods or services.

Comparison (including any priority) of the mark applied for is made at the filing date. Comparison is with earlier marks and earlier rights. Earlier marks include other domestic marks, international marks or Community marks with an earlier priority date. Earlier rights encompass unregistered marks or other signs used in the course of trade, particularly if the new mark would amount to passing off if used. Other rights, such as copyright and design, will also preclude registration.

Interpretation of the TMA 1994 necessitates use of the Directive, the decisions of the OHIM, courts of other Member States and the ECJ, but not the confidential minutes of the Council meeting at which the Directive was adopted (*Wagamama Ltd v City Centre Restaurants* (1995)).

There are three heads of comparison:

- identical marks/identical goods or services;
- identical marks/similar goods or services; similar marks/identical or similar goods or services;
- identical or similar marks/dissimilar goods or services.

Relative grounds will be raised by the Trade Mark Registry, unlike the OHIM, although the practice may be altered in the future.

### **Honest concurrent user**

The ability to register where there has been honest concurrent user of conflicting marks has been preserved in a departure from the Directive and the old law here is expressly preserved. However, if the earlier mark owner objects, there can be no registration. Five factors are considered:

- the degree of likelihood of confusion;
- whether the applicant's choice of mark was honest;
- the length of the applicant's use of the mark;
- evidence of actual confusion from the concurrent use;
- which of the parties has the longer and greater trade.

The potential for confusion means that public policy lies in refusal, unless legitimate interests have been created by use of the mark. Where there was 'triple identity' (of marks, goods or services and areas of trade) marks were traditionally refused.





## TRADE MARK INFRINGEMENT AND CHALLENGES TO TRADE MARKS

Once a trade mark has been registered, its proprietor has an interest both in defending the mark against use by others and in putting the mark to use for his commercial purposes. The mark is defended by means of infringement of the exclusive right that registration confers and exploited by means of the property that registration brings into being. Registration does not end the legitimate interests of others in the mark and may be challenged by means of revocation and declarations of invalidity.

### 14.1 The exclusive right

Registration of a mark confers exclusive rights in the trade mark on the proprietor; no further elaboration on the nature of the right is given by the statute, other than that the right is infringed by use of the mark in the UK without the consent of the proprietor: s 9(1) of the Trade Marks Act 1994 (TMA 1994). The exclusive right takes effect from the date of registration (which is, in turn, the date of filing). However, no infringement proceedings may be begun before the actual date of registration, nor is any offence under s 92 of the TMA 1994 committed by anything done before the date of publication of registration: s 9(3) of the TMA 1994.

It is an exclusive right 'in the trade mark'. This raises the potential for the definition of a trade mark and the trade mark functions which that definition is interpreted to include, to limit the right being conferred, further than the limits provided by the definition of infringement in s 10 of the TMA 1994. This was the case under the 1938 Act. Under the old law, descriptive use of a mark did not infringe, so that, in *Mothercare UK Ltd v Penguin Books Ltd* (1988), the use of *Mother Care*, *Other Care* as the title of a book did not infringe the MOTHERCARE mark, despite the plaintiffs' allegation that confusion would result with the Mothercare Book of Child Care. Similarly, in *Mars v Cadbury* (1987), the use of 'Treat Size' did not encroach on the registered mark TREETS, as it was used to describe the size of the otherwise marked WISPA bars. Such use is now specifically provided with a defence to infringement by s 11(2) of the TMA 1994. Nor did decorative use of a mark infringe: *Unidoor Ltd v Marks and Spencer plc* (1988). The defendants used the phrase Coast to Coast on t-shirts, but this did not infringe the plaintiffs' registered COAST TO COAST. That it is not necessary to impose such a limitation on the exclusive right is illustrated by Rattee J's decision in *The European Ltd v The Economist Newspapers Ltd* (1996). He held that the defendants' use of the word

'European' descriptively in their mark was relevant to consideration of whether their mark was similar to the plaintiffs' and whether there was a likelihood of confusion between the two. However, if 'sign' in s 1(1) of the TMA 1994 (see 13.3.1) is interpreted to mean a mark or symbol, as the dictionary suggests ('a mark, symbol or device used to represent something or distinguish the object on which it is placed'), then descriptive and decorative use will continue to fall outside the exclusive right. Early case law under the TMA 1994 differed on interpretation of s 9(1) of the TMA 1994.

In the Scottish case of *Bravado Merchandising Services Ltd v Mainstream Publishing Ltd* (1996), Lord McCluskey took the view, considering s 10(1) of the TMA 1994, that the court was required to find, as a matter of fact, whether the defendants' use of a sign was use in a trade mark sense and that use could be simultaneously both descriptive and use as a trade mark. This was the case in the use of the mark WET WET WET in the title of the defendants' book about the pop group. Rejecting this, in *British Sugar plc v James Robertson and Sons* (1996), Jacob J considered s 9(1) of the TMA 1994 and took the view that s 9(1) of the TMA 1994 did not require such a gloss to be placed on s 10 of the TMA 1994, which refers only to the use of a 'sign' by the defendant. This was because s 11(2) of the TMA 1994 provides specific protection for other legitimate types of use and because it would be a departure from the Directive. He described the exclusive right as 'a chatty introduction' to the details of infringement in s 10 of the TMA 1994. However, Jacob J appears to reintroduce the need for use as a trade mark in his assertion that the use of WET WET WET on the cover of a book about the group was not use in relation to the goods (see 14.2). In *British Telecommunications plc v One in a Million* (1999), the Court of Appeal doubted whether use as a trade mark was required for s 10(3) of the TMA 1994. Jacob J reconsidered the point in *Philips Electronics NV v Remington Consumer Products Ltd* (1998), but left it open.

## 14.2 Infringement

The proprietor of a trade mark may take proceedings for infringement of the mark and the usual remedies for infringement of a property right are available, including damages, injunction or an account of profits: s 14 of the TMA 1994. Primary infringement of a trade mark comprises the doing of the acts specified in s 10 of the TMA 1994 without the trade mark owner's consent: s 9(1) of the TMA 1994. In addition, contributory infringement is provided for by s 10(5) of the TMA 1994, so that a person who puts a registered mark on material intended to be used for labelling or packaging goods or as business paper or for advertising goods or services is treated as a party to any infringing use of the material, provided that he knew or had reason to believe that the application of the mark was not authorised by the mark's proprietor. As in *LA Gear Inc v Hi Tec Sports plc* (1992), knowledge of

relevant circumstances is likely to contribute to constructive knowledge of infringement (see 9.3.1).

Sections 9 and 10 of the TMA 1994 have been criticised for failing to properly implement the Directive. Article 5 states that ‘the registered mark shall confer ... exclusive rights therein. The proprietor shall be entitled to prevent ...’, which implies that the infringing acts defined by the Directive are only among the range of potentially infringing acts, whereas the TMA 1994 confines infringement to those defined in s 10 of the TMA 1994.

The infringing act involves four elements: first, using a sign; secondly, using it in the course of trade; thirdly, use in relation to goods or services; and, finally, use in conflict with the registered mark.

The first element requires examination of what constitutes use of a sign. Section 10(4) of the TMA 1994 provides that use of a sign includes affixing the sign to goods or their packaging, or offering or exposing goods for sale, putting them on the market, or stocking them for sale under the sign, as well as offering or supplying services under the sign. Using also includes importing or exporting goods under the sign and using the sign on business papers or in advertising. In an important departure from the old law, s 103(2) of the TMA 1994 makes it clear that references to use of a mark or sign include use otherwise than by means of graphic representation, as must be the case for sound or smell marks. Oral use in broadcasting, for example, may, therefore, infringe, as may other uses that are neither visual nor graphic.

The second element requires that the defendant make use of the sign in the course of trade. Under the old law, this was given strict interpretation to mean use in the course of trade in the goods for which the mark was registered: *Aristoc v Rysta* (1945). In *M Ravok v National Trade Press* (1955), it was held that, where the defendants attributed the plaintiffs’ mark to a third party in their trade directory, the use was made not in the course of trade in goods for which the mark was registered but in the course of their own trade as publishers. This decision made it difficult for trade mark proprietors to prevent their marks becoming generic (see 14.5.1). The same phrase appears in the TMA 1994 and may be interpreted in the same way. Sanders (‘Some frequently asked questions about the 1994 UK Trade Marks Act’ [1995] EIPR 67) has suggested that any non-private activity which has an economic benefit should be considered to be in the course of trade. In a Benelux case, a reproduction of the PHILIPS mark in an article about the Second World War was held to infringe because it attracted readers to the publication and was in the economic intercourse of the defendants’ business. However, it seems unlikely that use such as Monet’s reproduction of the red Bass triangle mark and Hockney’s painting of a CAMPBELL soup tin should infringe.

The third element requires use in relation to goods or services and, although the fears of traders also providing ancillary services that their trade mark might be infringed by application to services have been catered for by

s 10(4)(b) of the TMA 1994 (see 13.3.5), the case of *Trebor Bassett v Football Association* (1997) illustrates the continuing difficulties. Rattee J struck out the defendants' allegation that the plaintiffs were infringing their trade mark by including photographs of footballers sporting the registered England logo on their clothing in packets of confectionery, on the basis that the logo was not being used at all by the plaintiffs, nor used as a sign in relation to their cards. It was also argued in *Bravado Merchandising Services Ltd v Mainstream Publishing Ltd* (1996) that the use of WET WET WET in the book title *A Sweet Little Mystery – Wet Wet Wet – The Inside Story* was not use in relation to goods, but the point was left undecided. In *British Sugar plc v James Robertson and Sons* (1996), Jacob J said that the WET WET WET mark was not being used in relation to goods covered by the registration, but only to refer to the book's subject matter. In one sense, the mark was very much used in relation to the book, as it appeared on the cover and this *dictum* seems to raise implicitly the need for the defendants' use to be use 'as a trade mark' identifying the goods or services.

In the fourth element, whether an actionable conflict between the trade mark and sign used takes place requires a comparison of both the claimant's mark with the defendant's sign, and of the goods or services of claimant and defendant. This comparative test is the same in its structure as that which is applied to the relative grounds of refusal (see 13.5.4):

- identical marks/identical goods or services;
- identical marks/similar goods or services and similar marks/identical or similar goods or services;
- identical or similar marks/dissimilar goods or services.

This spreads a much wider net than did the 1938 Act, which confined infringement to use of the same mark or one nearly resembling it on the same goods or services or goods or services 'of the same description'. It is the defendant's 'sign' which is compared to the claimant's 'trade mark'. This means that the form of the sign as it is being used, or about to be used, is considered. However, a trade mark may be registered in general terms (see *Bravado Merchandising Services v Mainstream Publishing*) and the claimant may not have begun using it, so that it is any normal and fair use of the claimant's mark in relation to the goods for which it is registered which is compared to the sign, ignoring any extraneous material such as the small size of the defendant's business: *Origins Natural Resources Inc v Origin Clothing Ltd* (1995). In *Sabel BV v Puma AG* (1998), however, the European Court of Justice (ECJ) took into account the acquired strength of Puma's mark.

### 14.2.1 Identical marks/identical goods or services

Where there is identity both of mark and the defendant's sign and of the claimant's and defendant's goods or services, there is no further requirement of confusion or damage to reputation to be shown: s 10(1) of the TMA 1994. This allows a claimant to proceed by way of summary judgment against counterfeiters. The term 'identical' is likely to be given its dictionary meaning of exactly alike, equal or agreeing. However, in *Bravado Merchandising Services v Mainstream Publishing*, the defendants' use of WET WET WET was deemed identical, although in a different typeface to that of the registration as it was held that the particular typeface or colour used to depict the mark was not an essential part of the mark, unless an express indication that that was intended were given. Were it otherwise, every possible permutation would require registration. Jacob J said, *obiter*, in *British Sugar plc v James Robertson and Sons* (1996), that the plaintiffs' and defendants' marks of TREAT were identical.

It is not only the marks which must be identical, but the goods or services to which they are applied, so that an ice cream syrup and sweet tasting spread were held not to constitute identical goods in *British Sugar plc v James Robertson and Sons* (1996).

### 14.2.2 Identical marks/similar goods or services; similar marks/identical or similar goods or services

Where a sign that is identical to a registered trade mark is applied to goods or services similar to those for which the mark is registered; or a sign which is similar to a registered mark is applied to goods or services either identical or similar to those within the registration, the sign may infringe. This will only be the case if there exists a likelihood of confusion on the part of the public, including the likelihood of association with the trade mark: s 10(2) of the TMA 1994. To make out infringement, the claimant's mark and defendant's sign must be compared, as must the goods or services of claimant and defendant, to establish the necessary similarity, as well as potential confusion being established. In *British Sugar plc v James Robertson and Sons* (1996), it was said that the question of possible infringement does not arise unless the necessary two comparisons are made out; confusion alone will not suffice. But the ECJ, in *Sabel BV v Puma AG* (1998), considered a global approach to the question of similarity and confusion. The comparison and subsequent examination of confusion are made without considering any added matter or circumstances (*Saville Perfumery Ltd v June Perfect Ltd* (1941)), so that a disclaimer added by the plaintiff will not avoid infringement in the way that it would in a passing off claim (see 12.3.3).

#### *Similarity of marks*

The 1938 Act referred to 'nearly resembling' marks, whereas a requirement of similarity appears to import a wider concept. The factors relevant to the

determination of whether marks resemble remain valid under the new law. However, it is the level of resemblance required that may have been lowered. The introduction of sound and smell marks, as well as other novel forms of sign, by the TMA 1994, introduces additional relevant factors, such as a mark's sound or other characteristics apart from any visual representation, and this is recognised by s 103(2) of the TMA 1994. Factors the courts have taken into consideration include the 'idea of a mark', for example, a mark, such as a triple representation of an animal, incorporates the 'idea' of a triple repetition, so that a sign repeating the same animal only twice might escape a finding of similarity. The idea of a mark includes its meaning, or lack of meaning: *Wagamama Ltd v City Centre Restaurants* (1995). The registered mark is considered as a whole for its overall effect, rather than a letter by letter (or digit) comparison being made: ERECTIKO was refused registration under the 1938 Act as being too close to ERECTOR (*William Bailey's Application* (1935)). The first syllable of a word mark is the most significant. Both an aural and a visual comparison is made. But matter common to a particular trade (such as 'cola', for example) will be disregarded. It is also borne in mind that the consumer will not necessarily have access to both mark and sign side by side for comparison and may remember the plaintiff's mark imperfectly or may mispronounce it. It is essentially a 'jury question': the mark and sign are compared through the eyes (and other senses) of a hypothetical customer, though the decision is one for the judge. Laddie J accepted that evidence of witnesses might be required to assist a judge in assessing the ways in which members of the target market will pronounce a word mark and of the mark's visual and phonetic impact on them in *Wagamama Ltd v City Centre Restaurants* (1995). In *Pianotist's Application* (1906), Parker J said, in relation to word marks:

You must take the two words. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks.

ORIGINS and ORIGIN were held to be similar in *Origins Natural Resources Inc v Origin Clothing Ltd* (1995) as the public could not be expected to distinguish between the singular and plural uses of the word. The comparison was stated to be 'more a matter of feel than science' by Laddie J in *Wagamama v City Centre Restaurants*, and WAGAMAMA and RAJA MAMA were found to be similar. Adjectival use of the word 'European' in *The European Ltd v The Economist Newspapers Ltd* (1996) was not found to be similar in relation to the plaintiffs' device mark for its masthead, even though the word was the essential feature of the plaintiffs' mark.

### *Similarity of goods and services*

Again, the TMA 1994 introduces new wording in relation to the similarity of goods or services of claimant and defendant. Under the 1938 Act, the court had to determine whether the relevant products were 'goods of the same description'. In so doing, the courts took into account similarities in the nature and composition of the plaintiff's and defendant's goods or services, in their use and in the channels of distribution employed: *Jellinek's Application* (1946). In *British Sugar plc v James Robertson and Sons* (1996), Jacob J likened the new test to the old, warning against the temptation to use the new wording to extend a proprietor's protection too far from the specification of goods for which the mark was registered and thereby creating very wide and unjustified monopolies; and he listed six relevant factors in the context of modern marketing methods:

- (a) the respective uses of the respective goods or services;
- (b) the respective users of the respective goods or services;
- (c) the physical nature of the goods or acts of service;
- (d) the respective trade channels through which the goods or services reach the market;
- (e) in the case of self-serve consumer items, where, in practice, they are respectively found or likely to be found in supermarkets and, in particular, whether they are or are likely to be found on the same or different shelves;
- (f) the extent to which the respective goods or services are competitive. This inquiry may take into account how those in trade classify goods, for instance, whether market research companies, who of course act for industry, put the goods or services in the same or different sectors.

Consequently, spreads and ice cream topping were not similar goods, nor were videos and television programmes in *Baywatch Production Inc v The Home Video Channel* (1997).

### *Likelihood of confusion*

It is only similarity of either product or marks that leads to the likelihood of confusion that will infringe. The claimant may not have begun use of the registered mark and so no actual confusion need be shown (*Origins Natural Resources Inc v Origin Clothing Ltd* (1995)), but evidence of actual customer confusion by customer complaints or survey evidence may be heard. Both expert, public and survey evidence was heard in *The European Ltd v The Economist Newspapers Ltd* (1996), but not regarded as useful. Where a mark is being used, it has been argued that the circumstances of use should not be ignored, in making a comparison between the defendant's actual use of the sign and any hypothetical normal and fair use of the registered trade mark by the claimant: Prescott, P, 'Analysis – infringement of registered trade marks:



always a hypothetical comparison?' [1997] IPQ 121. The preamble to the Directive states:

... whereas the likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods and services identified ...

This can be interpreted to mean that the necessary presence of confusion depends on a number of factors, among which are the level of recognition of the mark by consumers, the extent of similarity between mark and sign, over and above the level that must be reached before any question of confusion arises, and the degree of similarity of the products concerned (above the threshold level), which would include consideration of the claimant's actual use of the mark in trade. The relevance of all circumstances was illustrated by the case of *Lancer Trade Mark* (1987). The application by Mitsubishi to register LANCER for cars was opposed by Fiat, on the grounds of its similarity to LANCIA. Applying the TMA 1938, the Court of Appeal held that the two marks were visually distinguishable, but sufficiently phonetically similar to raise the issue of confusion. Taking into account the difference in number of syllables of the two marks, the fact that LANCER had a recognised meaning in English but that LANCIA did not, the nature of the market in cars, an expensive and carefully considered purchase for the majority of consumers, and the fact that LANCER was the name applied to a model of car, whereas LANCIA was the name of a manufacturer, it was held that there was no real risk of confusion to a substantial number of persons.

The old law, tied as it was to a definition of a trade mark as an indication of source, insisted on confusion as to the source of the relevant goods or service: *Ravenhead Brick Co v Ruabon Brick Co* (1937). The TMA 1994, however, adds the likelihood of confusion on the part of the public includes 'the likelihood of association with the trade mark'. In Benelux, trade mark law resemblance between marks sufficient for one to call the other to mind, without causing confusion as to the source of the respective products may infringe. The leading case is *Union v Union Soleure* (1984):

... there is similarity between a trade mark and a sign when, taking into account the particular circumstances of a case, such as the distinctive power of the trade mark, the trade mark and the sign, each looked at as a whole and in relation to one another, demonstrate such auditive, visual or conceptual resemblance, that associations between sign and trade mark are evoked merely on the basis of this resemblance.

In *Monopoly v Anti-Monopoly* (1978), the two names MONOPOLY and ANTI-MONOPOLY were used on games of opposite nature, the one concerned with a player's attempts to create a monopoly, the other being anti-capitalistic in nature. It was unlikely that the two would be regarded as emanating from the

same source, but ANTI-MONOPOLY was held to infringe as it was likely that a mental link with MONOPOLY would be made. It was strongly argued that the Directive and, therefore, the TMA 1994, embodied this principle in s 10(2) of the TMA 1994, the argument backed by the Statements attached to the Council Minutes (see 13.5.3). Such an interpretation is linguistically at odds with the section, for it would be strange to regard the narrower concept of 'confusion' as 'including' the wider concept of association. The issue of 'non-origin association' was raised in *Wagamama Ltd v City Centre Restaurants* (1995) before Laddie J, who held that s 10(2) covered 'classic infringement', but not non-origin association. Considerable debate followed, as it was felt that the result was to ignore both the advertising and investment function of trade marks, and dilution of a mark in relation to similar goods or services: Kamperman Sanders, A, 'The *Wagamama* decision: back to the dark ages of trade mark law' [1996] EIPR 3; Sanders, A, 'The return to *Wagamama*' [1996] EIPR 521; Gielen, C, 'European trade mark legislation: the statements' [1996] EIPR 83.

Interpretation of the Directive in relation to the concept of confusion was referred to the ECJ in *Sabel BV v Puma AG* (1998) in a case concerning the relative grounds of refusal. Puma opposed Sabel's application to register a device mark, consisting of a bounding cheetah and their name, in Germany, where Puma had registered a silhouette of a bounding puma. The ECJ considered two questions: the first as to the appropriate way in which to compare a composite device mark such as Sabel's and the second as to the correct interpretation of 'the likelihood of confusion including the likelihood of association'. They said, first, that the device mark must not be separated into its components, but be considered 'globally'; appreciation of the visual, aural, or conceptual similarity of the marks being based on the overall impression given by them, but bearing in mind their distinctive and dominant components, in the way that the average consumer would perceive a mark. Conceptual similarity (both marks focusing on a running feline) might give rise to a likelihood of confusion if the earlier mark was particularly distinctive, either inherently or through an extensive acquired reputation with the public. On the facts, however, Puma's mark was not particularly well known, and conceptually not very imaginative so that the marks' similarity was unlikely to give rise to confusion. On the second question, the ECJ steered a middle course between the two extremes of *Wagamama*. They said that the wording of the Directive (that a likelihood of confusion include a likelihood of association) precluded an interpretation that a likelihood of association be an alternative to confusion, association served only to define confusion's scope; and that this was confirmed by the 10th Recital in the Directive's preamble which establishes that the likelihood of confusion must be considered globally, taking into account all relevant circumstances. Confusion could therefore comprise 'direct confusion' where the public confuse the sign and mark in question, or 'indirect confusion' where the public are sufficiently confused to connect the respective proprietor's mark and sign (Advocate General Jacob

referred to assuming an organisational or economic link, such as, perhaps, a licence or franchise), but not 'association in the strict sense' where the sign and mark's similarity causes the public to call the mark to mind without confusing the two (non-origin association). The decision does not remove potential protection against dilution in relation to similar goods or services because the ECJ left open the possibility of indirect confusion being caused where a mark had considerable reputation or inherent distinctiveness.

### **14.2.3 Identical or similar marks/dissimilar goods or services**

To use either a sign which is identical or similar to a registered trade mark in relation to goods or services which are not similar to those for which the mark is registered will also infringe, provided that the trade mark has a reputation in the UK, the use of the sign is without due cause, and takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark: s 10(3) of the TMA 1994. This provision is new to UK trade mark law, and provides a remedy for 'dilution' of a mark, and other damage to reputation or the mark's economic value as a commodity (able to be merchandised, for example). There is no need to show public confusion, only damage to the value of the mark. Schechter argued, as long ago as 1932, to a Congressional committee (Schechter, Frank, *Hearings before the House Committee on Patents*, 72d Cong, 1st Sess, 15 (1932)) that a mark should be protected both as a product identifier and a product advertiser, otherwise uncontrolled use of a well known mark would cause damage to the mark's distinctiveness. This would particularly be so if the mark be applied to a wide range of goods including those with unattractive associations, thereby diluting the mark's drawing power in the marketplace. Benelux law provides such protection, as does State and Federal law in the US. The opportunity to expand into new markets is protected by this new infringement but over-protection remains a danger if a trade mark proprietor is to be able to monopolise the mark in all fields of goods and services. Limits, such as those adopted by the courts in defining damage and a common field of action in relation to passing off (see 12.2.5 and 12.4), may be required. To provide such a remedy has been criticised as undermining the basis of trade mark registration in classes and according to use; although the requirement that damage be shown should redress the balance. One solution would be to place the focus on unjust enrichment on the defendant's part, showing that unjustified use had been made of a mark; the deliberateness of the defendant's actions have swayed the court in passing off cases (see 12.3.3).

The claimant must establish, first, the identity or similarity of the defendant's sign to the registered mark in the same way as for s 10(1) and (2) of the TMA 1994. In addition, it will be necessary to establish: secondly, the mark's reputation in the UK; thirdly, that the defendant's use was without due cause; and, fourthly, that use will damage to the mark's character or repute. It

is only reputation, and not goodwill, in the UK which is required. The statute gives no guidance as to the extent of reputation required. One way to limit the potential for over protection inherent in this remedy would be to require an extensive reputation to be established. In the Benelux courts, the greater the reputation the more likely a dilution case is to succeed, and the Federal Trademark Dilution Act 1995 in the US applies only to 'famous' marks, such as MARLBORO, COCA-COLA and NESCAFÉ. Precedent for the criteria and evidence needed to establish a reputation exist in passing off law, and will develop in relation to well known marks (see 14.3.2). The International Trademark Association suggest that reputation can be shown by the degree of inherent and acquired distinctiveness of the mark, the duration and extent of its use, and of publicity and advertising with the mark, the geographical extent of trading, channels of trade used, and degree of recognition in the claimant's and defendant's trading areas and distribution channels, and the nature and extent of use of something similar by third parties.

Use by another with 'due cause' will not infringe; in Benelux law, the defendant's use must be regarded as necessary to escape liability, but necessary uses in the UK are already absolved by the defences to infringement provided by s 11 of the TMA 1994 (see 14.4). Legitimate advertising comparing the products of claimant and defendant would appear to be a justifiable reason for use, as would ownership of other intellectual property rights, or prior use of the mark.

The fourth requirement of unfair advantage being taken of, or detriment caused to the distinctive character or repute of the mark, allows for two sorts of damage that have been identified as the result of a mark being diluted by use on dissimilar goods or services: 'blurring' and 'tarnishing' of a mark. Blurring occurs when the distinctiveness of a mark is detracted from by use on differing products, such as the use of KODAK for pianos, and BULOVA for gowns, which was found to infringe in the US, or the infringing use of MARLBORO for cosmetics in Benelux. That there must be damage, or a likelihood of damage, is a pre-requisite: *BASF plc v CEP (UK) Ltd* (1996), although *dicta* of the ECJ in *Sabel BV v Puma AG* (1998) suggest that the claimant need not show deception of the public and, in *Parfums Christian Dior v Evora BV* (1998), the ECJ revealed a sympathy for trade mark proprietors' desire to defend a prestigious image where no confusion would occur. This stands in contrast to the questionable decision in *Baywatch Production Inc v The Home Video Channel* (1997). The deputy judge Michael Crystal QC held in an unreserved judgment (following *BASF plc v CEP (UK) Ltd* (1996)) that, because s 10(3) of the TMA 1994 introduces the concept of similarity of mark and sign, it followed that the likelihood of confusion was imported into the remedy, implying that marks are not similar unless they lead to a likelihood of confusion. This is justified by the anomaly that otherwise dilution in relation to similar goods or services would require confusion and be harder to establish than that in relation to dissimilar products. This is only an anomaly,

though, if s 10(2) of the TMA 1994 is interpreted to be confined to source confusion, and not the wider Benelux connotations of 'association'. The Court of Appeal, in *British Telecommunications plc v One in a Million* (1999), doubted that confusion was necessary. Damage without customer confusion is possible, so that the mark owner may feel the need to abandon the mark or to initiate remedial advertising in order to overcome adverse customer response to the blurring. In the case of blurring, damage is most likely where the mark carries connotations of high quality or luxury, as it seems unlikely that s 10(3) TMA 1994 will prevent all duplication of marks, such as the use of JIF for lemon juice and a household cleaner (both products being available in supermarkets). Tarnishing refers to the damage caused to a mark by use in circumstances that subvert the claimant's image by unpleasant associations. Thus, the use of AMERICAN EXPRESS on packets of condoms was actionable (*American Express Co v Vibra Approved Laboratories Corp* (1989)) in the US. The leading Benelux case is that of *Claeryn/Klarein* (1976). The owner of the CLAERYN mark for Dutch gin was able to prevent KLAREIN (which sounds exactly the same in Dutch) for a cleaning product. Parodies of trade marks, made normally for profit and not humour, may fall into this category of harm, as may diversion of a mark's value as a commodity: the BAYWATCH mark was being merchandised on a wide range of products, for example. Any requirement of source confusion or deceptiveness would frustrate this protection, however.

### 14.2.4 Comparative advertising

The 1938 Act made explicit provision to render use by one trader of another's trade mark in comparative advertising infringing (s 4(1)(b) of the TMA 1938), but there are two schools of thought as to whether advertising one's goods by making unfavourable comparisons with one's competitors' products should be prevented. One view is that such advertising is in the consumer interest in a free market economy, because it stimulates competition and provides purchasers with the information necessary to assess the qualities of a product, and should be regulated only to the extent of ensuring truthful comparison. In the UK, control is exercised through the Consumer Protection Act 1987, the Consumer Credit Act 1989 and the Advertising Standards Authority Code of Practice and, despite the provisions of the 1938 Act, has been a common practice in some industries, such as the sale of personal computers and of cars. It has been regarded as legitimate provided that the mark owner has been informed. The other view is that comparative advertising is not justifiable and it is banned in Belgium, for example. In June 1997, the European Union adopted the Directive of the European Parliament and of the Council amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising (97/55/EC) in order to harmonise Member States' legislation by the year 2000. The Directive does have the potential to

allow states who wish to do so to control comparative advertising under the guise of consumer protection. The government takes the view that the TMA 1994 will not need amendment in order to comply with the Directive.

Section 10(6) of the TMA 1994 provides sanction for the use of another's trade marks to identify competitors, by stating what will not amount to an infringing act:

Nothing in the preceding provisions of this section shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee.

This is, however, subject to an extensive proviso:

But any such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark,

which sets out both the act, and the harm required to be shown, in order to constitute infringement; at the same time providing a defence for the careful comparative advertiser. There is no need to compare parties' goods or services, or the marks, as it is proprietors' own marks which are used to identify their own products.

The proviso's wording is familiar both from ss 10(3) and 11(2) of the TMA 1994, which may provide guidance to the sub-section's interpretation, but, in *Barclays Bank plc v RBS Advanta* (1996), Laddie J held that the section should be considered alone. He reviewed the drafting of s 10(6) of the TMA 1994 critically as 'a mess', being derived partly from purely domestic law, and partly from both the Directive and the Paris Convention. He accepted the argument that the two halves to the proviso meant the same thing: if a competitor's use of a mark were to take unfair advantage of it, the use would necessarily be dishonest, despite the odd result that the proviso to ss 10(3) and 11(2) of the TMA 1994 will have the same result, though the language differs. He held that, first, the onus was on the plaintiff to prove dishonesty, and that unfair advantage had been taken of the mark without due cause. Secondly, he held that the honesty of the defendant's practice be determined objectively and that the test to apply was the reaction to the advert by members of a reasonable audience. He anticipated a robust approach to advertising by its recipients.

The fact that the advertising pokes fun at the proprietor's goods or services and emphasises the benefits of the defendant's is a normal incidence of comparative advertising. Its aim will be to divert customers from the proprietor. No reasonable observer would expect one trader to point to all the advantages of its competitor's business and failure to do so does not, *per se*, take the advertising outside what reasonable people would regard as 'honest'.

Thus, mere trade puffery, even if uncomfortable to the registered proprietor, does not bring the advertising within the scope of trade mark infringement. Much advertising copy is recognised by the public as hyperbole.

But advertising judged by a reasonable reader as not honest, on being given the full facts, for example, because it was 'significantly misleading', would infringe. Thirdly, Laddie J rejected the argument that the court should be guided by statutory or industry agreed codes in determining whether the defendant's conduct was honest in accordance with 'industrial or commercial matters', as this would make infringement much more prevalent in trades where advertising is strictly controlled. However, he said that the nature of the goods or services at issue would be relevant to the degree of hyperbole considered honest. Fourthly, he held that the final words of the proviso added nothing more as an advertisement which is not honest would almost always take unfair advantage and vice versa, merely requiring some advantage to the defendant or harm to the character or repute of the mark above a *de minimis* level. This was followed by Jacob J, in *Vodafone Group plc v Orange Personal Communications Services Ltd* (1997), rejecting the defendants' argument that their slogan did no harm to the distinctive character of VODAFONE'S mark – once it was dishonest, there was infringement. 'Thoroughly misleading' flyers comparing products were held to infringe, although found not to be malicious by Jonathan Parker J in *Emaco Ltd v Dyson Appliances Ltd* (1999). The judge followed the test of dishonesty applied in *Cable and Wireless plc v British Telecommunications plc* (1998), in which Jacob J added to the criteria of *Barclays Bank plc v RBS Advanta* (1996). He said that the advertisement should be read as a whole and not subjected, in interlocutory proceedings, to minute textual examination, although, anyone who puts forward a false claim knowingly cannot be acting honestly. The test to be applied is whether a reasonable trader could honestly have made the statements based upon the information available to him, and not the defendants' belief in the truth of their statements. This is a hybrid test, as the objective response of a reasonable trader is qualified by the subjective nature of the actual information available to him. A fully objective test was applied in *Vodafone Group plc v Orange Personal Communications Services Ltd* (1997). Nothing turned on the difference in *Emaco Ltd v Dyson Appliances Ltd* (1999).

Dishonest advertising may include more than the misleading. It has also been suggested (Fitzgerald, D, 'Comparative advertising in the UK' [1997] EIPR 709) that advertising products, as similar versions to a marked competing product ('smells like', 'tastes like', for example), might be regarded as dishonest, though, perhaps, only where confusion is likely. In 1998, the NOUVELLE advertising campaign offering dissatisfied customers free packets of the leading rival's product by name was quickly withdrawn, to be replaced by 'the leading brand'.

### 14.3 Well known marks

In an age of international travel and communications, marks may acquire extensive reputations in States where their proprietors are not (yet) trading. Such reputations are of considerable value to their owners, allowing for future expansion into new trading areas and for diversification into new products, as well as encouraging purchase among the travelling public. Passing off was seen to be of limited value in defending such reputations (see 12.2.4). That well known marks are vulnerable to damage can be seen in practices, such as the willingness of the Indonesian Trade Mark Office to register marks very well known internationally (such as DUNHILL, LEVI STRAUSS, CHARLES JOURDAN) but not locally registered for a local resident, the well known mark owner then being held to ransom to buy the mark 'back' at huge cost. Such marks are also prey to the damage of dilution, in the same way as domestic household names (see 14.2.3).

Article 6*bis* of the Paris Convention provides that the countries of the Union undertake to:

... refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods.

Although it had been argued that passing off, the ability of a user of an unregistered mark to oppose registration, and registration for defensive marks, did protect well known marks, they did not do so to the extent contemplated by the Paris Convention, and new measures were introduced by the TMA 1994. Well known marks fall into the net of comparison made for the relative grounds of refusal, preventing registration (see 13.5.1), and s 56 of the TMA 1994 creates a right of action for proprietors of well known marks.

#### 14.3.1 Injunctions against the use of well known marks

The proprietor of a mark well known in the UK may seek an injunction against use in the UK of a mark 'which, or the essential part of which, is identical or similar to his mark, in relation to identical or similar goods or services, where the use is likely to cause confusion'. This is available to nationals of Convention countries, or those domiciled in, or with a real and effective industrial or commercial establishment in a Convention country, regardless of the fact whether they carry on business, or have any goodwill, in the UK: s 56(1) of the TMA 1994, as this is protection for reputation alone. *Bona fide* use by others made before commencement of the TMA 1994 may be continued: s 56(3) of the TMA 1994. It will be necessary to show: first, that the mark is 'well known' in the UK; secondly, that the rival mark being used is



similar or identical to at least the essential part of the well known mark; thirdly, that the use is in relation to identical or similar goods or services; and, fourthly, that the rival use is likely to cause confusion. The mark must be a trade mark: *Philips Electronics NV v Remington Consumer Products Ltd* (1998).

Interpretation of 'similar', and 'identical' should follow that for ss 5 and 10 of the TMA 1994, but the confusion required to be shown differs from that of ss 5(2) and 10(2) of the TMA 1994 in that no mention is made of confusion including the likelihood of association. Yet, if the proprietor of the well known mark has no trade in the UK, it is less likely that source confusion will arise (although the consuming public may make the assumption that the well known mark's proprietor has expanded into the UK), and more than likely that confusion as to reputation, or damage in the nature of dilution may occur. Article 16 of the TRIPS Agreement extends Art 6*bis* of the Paris Convention to goods or services which are not similar to those in respect of which a trade mark is registered, provided that use of the trade mark in relation to those goods or services would 'indicate a connection between those goods or services and the owner of the registered trade mark' and provided that 'the interests of the owner of the registered trade mark are likely to be damaged by such use'. This appears to contemplate such damage without source confusion and may require changes to s 56 of the TMA 1994.

### 14.3.2 'Well known'

Neither the TMA 1994, nor the Paris Convention, define how to determine whether a mark is 'well known', only providing that the mark must be well known in the UK. The determination is left to 'the competent authority' in the country of use, meaning that the criteria adopted, and decisions reached, may differ from jurisdiction to jurisdiction. Texts explaining the Paris Convention state that the mark need not be registered in another Convention country. The Convention provision is directed towards avoiding unfair competition and providing consumer protection once a reputation providing information for the consumer has developed. As protection centres on reputation, evidence of the extent of reputation that a mark has secured in the UK by means of its dissemination through publication, advertising, and other forms of communication; and the degree of the public's recognition of the mark will reveal whether the mark is well known. These two elements of public recognition, and promotion of the mark are reflected in Art 16 of the TRIPS Agreement which states:

In determining whether a trademark is well known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

The lack of either a specific domestic or internationally adopted test has had the result in some jurisdictions of apparently inconsistent results from case by

case decisions, as well as inconsistent results from jurisdiction to jurisdiction for the same mark (though differences in the extent of promotion can explain different findings): Corneau, T and Linehan, S, 'Such great names as these: protection of famous trade marks under the Canadian Trade Marks Act' [1995] EIPR 531. It has been suggested that WIPO maintain an international register.

Some guidance has been by decisions and legislation elsewhere, for example, the Andean Pact countries Code, and Brazilian Industrial Property Code, and factors identified as relevant: see Mostert, F, 'When is a mark "well known"?' [1997] IPQ 377, and Morcom, C, 'Famous and well known marks' [1997] IPQ 370. Factors relevant to whether a mark is well known include:

- (1) The degree to which the mark is recognised by the relevant public. Evidence of such recognition can be found in unsolicited requests for goods or services with the mark, or may be adduced by survey evidence. It is likely that, despite the courts' scepticism (see 12.3.4 and 13.4.3), survey evidence will be necessary to indicate the degree of public recognition. Jurisdictions vary as to the level of public recognition required before a mark is well known. In France, 20% awareness of the JOKER mark was sufficient, while, in Germany, a level nearer to 80% is required. The portion of the public considered relevant will be significant. In the *Lego* litigation (see 12.2.5), world wide different results were reached in Australia and the UK because, locally, the buyers of toys were surveyed, in Australia, the buyers of irrigation equipment. Special local use of the mark may contribute to recognition; in Brazil, sponsorship by 7 ELEVEN of the Brazilian driver Emerson Fittipaldi contributed to the extent of the mark's reputation in Brazil.
- (2) The extent to which the mark is used and the duration of that use. To show extensive volume of sales and deep market penetration in the relevant product sector, as well as significant market share, should aid the repute of a mark.
- (3) The extent and duration of advertising and publicity given to the mark. 'Spillover advertising' from films and broadcasting, international publications and travel will contribute to a UK reputation. Evidence of expenditure on, and the extent of, advertising will be relevant.
- (4) The extent to which the mark is registered and protected elsewhere. Extensive repute elsewhere will contribute to repute in the UK, particularly in areas closely aligned with a shared language and close trading relations.
- (5) The degree to which the mark identifies high quality goods. High quality products are more likely to become known than inferior ones.
- (6) The extent of the commercial value attributed to the mark. A mark of high value is likely to be one of considerable reputation.

## 14.4 Defences

Legitimate interests in the use of a mark are protected by the defences provided to trade mark infringement. It will not infringe a registered trade mark to use another registered mark for the goods and services for which it is registered, although it is possible that one of the marks may be declared invalid (see 14.5): s 11(1) of the TMA 1994.

To use one's own name or address; or indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, time of production of goods and services; nor using the registered mark where it is necessary to do so to indicate the intended purpose of a product or service (particularly as an accessory or spare part) will not infringe, subject to the proviso that to do so must be 'in accordance with honest practices in industrial and commercial matters': s 11(2) of the TMA 1994. Jacob J held in *British Sugar plc v James Robertson and Sons* (1996) that the use of the defendants' sign must be looked at in context in order to determine whether that use is descriptive. The equivalent provision to s 11(2)(a) of the TMA 1994 in the 1938 Act was given a wide interpretation in *Mercury Communications Ltd v Mercury Inactive Ltd* (1995). 'Own name' was held to include any appellation by which a person is usually known; in the case of a company that included a name by which a company was known, that was not its registered corporate title. In *Bravado Merchandising Services Ltd v Mainstream Publishing Ltd* (1996), it was held that to use the group's registered name fell within s 11(2)(b) of the TMA 1994, indicating the book's main characteristic. Lord McCluskey said that the subsection was designed to prevent trade mark law being used so restrictively as to avoid references in books or the media to such entities. Protection for the mark owner lay in the proviso.

Industrial and commercial practices can be objectively established as a matter of fact, but honesty appears to be a subjective and was so treated in *Baume and Co v AH Moore Ltd* (1958), upheld in *Mercury Communications Ltd v Mercury Inactive Ltd* (1995). It was also held that the application of the statutory defence did not preclude a remedy in passing off. In *Teofani v Teofani* (1913), it was held that dishonest use had been made of the defendant's own name, where the plaintiff had a long established reputation and the defendant was taking advantage of an unusual name.

Protection is also provided for local reputations protected in particular by passing off which precede a registered trade mark: s 11(3) of the TMA 1994. These are rights which do not fall within the relative grounds of refusal under s 5(4) of the TMA 1994, but which are deemed worthy of protection. In *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* (1987), the plaintiff secured a nationwide injunction against the defendant although they had shops only in London and Coventry, as the mark was recognised over a wider area.

## 14.5 Revocation, invalidity and acquiescence

After registration, registered trade marks are vulnerable to both revocation and to being declared to be invalid. A mark is revocable for use, or lack of use, that occurs after the registration, and imposes a burden on the proprietor not only to renew the mark at the appropriate intervals (see 13.2.1), but to supervise its use during its life. A mark is open to invalidity, on the other hand, where it should not have been registered in the first place. The grounds of invalidity mirror the absolute and relative grounds of refusal, and subsequent use can, in some instances, cure the initial defect. Any person may make an application for revocation or a declaration of invalidity, and the application may be made either to the Registrar or to the court, although it is provided that if proceedings are pending in relation to the mark the application must be made to the court, and that the Registrar may, at any stage, refer the application to the court; ss 46(4), 47(3) of the TMA 1994. The Registrar may initiate an application for a declaration of invalidity where the ground for objection is an application for registration made in bad faith: s 47(4) of the TMA 1994. The 1938 Act allowed only 'persons aggrieved' to make an application, and there is now the potential for vexatious applications to be made. These, however, would incur penalties in costs. Should the application for revocation or invalidity succeed only in respect of some of the goods or services for which the mark is registered, the mark is revoked or declared invalid only in relation to those goods or services: ss 46(5), 47(5) of the TMA 1994.

### 14.5.1 Revocation

If a mark is revoked, the rights of the proprietor are deemed to cease either from the date of the application for revocation, or if the court or Registrar find that the ground for revocation existed before that date, then from that earlier date: s 46(6) of the TMA 1994. A mark may be revoked for three reasons: a lack of genuine use; use that has become generic (descriptive); or use that is misleading to the public: s 46(1) of the TMA 1994. Where the use of a mark is put in issue in any proceedings, the burden of proving use falls on the proprietor: s 100 of the TMA 1994. Use of the mark in a form that differs from that registered suffices, provided that it does not alter the distinctive character of the mark: s 46(2) of the TMA 1994. Allowable alterations would include a change of colour or lettering, for example. Use in the UK includes affixing the mark to goods or their packaging in the UK solely for export purposes: s 46(2) of the TMA 1994.

There are two ways in which a lack of use of the mark by the proprietor may lead to revocation of the mark; first, if the mark is not put to 'genuine use' in the UK by the proprietor or with his consent within five years of registration being granted in relation to the goods or services for which it is registered, and there are no 'proper reasons' for the non-use: s 46(1)(a) of the

TMA 1994; or, secondly, that genuine use has been suspended for an uninterrupted period of five years, and there are no proper reasons for the non-use: s 46(1)(b) of the TMA 1994. The statutory language had been altered from the 1938 Act's lack of 'bona fide use', although the White Paper (*Reform of Trade Marks Law*, Cm 1203, 1990) said that no change from the old test of 'substantial and genuine use judged by ordinary commercial standards' was intended. If the use was commercial, the user's motives were irrelevant: (*Imperial Group v Philip Morris* (1982).) The TMA 1994 allows use by any licensee to be taken into consideration and not just that by a registered user. Use that is in bad faith could not be considered to be genuine use (see 13.4.9). It is possible, too, that use of a mark, in a sense that is outside the source or guarantee function of a trade mark, might be regarded as non-genuine, so that the *Kodiak Trade Mark* (1990) decision would be followed under the new law (see 13.1.3 and 13.4.9). However, the preamble to the Directive does not preclude recognition of the advertising and investment function of a trade mark, which can then be regarded as genuine, particularly if judged by ordinary commercial standards. The new provisions on infringement implicitly recognise these functions, as does the new definition of a mark as 'distinguishing' a product (see 13.3.4). In addition, the government resisted attempts during the passage of the Trade Marks Bill to add any requirement that a trade mark be used to indicate 'a connection in the course of trade', as the old law had done. Proper reasons for non-use might include the unavailability of raw materials, or of the goods for which the mark is registered, or even ill health of the proprietor, for example. A mark cannot be revoked for non-use if genuine use is commenced or resumed after the expiry of the five year period, but before the application is made, provided that any resumption within three months of the making of an application for revocation be disregarded unless preparations for the resumption of use were begun before the proprietor became aware of the application: s 46(3) of the TMA 1994. In *Hermes Trade Mark* (1982), a mark was not expunged for non-use because orders were made for parts for the watches within the five year period with a view to relaunching the product and not in response to the plaintiff's action for expunction.

A trade mark proprietor with a successful and novel product runs the risk that the product's trade mark may become generally used to describe the product, so that the mark becomes generic. If a mark becomes the common name in the trade for a product or service in consequences of acts or inactivity of the proprietor, it can be revoked: s 46(1)(c) of the TMA 1994. The onus is on the proprietor to 'police' the way the product is described in trading channels. Descriptive use by the public does not fall within the sub-section. The marks ASPIRIN and ESCALATOR have been lost in this way. In Annand, R and Norman, H, *Blackstone's Guide to the Trade Marks Act 1994*, 1994, London: Blackstone, it is suggested that, to avoid the danger of revocation, employees, licensees and franchisees be required to follow certain rules in all publicity

material, advertising, labelling, business documentation and even internal memoranda: that the mark be distinguished from surrounding text, used only as an adjective and not a noun or verb, that prominent indication that the mark is registered or licensed be made, that a company or business name be used to identify the overall business of a company or individual and that use by any other person be immediately reported to the proprietor.

Use made by the proprietor, or with his consent, of the mark in relation to the goods or services for which it is registered, which is liable to mislead the public, particularly in relation to the nature, quality, or geographical origin of those goods or services: s 46(1)(d) of the TMA 1994. It is use stemming from the proprietor that is taken into account, although there is no requirement that it be blameworthy. In *Bostitch Trade Mark* (1963), licensing without effective quality control was ground for expunction under the TMA 1938, as was trafficking in a mark in *Re American Greetings Corp's Application* (1984) (see 14.6). The TMA 1994, however, allows for partial assignment of trade marks, and there are no statutory controls over assignment, licensing, or other use with the proprietor's consent, and provision is made for co-ownership of marks (see 14.6). All these practices are potentially misleading or confusing if trade origin is significant to the purchasing public. The White Paper (*Reform of Trade Marks Law*, Cm 1203, 1990) suggested that assignments and licensing without quality controls, as well as character merchandising (see 14.6) could lead to revocation in extreme cases.

### 14.5.2 Invalidity

A mark may be declared invalid on the ground that it was registered in breach of either the absolute or relative grounds of refusal: s 47(1), (2) of the TMA 1994. Where the objection lies in the absolute grounds of refusal relating to s 3(1)(b), (c), (d) of the TMA 1994, however, distinctiveness acquired after registration will prevent revocation. There will be no revocation on the relative grounds where the proprietor of the earlier mark or earlier right has consented to registration. If a mark is declared invalid to any extent, the registration shall be deemed never have been made to that extent, but past and closed transaction shall not be affected: s 47(6) of the TMA 1994. The registration of a mark does raise, however, a *prima facie* presumption of the validity of that mark: s 72 of the TMA 1994. The onus thus initially falls on the attacker to make out a case for a mark's invalidity, though it is for the proprietor to then show that subsequent use has bestowed distinctiveness on the mark: *British Sugar plc v James Robertson and Sons* (1996).

### 14.5.3 Acquiescence

Acquiescence does not constitute a defence to allegations of trade mark infringement, but does prevent the seeking of a declaration of invalidity of a registered trade mark, or opposition to use of the mark in relation to the goods

or services for which it is registered. If an earlier trade mark or earlier right owner acquiesces for a continuous period of five years in the use of a registered trade mark in the UK, that earlier right ceases to entitle its owner to seek a declaration of invalidity or oppose the use of a mark unless the mark was applied for in bad faith (see 13.4.9): s 48 of the TMA 1994. The possibility of revocation of the registered mark remains open to the earlier right owner and proprietor of the later registered mark is unable, by virtue of the earlier right owner's acquiescence, to oppose the use of the earlier right, even though it may not be used against his registered mark: s 48(2) of the TMA 1994.

'Acquiescence' is not defined by the statute, but the preamble to the Council Directive to approximate the laws of Member States relating to trade marks (89/104/EEC) refers to the right owner having 'knowingly tolerated' the use for a 'substantial' length of time. In Annand, R and Norman, H, *Blackstone's Guide to the Trade Marks Act 1994*, 1994, London: Blackstone, the question is raised as to which party should bear the burden of proof of establishing that the prior right owner has been aware of the later use. Although it logically should fall on the party seeking to rely on acquiescence, this would be difficult to discharge. It could be held that evidence of widespread use in the appropriate geographical and market area raises a presumption of awareness to be rebutted by proof of lack of knowledge, although this, too, may be difficult to establish. The common law approach to acquiescence gives the court a broad discretion: *Taylor's Fashions Ltd v Liverpool Victoria Trustees Co Ltd* (1982).

## 14.6 Property and dealings in marks

A registered trade mark is personal property (in Scotland, incorporeal immoveable property): s 22 of the TMA 1994. On registration, the mark is granted to the applicant as the mark's proprietor, and marks may be jointly owned, each owner having an equal undivided share: s 23(1) of the TMA 1994. Trade marks may be assigned, bequeathed or transferred by operation of law in the same way as other personal or moveable property and, unlike passing off (see 12.2.3), there is no need for a trade mark assignment to be accompanied by a transfer of goodwill in the business to which it is applied (s 24(1) of the TMA 1994). Assignments must be in writing and signed (s 24(3) of the TMA 1994) and may be partial, limited to only some of the goods or services for which the mark is registered, or to use of the mark in a particular manner or location: s 24(2) of the TMA 1994. A register is maintained by the Registrar of assignments of a trade mark, or any right in a mark, the grant of licences for a mark, and the grant of any security over a mark or any right in or under it (s 25 of the TMA 1994). A transaction is ineffective against a person acquiring a conflicting interest in ignorance of it until an application for registration of the transaction has been made, nor can damages or an account of profits be awarded for any infringement after the date of the transaction

before the transaction is registered (s 25(3), (4) of the TMA 1994). Licences to use a trade mark may be general or limited in the same way as assignment, and are not effective unless in writing and signed (s 28 of the TMA 1994). An exclusive licensee has the same rights and remedies within the terms of the licence as if the licence had been an assignment and may bring proceedings in his own name: s 31(1) of the TMA 1994. Other licensees may call on the proprietor to take proceedings: s 30(2) of the TMA 1994.

The 1938 Act prohibited 'trafficking' in trade marks (registering and dealing in marks as a commodity), which restricted the use of trade mark registration to support character merchandising (see 12.5). In *American Greeting Corp's Application* (1984), an American company licensed the use of the name and figure of the HOLLY HOBBIE character to other manufacturers. They applied for registration of the mark in 12 classes, with user agreements and quality control terms. The *Exxon* case (1982) (see 7.1.1) had made clear the limits of copyright in this sphere of merchandising and caused a switch to trade marks as a vehicle of protection. The House of Lords refused these applications as trafficking in the mark. Lord Brightman held that, despite the lack of a definition of 'trafficking' in the 1938 Act, a trade mark could not be dealt with as a commodity in its own right, as it would be contrary to the public interest to use the mark in a manner otherwise than to indicate the origin of goods. When a licence was granted, therefore, it was necessary that there be a connection between the goods of the licensor and the licensee. He doubted the adequacy of the quality control provisions in the licence, on the facts, to constitute such a connection. He did note that character merchandising was widespread and probably harmless, not deceiving anyone, but this could not assist in giving meaning to 'trafficking'. Lord Bridge agreed in the result, but took the view that s 28(6) of the TMA 1938 was an anachronism exposing character merchandisers to piracy. The prohibition on trafficking was abolished by the TMA 1994, as was the outdated system of registered users, making licensing and assignment simpler, and available to character merchandisers. The White Paper (*Reform of Trade Marks Law*, Cm. 1203, 1990) recognised that the public understood and were not confused by the practice of goods and services being supplied by licensees of a trade mark owner, and that the strongest control over the use of a mark is the proprietor of the mark's interest in exercising control. Only registered licensees will be able to bring proceedings: s 25(3) of the TMA 1994. Registration is only for signs (see 13.3.1) and the White Paper (*Reform of Trade Marks Law*, Cm 1203, 1990) considered the argument that character merchandising should not be a trade mark matter as characters are neither trade marks, nor used to indicate origin, but are enhancements of goods, normally a matter of copyright or design protection. Trade mark registration has the potential to be used to indefinitely extend these more temporally restricted rights. This fear is largely unjustified in the face of the short term appeal of much character merchandising. It was considered too difficult to construct a framework which



could distinguish between straightforward character merchandising of a cartoon character, for example, with no independent role as a trade mark, the practice of decorating goods in the KODAK manner (see 13.1.3) and cases where a trade mark both distinguishes and decorates goods without creating a new right with a defined duration. As the dangers in practice were not considered to be great, trade mark registration has been extended to this field. The streamlined application procedure, allowance for multi-class applications and the new definition of a mark, should enhance use of trade mark registration in character merchandising. That there are limits, however, imposed by the nature of a trade mark, is clear from the refusal of applications for registration of depictions of the late Princess of Wales, made in order to prevent unauthorised merchandising of her character, made on the ground that she was a historical figure and not a commercial brand, particularly as there was no large scale trading on the image already being undertaken (1999, *The Times*, 5 February).

## **14.7 Threats**

Section 21 of the TMA 1994 provides any person aggrieved with a remedy against groundless threats of trade mark infringement proceedings (other than the application of the marks to goods or their packaging, importation of goods, or packaging of goods, to which the mark has been applied, or the supply of services under the mark). The person may seek a declaration that the threat is unjustifiable, an injunction against continued threats and damages, unless the defendant shows that the acts in respect of which the threats were made would constitute infringement. If the threat is justified, the remedy continues to lie if the claimant can establish that the mark is invalid or liable to be revoked. Mere notification that a trade mark is registered, or that an application to register has been made does not constitute a threat. This section was included in response to complaints of intimidation being made by large companies against small traders. The section may prevent solicitors writing the usual letters when there is also an allegation of passing off.

## TRADE MARK INFRINGEMENT AND CHALLENGES TO TRADE MARKS

### The exclusive right

Registration confers an exclusive right in the trade mark. This right is infringed by use of the trade mark without the proprietor's consent. Under the 1938 Act, neither descriptive nor decorative use of a mark infringed. It is not clear whether infringing use must be use as a trade mark under the TMA 1994.

### Infringement

Proceedings are taken by the proprietor of a mark and the usual remedies apply. Infringement may be primary or contributory; the latter requires actual or constructive knowledge to infringe. There are four elements to infringement:

- using a sign.  
This includes use (oral or graphic) of the sign in relation to goods and services, or dealing with goods or services under the sign;
- in the course of trade.  
The defendant must be engaged in trade when using the sign;
- in relation to goods or services.  
*Dicta* suggest that the use by the defendant should be use as a trade mark;
- which conflicts with the registered mark.  
This involves the matrix of comparison also used for the relative grounds of refusal.

Infringement is no longer confined to goods or services of the 'same description' as the claimant's. The comparison is between the way in which the defendant actually uses the sign, and any normal and fair manner of using the claimant's registered mark, although the court may also take into account any acquired strength in the mark arising from actual use.

### Identical mark/identical goods or services

Where there is identity of goods or services and mark and sign, liability is strict; there is no requirement of public confusion.

### **Identical marks/similar goods or services; or similar marks/identical or similar goods or services**

Where mark and sign fall within this head of comparison, it must also be shown that there is a likelihood of confusion on the part of the public, including the likelihood of association. The British courts have applied this is a step by step approach so that no issue of confusion arises until the necessary similarities (of marks, and products) have been shown; but the ECJ has adopted a global approach, eliding similarity and confusion. A disclaimer added separately cannot overcome confusion caused by the defendant's sign.

Mark and sign are compared by viewing them as a whole, including the idea of the mark, its meaning, sound, appearance and other characteristics. The first syllable is significant. Allowance is made for imperfect memory and mispronunciation. Matter common to a trade is disregarded. The comparison is made through the eyes of a hypothetical consumer.

Goods or services are compared in relation to their nature and composition, their use and customers, channels of distribution and manner of sale and the extent to which they are competing.

Confusion may be shown by evidence of actual confusion, but this is not necessary, as the claimant may not have begun use of the mark. All circumstances will be taken into account, including the level of recognition of the mark by consumers and the extent of similarity of mark and sign, and of goods or services. Confusion as to the source of products caused by the defendant's sign will clearly suffice, but it was not clear whether associations evoked by that use, but without resulting in source confusion, would infringe. The ECJ distinguished direct and indirect confusion (where the consumer would confuse the sign and mark, either as to the products' source being the same concern, or having another economic link), from non-origin association (the sign calling the mark to mind without confusion between them). They held that only direct and indirect confusion is contemplated by the Directive.

### **Identical or similar marks/dissimilar goods or services**

There will only be infringement by use of a sign within this head of comparison if the mark has a reputation in the UK, the use of the sign is without due cause, and takes unfair advantage of, or is detrimental to the distinctive character or repute of the mark. This should provide a remedy for dilution of a mark and other damage to the value of a mark as an economic commodity, although over-protection is a danger if it extends to all uses of a mark in all fields of goods or services.

Once the requisite comparison for identity or similarity has been made, the claimant must show that the mark has reputation, that the defendant's use was without cause and that the use will cause damage to the mark's character or repute. There is no guidance as to the extent of reputation required. In other

jurisdictions, it is famous or well known marks which receive such protection. Justified use by the defendant may include legitimate comparative advertising, prior use of the mark, or other intellectual property rights. Two sorts of damage resulting from dilution have been identified: blurring of a mark's associations and tarnishing. It is unlikely that confusion needs to be shown, despite the decision in *Baywatch Productions Inc v The Home Video Channel* (1997).

### **Comparative advertising**

Unlike the 1938 Act, the TMA 1994 expressly provides for the use of trade marks in comparative advertising, provided only that the use is in accordance with honest practices in industrial or commercial matters and not, without due cause, taking unfair advantage of, or being detrimental to, the distinctive character or repute of the mark. The two halves of this proviso have been taken to be synonymous, use that takes unfair advantage without due cause necessarily being dishonest. Dishonesty is objectively judged by the reaction of a reasonable audience to the advert, and whether a reasonable trader could honestly have made the statements in the advertisement based upon the information available to him. Advertising judged to be 'significantly misleading' will infringe. Industry codes are not to be used to determine honesty in industrial or commercial matters.

### **Well known marks**

The TMA 1994 has implemented protection, given by Art 6*bis* of the Paris Convention, for well known marks by providing that such marks constitute earlier marks for the purposes of the relative grounds of refusal, and by providing injunctive relief against use in the UK.

Well known trade marks of Paris Convention nationals are protected regardless of any domestic goodwill if they have a reputation in the UK. Use of an identical or similar mark for identical or similar goods or services will be actionable where the use is likely to cause confusion.

No statutory guidance is given as to the method of determining whether a mark is well known. The degree of publication, dissemination and use of the mark, and of its recognition by the public are likely to be relevant (for which survey evidence may be necessary), as may be evidence of the extent to which it is protected elsewhere, the degree to which it identifies products of high quality and its commercial value.

### **Defences**

It will not infringe if the defendant's mark is registered for the goods or services for which it is used. It is not infringing to use one's own name or

address, descriptive indications of one's product or to necessarily indicate a product's purpose, provided that the use is in accordance with honest practices in industrial or commercial matters. Under the 1938 Act, honesty was treated as subjective. Local reputations receive protection.

### **Revocation, invalidity and acquiescence**

Any person may apply for the revocation of a mark, or a declaration of its invalidity. Revocation is based on objections related to use of the mark after registration, invalidity to objections based on the relative or absolute grounds of refusal. Not only must registration be renewed, but revocation imposes a burden of maintenance on a trade mark proprietor; though invalidity may be overcome by subsequent use.

A mark may be revoked on three grounds: a lack of genuine use; use that has become generic; or that is misleading to the public. Lack of genuine use will lead to revocation if, within five years of registration, the mark is not put to use by the proprietor or a licensee, and there are no genuine reasons for the non-use; or, if it is not put to genuine use for a continuous period of five years without proper reasons. It may be that use outside the source and guarantee functions of a trade mark may be considered not to be genuine, as they were under the 1938 Act. The preamble to the Directive does not preclude use for an advertising function, however. Proper reasons for non-use include a lack of supplies, or the product itself, or possibly a proprietor's ill health. If use is resumed before the application for revocation is made revocation may be avoided. A trade mark proprietor must prevent the mark becoming the descriptive name for his product in the trade, so that appropriate measures should be taken over all correspondence, publicity material, advertising and labelling. Misleading use may include trafficking in a mark, and assignment or licensing without sufficient provision for quality control over the resulting merchandise.

Invalidity is based on the criteria for registrability, but use after registration may overcome an initial defect, as will the consent of an earlier mark or right owner. Registration raises a *prima facie* presumption of a mark's validity.

Acquiescence in use of a mark for a continuous period of five years prevents the seeking of a declaration of invalidity, or opposition to registration unless the application was made in bad faith.

### **Property and dealings in marks**

A registered mark is personal property, which may be assigned, bequeathed or transferred by operation of law, conferred on the proprietor (or joint proprietors) of the mark. Assignment, which may be partial, must be in writing and signed. A register is maintained of assignments, licences and grants of security in relation to a mark. Licences may be general or limited,

and are not effective unless in writing and signed. An exclusive licensee has the rights and remedies as though the mark had been assigned and may bring proceedings in his own name.

Trafficking in marks is no longer prohibited and multi-class applications are now permitted. These changes should facilitate the registration of marks for character merchandising, provided that a character can be regarded as a sign.

### **Threats**

The TMA 1994 allows any person aggrieved by groundless threats of proceedings for infringement to seek a declaration that the threat is unjustifiable, an injunction against continued threats or damages. If the mark is invalid or revocable, the remedy remains available, even if the threats are justified. Notification of trade mark registration is allowed.



## REMEDIES

Despite the diversity of intellectual property rights, the remedies available for infringement have a family resemblance that enables them to be described in general. Points of difference from right to right have been noted at the appropriate places. Intellectual property right owners have a particular need for quick and effective remedies, without which the right would be nugatory and any victory over infringers pyrrhic. There are five reasons for this need:

- (a) copying does not incur the development costs, often very large, incurred by a legitimate producer, and is often easy and inexpensive, therefore illegitimate copying has the potential to erode, or even destroy, the legitimate market, and do so very quickly;
- (b) copying that is inferior in quality will also destroy the right owner's reputation for producing high quality goods;
- (c) damages may amount to very inadequate compensation for such harm;
- (d) if the remedy is slow in coming, the product may well be out of date, and superseded by new developments, or fashions, by the date of judgment;
- (e) new copying technology, and new techniques of information storage, have enabled piracy and counterfeiting to become so lucrative and easy as to drive legitimate right owners out of business, and have greatly increased the capacity for unauthorised reproduction both commercially and domestically.

The increasing challenges to intellectual property posed by piracy and counterfeiting were one of the main driving forces behind the TRIPS Agreement. The solution adopted was to emphasise the importance of providing adequate means for the enforcement of intellectual property rights, illustrating the importance of remedies to intellectual property. (Infringement by copying is known as *piracy*. Where trade marks infringement is also involved the infringement is known as *counterfeiting*, as the buyer is also being led to believe that the infringing product has come from the legitimate producer.) The value of intellectual property rights and their success in achieving their 'justifications' stand and fall to a large extent on the effectiveness with which they can be enforced.



## 15.1 Proceedings

Four types of action are possible: civil proceedings; criminal proceedings; administrative action; and even a measure of self-help by the right owner.

### 15.1.1 Criminal proceedings

Many of the statutory rights provide for offences in relation to intellectual property rights. These offences both act to preserve the integrity of the patent, design and trade mark registers (ss 110, 111 of the Patents Act 1977 (PA); s 35 of the Registered Designs Act 1949 (RDA); ss 94, 95 of the Trade Marks Act 1994 (TMA)); and act as a deterrent, particularly to infringement undertaken on a commercial scale (ss 107, 198 of the Copyright, Designs and Patents Act 1988 (CDPA); s 92 of the TMA 1994). Proposals made by the Law Commission may lead to the introduction of criminal proceedings in relation to the unauthorised use or disclosure of trade secrets (see 6.4.3). In a response to increasing piracy, the CDPA 1988 raised the fines and penalties laid down. In addition, offences lie under the Trade Descriptions Act 1968 for misdescriptive advertising and labelling. The offence of conspiracy to defraud enables the net of liability to be widened.

Criminal proceedings bear the heavier criminal burden of proof beyond reasonable doubt and require the co-operation of the relevant authorities. Neither interlocutory relief nor discovery is available in criminal proceedings. Though intended for use against commercial pirates, they have been employed by individuals against individuals. In *Thames and Hudson Ltd v Design and Artists Copyright Society Ltd* (1995), Evans-Lombe J refused to stay prosecutions against the directors of a well known publishing company as vexatious and an abuse of process. He said ‘no qualification appears in the statute limiting the types of offender capable of committing the offence to “pirates”’. The choice of proceeding rests with the claimant.

### 15.1.2 Administrative action

A right owner can seek the arrest of imported infringing products at the point of entry (s 89 of the TMA 1994; s 111 of the CDPA 1988) by giving notice to the Commissioners of Customs and Excise. The penalty for import for other than private and domestic use is that of forfeiture of the goods. Local Authority Trading Standards Officers also have authority and a duty to make purchases – seize goods and documents – where a right owner objects to misdescription by a competitor. Misleading advertising is subject to control by advertising industry Codes of Practice, as well as the controls imposed over broadcasting.

### 15.1.3 Self-help

On two occasions, the legislation authorises right owners, subject to extensive conditions, to act on their own behalf: ss 100, 196 of the CDPA 1988. The police must be notified and no force may be used, nor may infringing copies be taken from a place of business. But, where a right owner finds infringing copies otherwise available for sale or hire, those copies may be seized and detained. This may help in a battle, for example, against street traders selling counterfeit perfumes; 'car boot' sales of pirated videos and sound recordings; and sales of unauthorised memorabilia outside concert venues.

### 15.1.4 Civil proceedings

Most infringements of intellectual property rights are breaches of property rights (see, for example, ss 96, 191, 229 of the CDPA 1988). The equitable action for breach of confidence is an anomaly and infringements of the moral rights are breaches of statutory duty (s 103 of the CDPA 1988). Right owners themselves have the right to bring proceedings, provided that any formalities of registration have been complied with. So, too, do the exclusive licensees of a patent, copyright, registered trade mark and unregistered design right, but not of a registered design (s 67 of the PA 1977; ss 101, 234 of the CDPA 1988; s 31 of the TMA 1994). The civil burden of proof applies and civil proceedings are often preferred for the remedies available, such as interlocutory relief. The remedies are: damages; injunctions; an order for delivery up; and an account of profits. Proceedings are brought in the Chancery Division of the High Court, but mention should be made of the Patents Court in that Division provided for patent actions and the Patents County Court established by ss 288–91 of the CDPA 1988. Specialist judges sit in these latter courts.

## 15.2 Account of profits

This is a discretionary equitable remedy (*Hogg v Kirby* (1803)), which provides the claimant with a personal remedy against a defendant's unjust enrichment. The defendant's actual profit must be proved, which allows the claimant to see the defendant's accounts (with all the useful information they may contain). In *Peter Pan Manufacturing Corp v Corsets Silhouette* (1963), the plaintiff secured the whole of the defendant's profit although the confidential information used only applied to a proportion of the articles made by the defendant. The appropriate principles to be applied where a patented device formed part of a manufacturing process were examined in *Celanese International Corp v BP Chemicals Ltd* (1999). The defendant is to be treated as having done business on the plaintiff's behalf. The maximum payable could

be the total of the defendant's profit. The sum due is limited to profits held to have been caused by the wrongful activity. Apportionment of the defendant's profit is then made. The contribution of the patented device to the profits was calculated by estimating the proportion of the capital expenditure on the device to that of the whole process.

### 15.3 Delivery up

This is another discretionary equitable remedy. It is an order of the court for delivery up of infringing articles or documents for destruction, or destruction under oath by the defendant. In the case of copyright and the unregistered design right, the jurisdiction is statutory and extends to ordering delivery up to the claimant, including ordering delivery up of the means for making infringing copies: ss 99, 230 of the CDPA 1988.

### 15.4 Damages

Damages are a common law remedy – available as of right – and are compensatory. Breaches of intellectual property rights are treated as a statutory tort (*Gerber Garment Technology Inc v Lectra Systems Ltd* (1997)). *Prima facie*, the aim is to put claimants in the position they would have been in had the wrong not been suffered. Aggravated damages may be awarded for damage to reputation. Sections 97(2), 229(3) of the CDPA 1988 confer jurisdiction to award additional damages for infringement of copyright and of unregistered design right, having regard, in particular, to 'the flagrancy of the infringement' and the benefit which has accrued by reason of the infringement. In *Redrow Homes Ltd v Bett Bros plc* (1998), the House of Lords overruled *Cala Homes Ltd v Alfred McAlpine Homes Ltd* (1996), where additional damages had been awarded to a plaintiff who had opted for an account of profits. Additional damages are additional to compensatory damages and can only be awarded if the claimant asks for the remedy of damages. They will be subject to the same provision in relation to 'innocent' infringers as ordinary damages (see 15.4.3).

#### 15.4.1 Measure of damages

There are no hard and fast rules for the measurement of damages and the courts have confessed to 'rough and ready' calculation, by 'the exercise of a sound imagination and the practice of a broad axe' (*per* Lord Shaw, in *Watson Laidlaw v Potts Cassells and Williamson* (1914)). There are, however, guidelines, which were itemised in *General Tire and Rubber Co v Firestone Tyre and Rubber Co* (1976):

- (a) damages should compensate for loss or injury caused by the tortious infringement, being that sum of money which would put the injured party in the position they would have been in if the wrong had not been sustained;
- (b) an account of profits exists as an alternative to damages if opted for by the plaintiff;
- (c) the plaintiffs must prove their loss; the defendants being wrongdoers, damages should be liberally assessed, but with the object of compensating the plaintiffs and not punishing the defendants;
- (d) where the patentee manufactures articles for profit, infringement diverts sales and the normal measure of damages will be the profit which would have been realised by the plaintiffs had they made the infringing sales;
- (e) where the patentee exploits the invention through licensing for royalties, damages will be assessed by the royalty that, on all the evidence, should have been paid. This is done by adopting the method of *Meters Ltd v Metropolitan Gas Meters Ltd* (1911). Fletcher Moulton LJ said:

There is one case in which I think the manner of assessing damages in the case of sales of infringing articles has almost become a rule of law, and that is where the patentee grants permission to make the infringing article at a fixed price – in other words, where he grants licences at a certain figure. Every one of the infringing articles might then have been rendered a non-infringing article by applying for and getting that permission. The court then takes the number of infringing articles, and multiplies that by the sum that would have had to be paid in order to make the manufacture of that article lawful, and that is the measure of the damage that has been done by the infringement ...;

- (f) if the infringement is not competitive, where a normal rate of profit, or royalty, cannot be established, the plaintiff must adduce evidence of royalties in analogous trades, or of the profitability of the invention, in order for a hypothetical figure, a reasonable royalty, to be reached. This is estimated by a multiplier in the same way as when a real royalty is established. Where the plaintiff does not suffer lost sales, and the intellectual property infringement relates only to a proportion of the articles sold by the defendant (for example, one work included in a compilation), a royalty may be calculated taking into account the proportion of the infringement to the whole article.

### **15.4.2 Parasitic and bridgehead damages**

Profits may not stem, however, solely from exploitation of the invention itself, but also be derived from, for example, servicing and sales of spares and sales

of related technology. Claims have been made to these 'parasitic' damages, and also to 'springboard' or 'bridgehead' damages. In *Catnic Components v Hill and Smith* (1983), it had been held that only losses stemming directly from acts done in relation to infringing products and processes were recoverable. Recently, in *Gerber Garment Technology Inc v Lectra Systems Ltd* (1997), the Court of Appeal upheld the generous award of patent damages made by Jacob J at first instance. The judgment is of general application to intellectual property.

The plaintiffs manufactured patented automated cutting machinery (CAM machines) and computer assisted design machines (CAD machines). Sale of a CAM machine was often accompanied by a sale of a CAD machine and followed by supply of spares and servicing. Towards the end of the life of the plaintiffs' patents and while they were endorsed 'licence of right', the defendants made infringing sales of CAM machines. Damages were claimed and awarded for:

- (a) lost profits on sales that the plaintiffs would have made but for the defendants' sales;
- (b) lost royalties on sales by the defendants that the plaintiffs would not have made;
- (c) losses caused to the plaintiffs by the need to discount their prices to meet the competition from the defendants;
- (d) lost profits on sales of CAD machines which would have accompanied the lost CAM machine sales;
- (e) loss of profits on spares and servicing;
- (f) loss of profits on CAM sales made after the patents expired on the basis that the defendants' infringements before expiry enabled them to compete immediately on expiry ('springboard' or 'bridgehead' damages).

The use of intellectual property rights to protect a web of interlinked commercial activity assumes exaggeratedly anti-competitive overtones, which are difficult to defend. However, an important difference may lie in the means the right owner has adopted for securing a fair reward from the intellectual property at issue. If the appropriate reward is to be secured from the intellectual property protected product itself, parasitic and bridgehead damages are difficult to support on grounds of either policy or principle (the right extending only to its subject matter). However, where the reward is calculated to include 'after-sales', the actual product even being sold at discounted prices (consider *Canon Kabushiki Kaisha v Green Cartridge Co (Hong Kong) Ltd* (1997) (see 11.2.3)), such damages acquire an air of respectability.

### 15.4.3 Innocent defendants

There is one circumstance which prevents damages, though not the other remedies, being awarded – the ‘innocence’ of the infringer. In the case only of patents, registered designs and copyright, damages are not awarded for losses incurred during the period in which the defendant is not aware of the intellectual property right or had no reasonable grounds to believe the right existed (s 62 of the PA 1977; s 9 of the RDA 1949; s 97 of the CDPA 1988). Nevertheless, it may well be reasonable to have made inquiries as to intellectual property rights.

There is no such statutory provision in relation to registered trade marks. In *Gillette UK Ltd v Edenwest* (1994), Blackburne J held that damages lay both for trade mark infringement and passing off during the period of ‘innocence’.

## 15.5 Injunctions

Again, an equitable remedy, injunctions are a vital remedy for intellectual property right owners. An injunction is an order of the court to the defendant, usually prohibitory, but can be mandatory, ordering the defendant either to cease an activity, or to do what is ordered. An injunction, therefore, can secure an end to infringing activity, rather than merely a right to monetary compensation. Not only this, injunctions can be interlocutory (granted before the trial of the issue) or final, and may be granted *quia timet* to prevent threatened infringement and damage. In areas of commerce dependent on fragile reputations and volatile, novelty led, short lived markets, but where considerable losses can be incurred, the value of the injunction is obvious. Such is the significance of the injunction to both parties, that many intellectual property actions halt at the interlocutory stage.

Injunctions are granted at the courts’ discretion and only where damages will be an inadequate remedy – they are not available as of right, as are common law damages. Refusal to observe an injunction is a contempt of court, penalised by fines, sequestration of assets or even imprisonment.

An injunction wrongly granted has the potential to do considerable harm to defendants and the courts have sought to secure a careful balance between claimants’ needs for quick and effective relief and defendants’ need to continue fair competition. Several conditions are, therefore, imposed on the grant of an injunction:

- (a) claimants must proceed as soon as they learn of the alleged infringement;
- (b) claimants must give a cross-undertaking in damages to compensate the defendants for damage incurred from a wrongly granted injunction;
- (c) defendants can seek a declaration of non-infringement.

The terms on which a final injunction may be granted in relation to patent infringement were considered by Laddie J in *Coflexip SA v Stolt Comex Seaway MS Ltd* (1999). He had held that the plaintiffs' patent had two major features, which the defendants had infringed, but that to follow normal practice and grant an injunction in terms of the patent right would leave the defendants without clear guidance as to whether they might continue by using another method which they believed did not infringe. Accordingly, he granted an injunction in terms limited to any repetition of the acts of infringement found, while granting the plaintiffs leave to appeal to the Court of Appeal. He applied the dual principle that an injunction should protect plaintiffs from continued infringements of their rights by the defendants' threatened activities, but should also be fair to the defendants; saying that, although the ingenuity of some infringers required the wider form of order, this should not be thought to be always the case.

### 15.5.1 Interlocutory injunctions

An interlocutory injunction is a temporary, interim award made before the trial. The interlocutory injunction is an important element in the success or otherwise of intellectual property rights because damage to reputation is so often an element in intellectual property litigation and can be virtually immediate if a poor quality counterfeit is introduced onto the market. Many intellectual property actions are complex, particularly those involving patents, and trial of the main action can take between one and three years to reach hearing. An interlocutory injunction can prevent the irreparable harm – and even total loss of market – that might come to pass during that period.

The value of an interlocutory injunction would be frustrated if it, in itself, took considerable time to secure. The House of Lords recognised this danger and took steps to negate it in *American Cyanimid v Ethicon* (1975). It had taken 18 months and appeal to the House of Lords for American Cyanimid to secure an interlocutory injunction. The difficulty lay in the considerations that had to be taken into account in deciding whether to grant or refuse the injunction. The courts' approach had been to consider, first, whether the plaintiff had a *prima facie* case; secondly, whether damages would be an adequate remedy; and, thirdly, the balance of convenience between the parties. The Court of Appeal had treated the first step as a rule of practice so 'well established as to constitute a rule of law' that no injunction could be granted unless the affidavit evidence adduced by both sides established that, on the balance of probabilities, the plaintiff was likely to succeed at trial. '*Prima facie*' was understood only in the sense that further evidence at the trial might alter this conclusion. This turned interlocutory hearings into trials of the main issue, lengthening the process inordinately and necessitating a great deal of evidence.

In the House of Lords, Lord Diplock laid down new guidelines for the grant of interlocutory injunctions:

## Remedies

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- (a) the court must be satisfied that the plaintiff's claim was not frivolous or vexatious – one with no real prospect of succeeding – but a 'serious question to be tried'. At this stage, there was no requirement that difficult questions of evidence or law be resolved before the balance of convenience could be considered;
- (b) next, the adequacy of damages as a remedy should be considered as a first stage of the balance of convenience. This involves a two stage inquiry:
  - (1) if, were the plaintiff to succeed at trial, damages would adequately compensate for loss incurred by refusal of the injunction and the defendant was in a position to pay, the injunction should normally be refused, however strong the plaintiff's claim appeared;
  - (2) but, if damages would not adequately compensate the plaintiff, if damages would adequately compensate the defendant at trial in the event of an injunction being granted, and the plaintiff were able to pay, the injunction should be granted;
- (c) in cases of doubt as to the adequacy of the respective remedies in damages to either or both parties, other considerations of the balance of convenience arise;
- (d) where all other factors appear equally balanced, such measures as would preserve the status quo should be taken.

Factors to be taken into consideration include all relevant circumstances and Lord Diplock made no attempt to list examples or the relative weight to be attached to different considerations. The degree to which claimant and defendant are established in business has proved significant. In *Belfast Ropework Co Ltd v Pixdane* (1976), an interlocutory injunction was granted where the defendant was a small, new business, impecunious, without substantial investment in plant and materials, and the plaintiff's potential losses large. Nevertheless, in *Catnic Components v Stressline* (1976), the injunction was refused where the defendant had a well established business, was able to meet a claim for damages, there were other competitors on the market and the plaintiff could be compensated by damages. A 'snowball' argument has aided right owners where it can be said that the refusal of an injunction will allow a multiplicity of competition to develop, causing irreparable damage. Damage to reputation, almost impossible to repair with damages alone, is often a significant factor pointing towards the grant of an injunction. Consequently, interlocutory injunctions are often awarded in trade mark and passing off actions. Delay and other reprehensible behaviour by the claimant is also relevant: *Dalgety Spillers Foods v Food Brokers* (1994). Another important factor is the parties' ability to pay damages. However, lack of funds on the defendant's part does not always lead to grant of an injunction. Courts will accept payments into court made from continued trading to set against any eventual award of damages.



However, the House of Lords' new approach has not always been welcomed. Two important criticisms have been made: first, that payments into court have often been at too paltry a level to protect a claimant who succeeds at trial, becoming dubbed an 'infringer's charter' (Floyd, 'Interlocutory injunctions since *Cyanimid*' [1983] EIPR 238); secondly, that the new order of consideration inordinately downgrades the relative merits of each parties case. The potential consequence is a decision as to the grant or refusal of the injunction based largely on the financial and commercial considerations of the balance of convenience in favour of one side, despite the potentially strong legal merits of the other's case. This was felt to be particularly dangerous where a small defendant was struggling to establish a toehold in the market, with a strong argument of non-infringement or invalidity, competing against a monopoly claimant with a very doubtful intellectual property right: Cole, 'Interlocutory injunctions in UK patent cases' [1979] EIPR 71.

In *Cyanimid*, Lord Diplock had not ignored this possibility, stating that:

The extent to which the disadvantages to each party would be incapable of being compensated in damages in the event of his succeeding at the trial is always a significant factor in assessing where the balance of convenience lies; and if the extent of the uncompensatable disadvantage to each party would not differ widely, it may not be improper to take into account in tipping the balance the relative strength of each party's case as revealed by the affidavit evidence adduced on the hearing of the application. This, however, should only be done where it is apparent on the facts disclosed by the evidence as to which there is no credible dispute that the strength of one party's case is disproportionate to that of the other party. The court is not justified in embarking on anything resembling a trial of the action on conflicting affidavits in order to evaluate the strength of either party's case.

Recently, Laddie J reconsidered this aspect of *American Cyanimid* in *Series 5 Software v Clarke* (1996), though not in relation to a case involving intellectual property. He rated any clear view the court was able to reach as to the legal merits of the case on a par with the other steps, and considerations of the *American Cyanimid* approach. His judgment appears to allow the merits to take on more significance than Lord Diplock intended. It may be that it will often be difficult to take a clear view on credible evidence. To the extent that the decision prevents clear merits being overridden by commercial factors, it is to be welcomed. One question remains, that of whether, if the merits are clearly in the claimant's favour, an injunction should be granted in circumstances where damages would be an adequate remedy to the claimant. The answer should be in the negative as the injunction is only available, as an equitable remedy, where damages are inadequate. But, in The Netherlands, courts will grant an injunction in such circumstances and it has been argued that the UK courts should follow suit in order to avoid 'forum shopping' (parties choosing the most favourable jurisdiction in which to enforce their rights): Edenborough, M and Tritton, G, '*American Cyanimid* revisited' [1996] EIPR 234.

## 15.6 Anton Piller orders

Intellectual property right owners suffer a handicap by comparison with, for example, the victim of a tort or breach of contract. Often, the fact that infringing articles are being made and sold becomes obvious, but the source of these infringements remains a mystery, even if the ultimate supplier has been traced. Not only this but, usually, once the infringer realises that the infringement has been detected, he will immediately close down that chain of supply, destroying all evidence as to its existence. However, not much later, a new chain of supply will be established. This makes the enforcement of the legitimate right next to impossible. The courts have been alive to these difficulties and have provided two effective injunctions to counteract such problems in the Anton Piller order and Mareva injunction.

An Anton Piller order stems from the courts' jurisdiction to grant injunctions (s 37 of the Supreme Court Act 1981; s 38 of the County Courts Act 1984) and to order the detention and preservation of the subject matter and documentation necessary to an action. The order is a mandatory interlocutory injunction, granted, therefore, at the court's discretion. It is granted without the defendant's appearance or representation at the hearing and the proceedings are often in secret. The Anton Piller order is an order to the defendant to allow the claimant and a supervising solicitor to enter the defendant's premises in order to search for and seize, copy or photograph material pertaining to the alleged infringement; to deliver up infringing goods or to keep infringing stock; and to answer queries. The first Anton Piller order was granted in *EMI v Pandit* (1975) and received the sanction of the Court of Appeal in *Anton Piller v Manufacturing Processes* (1976) (hence the name).

Any refusal to obey the order by the defendant is a contempt of court, punishable by fine (in the region of £75,000, in *Taylor Made Golf Co v Rata and Rata* (1996)), sequestration of assets or imprisonment.

The benefits of such an order to a right owner are clear: an opportunity to search the rival's premises without warning or notice or any real opportunity to object before the search on the defendant's part. Because of their 'draconian' nature, it was at first envisaged that these orders would be infrequently awarded and only where it was 'essential' to do so.

### 15.6.1 Conditions for grant

In order for an Anton Piller order to be granted, *Anton Piller v Manufacturing Processes* (1976) established that:

There are three essential preconditions for the making of such an order, in my judgment. First, there must be an extremely strong *prima facie* case. Secondly, the damage, potential or actual, must be very serious for the applicant. Thirdly, there must be clear evidence that the defendants have in their possession incriminating documents or things, and that there is a real possibility that they may destroy such material before any application *inter partes* can be made.

The court also laid down several provisions to provide safeguards for the defendant:

- (a) the order is made against the defendant in person and not his property. This means that the defendant may refuse permission for entry to the premises and the search party may not enter without permission. It is this that distinguishes the order from a search warrant;
- (b) the plaintiff must give a cross-undertaking in damages;
- (c) the plaintiff must be accompanied by their solicitor, an officer of the court;
- (d) the defendant must be given time to consider the order, and to seek advice from a solicitor;
- (e) the defendant may make an application for the order to be discharged as having been improperly obtained. The order may be discharged where the plaintiff has not made a full and frank disclosure of the relevant facts, however innocent (*Thermax v Schott* (1981)). Fears of violence will not lead to the order being discharged (*Coca-Cola and Schweppes v Gilbey* (1996)); and
- (f) no force may be used.

### 15.6.2 The potential for abuse

It was not long before it became obvious that Anton Piller orders had considerable potential for abuse, and that the conditions and safeguards were not sufficient to protect a defendant. Even where not abused, the order often caused defendants considerable shock, and there were invasions of privacy and serious harm to reputations.

The ability to refuse entry proved an empty protection, when, to do so, amounted to contempt of court, even when the order was subsequently discharged: *Wardle Fabrics v Myristis* (1984), though, in *Bhimji v Chatwani* (1991), the contempt was treated as technical. Nor could entry be refused while an application to have the order discharged was made: *Bhimji v Chatwani* (1991). This meant that orders had already been executed by the time decisions as to discharge were being made and, initially, courts were reluctant to discharge orders until the main trial: *Booker McConnell v Plascow* (1986). This led to defendants having to wait to recover under the cross-undertaking in damages for obvious wrongs in the grant and execution of orders. Orders were being granted quickly, with inadequate attention to the strength of the claimant's case (see *Swedac v Magnet and Southernns* (1989)) and in ignorance of events at the execution of the order.

Orders could be abused in one of two ways, as was explained by Dockray, M and Laddie, H, 'Piller problems' [1990] LQR 601. Because the order is so heavily weighted in the claimant's favour, it can be used as a 'blow' against the defendant. The search and subsequent removal of so much pertaining to

the defendant's business can actually bring that business to an end and orders may be cynically employed for that purpose. Or, because of the opportunity to rifle through the defendant's premises and documents, it can be used as a 'fishing trip'. The courts gradually became aware of the prejudice caused to defendants by Anton Piller orders and were very critical of the manner of execution in some cases: *Columbia Picture Industries v Robinson* (1986); *Universal Thermosensors v Hibben* (1992). Suggestions were made for new safeguards. At the same time, Dockray and Laddie's article and investigation by the Lord Chancellor's Department suggested that new measures were necessary.

### 15.6.3 New safeguards

The potential for undue prejudice to defendants occurs at two stages. First, at the time of the application and, then, secondly, when the order is executed. As for the first, the danger of notifying defendants and the consequent likely destruction of evidence prevent representation of the defendants' case. However, Dockray and Laddie suggested that an *amicus curiae* be appointed on the defendants' behalf. The cost to the public purse has hindered any adoption of this suggestion, which appears the only satisfactory means of counterbalancing the distinct advantage the claimant has at the hearing. An independent solicitor, appointed at the claimant's expense, might achieve similar protection. It would also be possible, if very time consuming and expensive, to allow defendants a real opportunity to take advice and seek discharge of an order before the order is executed. The search team would have to be admitted to the defendants' premises in order to prevent the very danger the order is designed to prevent – removal and destruction of evidence – but the actual search could be delayed until the order was affirmed by the court or permission to start given by the defendants. The cost would be as much to defendants as the claimant, as business would be suspended during this interval.

At the stage of execution, new safeguards recommended by Scott J in *Columbia Picture Industries v Robinson* and Nicholls VC in *Universal Thermosensors v Hibben* have been implemented by the judges. In 1994, a Practice Direction was issued with a new standard form of order, incorporating these judicial safeguards, to be used in all cases unless a change can be justified to the judge: *Practice Direction (Mareva Injunctions and Anton Piller Orders)* (1994). Major changes include execution during business hours; the necessary inclusion of an independent solicitor in the search team; a mandatory date to report back to the court, shortly after execution, to enable any complaints and claims for compensation to be made by the defendant; and careful records to be taken of all material taken from the premises.

Criticisms can still be made. The additional safeguards increase the cost of such orders to claimants who, by definition, are facing defendants they believe to be unscrupulous. The attempt to simplify the wording of the orders has also

led to the anomaly that consent to entry can now be given, not just by defendants themselves, but by 'the person appearing to be in control of the premises'. This appears to turn the Anton Piller order into the search warrant it has always been argued that it is not: *Anton Piller v Manufacturing Processes* (1976). Nevertheless, a challenge to Anton Piller orders under Art 8 of the European Convention on Human Rights in the European Court of Human Rights failed in *Chappell v UK* (1989).

#### 15.6.4 Self-incrimination

The Anton Piller order also requires the defendant to answer questions. This has the potential for self-incrimination of criminal conduct and defendants often resorted to the privilege against self-incrimination. Such a plea was upheld by the House of Lords in *Rank Film Distribution v Video Information* (1982). The unfortunate result was that the most reprehensible of defendants were the ones most likely to be able to rely on the privilege, resulting in the emasculation of both Anton Piller orders and Mareva injunctions. This decision was overruled for intellectual property and theft by s 72 of the Supreme Court Act 1981. A secondary privilege in criminal proceedings is bestowed on information thus elicited for the purpose of civil proceedings.

### 15.7 Mareva injunctions

Just as dishonourable infringers might dispose of the evidence of infringing activity, so might they be willing to dissipate their assets at any hint of action, in order to frustrate any eventual judgment against them. The courts' response to this danger is the Mareva injunction. The Mareva injunction is a discretionary, interlocutory injunction, awarded without the defendant being heard, either before or at the trial. They are court orders freezing the assets of a defendant, preventing those assets being disposed of or transferred out of the jurisdiction. They were first granted in *The Mareva* (1975).

The Mareva injunction carries a similar capacity for prejudice to the defendant and abuse by the claimant as does the Anton Piller order. Businesses will flounder if starved of needful capital. The inconvenience, both personal and commercial, caused by such deprivation of assets could be used to pressurise a defendant to settle the claim quickly or merely to provide security for any judgment that might be obtained at trial. Conditions for grant of the order and safeguards for the unrepresented defendant were laid down by the courts in *Z v A* (1982) and *CBS v Lambert* (1983).

### 15.7.1 Conditions for grant

The claimant must show:

- (a) a good arguable case against the defendant – ‘likely that the plaintiff will recover judgment against the defendant for a certain or approximate sum’ (*per* Kerr LJ, in *Z v A* (1982));
- (b) the claimant has reason to believe that the defendant has assets within the jurisdiction to meet the judgment. In *Babanaft v Bassante* (1989), this was extended to include assets outside the jurisdiction; and
- (c) the claimant has reason to believe that those assets may be removed.

The claimant must also give the usual cross-undertaking in damages; notice of the order must be served both on the defendant, banks and any other third party affected by the order; and the claimant must undertake to indemnify both banks and third parties against any costs, expenses or fees incurred in complying with the order. The order may not cover stock in trade, tools of trade, nor the essentials of daily living.

The defendant can apply to have a Mareva injunction discharged and the claimant must again make full and frank disclosure. A Mareva injunction can also be varied on the defendant’s application and will be so varied if an unreasonable amount has been frozen. In *PCW v Dixon* (1983), an order was varied by the court from an allowance to the defendant of £100 per week for living expenses, to £1,000 per week, as befitted a wealthy man.

Though not as contentious as the Anton Piller order, recently, criticisms have been voiced as to the heavy handedness of Mareva injunctions. It has been suggested that a ‘good arguable case’ is not a high enough threshold; that the order should be subject to independent supervision and review by the judge a week after grant; and that the defendant should have an opportunity to be heard after the affidavit identifying the assets has been filed: Willoughby, T and Connal, S, ‘The Mareva injunction’ [1997] EIPR 479.

## 15.8 Threats of proceedings

No redress is normally provided for those subjected to threats of legal proceedings, justified or otherwise. But some intellectual property litigation can be so expensive and time consuming and, therefore, disruptive to a business, that even mere threats of infringement proceedings can bring unwarranted pressure to submit to the demands being made to bear, whether justified or not. Consequently, in the case of patents, registered designs, unregistered design right and trade marks, s 70 of the PA 1977; s 26 of the RDA 1949; s 253 of the CDPA 1988; and s 21 of the TMA 1994 render groundless threats of litigation actionable.

Provided that the threats are unjustified (the acts complained of do not infringe or the right is invalid), any person aggrieved by threats may seek a declaration that the threats are unjustified, an injunction against any continuance of the threats and damages for any loss incurred. But mere notification that a right exists is not treated as a threat.

### **15.8.1 Defences to threats action**

The alleged threatener can defend against a threats action by showing: either that the communication made does not constitute a threat at all; or that it is justified; or, in the case of patents, that the action is one which is excluded from the remedy: s 70(4) of the PA 1977.

Most litigation over this provision against threats has been in relation to patents. 'Threat' has been given its ordinary dictionary meaning, as interpreted by the ordinary reasonable reader of the letter, circular or advertisement. In *Reymes-Cole v Elite Hosiery Co* (1965), sending a list of licensees was considered a threat, because it would be so understood by the recipient. It was accepted in *Bowden Controls Ltd v Acco Cable Control Ltd* (1990) that a threat might be veiled and implicit, and a statement that the defendants intended to enforce their rights was held to be a threat. It made no difference that, in practical terms, it would have been 'commercial suicide' to have carried out such a threat against the threateners' main customers.

### **15.8.2 Section 70(4) of the Patents Act 1977**

This sub-section has been the subject of some controversy. Threats relating to the making or importing of a product for disposal, or of using a process, fall outside the remedy provided by s 70 of the PA 1977. The logic of this has been difficult to assess. Patent infringement can be divided into primary acts of infringement (making or using the invention) and secondary acts (commercial dealings in infringements), both of which may be committed by the same person, although s 60 of the PA 1977 is not divided in this manner. On a purposive construction, it might have been expected that s 70(4) of the PA 1977 was intended to confine redress to threats of secondary infringement, allowing a primary infringer to be warned off. This interpretation was not accepted in *Bowden Controls Ltd v Acco Cable Control Ltd*, nor by the Court of Appeal in *Cavity Trays v RMC Panel Products Ltd*. Section 70(4) of the PA 1977 was given a literal interpretation, as it was not ambiguous and did not lead to absurd results. The Court of Appeal said that it allowed warnings to be given to primary infringers to enable them to explain their position or stop their activities, but warnings as to subsequent acts of sale were unnecessary and might amount to unwarranted intimidation. As the threats which had been made related both to manufacture and acts of promotion, marketing, advertisement and sale, they fell outside the saving of s 70(4) of the PA 1977 and were actionable.

## REMEDIES

Remedies are common to the intellectual property rights. Quick and effective remedies are important to right owners because copying is cheaper than creation and, if inferior in quality destroys both reputation and markets, damages are often inadequate compensation. Products often have a short 'shelf-life' and piracy and counterfeiting are both profitable and rife.

A right owner may seek a criminal, civil or administrative remedy, or resort to self-help in the case of copyright.

Civil proceedings are the most common: remedies comprise damages, account of profits, injunctions and orders for delivery up.

### Damages

Available at common law, as of right and compensatory, not punitive. Breaches of intellectual property rights are treated as a statutory tort, so that damages are to put claimants in the position they would have been in had the wrong not been committed. Aggravated damages are available and additional damages for copyright and the unregistered design right are available if damages are sought.

The assessment of damages may be imprecise. Guidelines establish:

- damages should put the claimant in a position as if the breach had not occurred;
- a claimant may opt for an account of profits in the alternative;
- damages should be liberally assessed, but not punitive;
- the normal measure will be loss of profit;
- but may be assessed by loss of royalties at the normal rate, or at a reasonable rate, multiplied by the number of infringing articles.

Parasitic damages may be awarded for lost sales relating to a protected product and springboard damages may be awarded for infringements at the end of a right's life. In the cases of copyright, patents and registered designs, damages are not awarded for the period in which defendants are not aware and have no reason to believe they are infringing.



## **Injunctions**

Injunctions, mandatory or prohibitory orders of the court, are an equitable remedy, available at a court's discretion, where damages are inadequate and may be interlocutory or final. Refusal to obey is a contempt of court, punishable by fines, sequestration of assets or imprisonment. A claimant must give a cross-undertaking in damages and proceed as soon as the infringement is detected. A defendant may seek a declaration of non-infringement. Injunctions are normally granted in terms preventing any infringement of the right, but may be restricted to preventing a repetition of the infringing acts at issue.

### **Interlocutory injunctions**

Temporary injunctions may be granted before the trial. In *American Cyanamid v Ethicon* (1975), the House of Lords established the criteria for grant – a claimant must show:

- a serious question to be tried;
- that damages would be inadequate;
- in cases of doubt, the court will consider 'the balance of convenience';
- if all other factors are evenly balanced, any clear merits of the case may be taken into account.

Commercial factors, such as the size of each party's business, their market share, stage of production and any damage to reputation, may be considered in the balance of convenience, along with potential prejudice to a commercially disadvantaged defendant with a strong case on the merits. In *Series 5 Software v Clarke* (1996), the High Court took the merits into account where the evidence was credible.

### **Anton Piller orders**

Anton Piller orders are mandatory, interlocutory injunctions which allow a claimant to search a defendant's premises and seize or copy evidence of infringement. They are granted without the defendant being heard. The order is made against the defendant personally. Any refusal to comply is contempt of court.

A claimant must show:

- an extremely strong *prima facie* case;
- that serious damage will otherwise be caused to the claimant;
- clear evidence that the defendant possesses incriminating evidence;
- a real possibility that such material would otherwise be destroyed.

The defendant must consent to entry, be given time to consult lawyers and may seek the order's discharge. No force may be used. No privilege against self-incrimination exists, but a secondary privilege in criminal proceedings applies to information gained under an Anton Piller order.

Nevertheless, the orders were sometimes misused to interfere with a rival's business and as 'fishing expeditions'. New safeguards were laid down by the courts and included in a Practice Direction in 1994: *Practice Direction (Mareva Injunctions and Anton Piller Orders)* (1994).

### **Mareva injunctions**

These injunctions are orders of the court, granted *ex parte*, freezing a defendant's assets in order to preserve them against any final judgment in favour of the plaintiff.

The claimant must show:

- a good arguable case;
- reason to believe the defendant has assets with which to meet judgment;
- reason to believe those assets might be dissipated or removed from the jurisdiction.

Notice must be served on the defendant and any third parties affected, the claimant undertaking to indemnify any costs of compliance. A defendant may apply to have the order discharged or varied. Mareva injunctions may also be abused and used to pressurise defendants to settle a claim.

### **Threats of proceedings**

Any person aggrieved may seek a remedy for unjustified threats of proceedings of infringement of a patent, registered or unregistered design or trade mark.



## INTELLECTUAL PROPERTY AND THE EUROPEAN UNION

### 16.1 Intellectual property rights in the European Union

There is an inevitable tension between the objectives of the European Union (EU), as defined and expanded in Arts 2 and 3 of the European Community (EC) Treaty, and national intellectual property law. The EU aims at the establishment of a common market, and economic and monetary union. This is to be done, in part, by removing obstacles to the free movement of goods and services, and by a system ensuring that competition in the market is not distorted. The EC is founded on the philosophy that a free market is the most efficient (by keeping prices down, meeting consumer demand and inducing the production of new goods). Competition is self-destructive, in that it tends, eventually, towards the achievement of monopoly by the most competitive enterprise. Consequently, EU competition policy artificially maintains competition at the expense of monopoly. Intellectual property rights, on the other hand, confer either exclusive (copyright and unregistered design right, for example) or monopolistic (patents and registered designs, for example) property rights. These give right owners power to govern markets by preventing competition. Although these rights are designed to promote national industrial and technical development and economic progress (see Chapter 2), this is achieved at the expense of temporary market exclusivity. Intellectual property rights are also territorial in nature (see 1.3.4), allowing right owners to intervene in trade in their products and services across national borders by third party importers.

Thus, intellectual property rights can be used to interrupt competition and the free movement of goods. Intellectual property rights are primarily intended to protect the right owner from competition coming from infringing copies made by another individual or undertaking. Because they are territorial, intellectual property rights can be used to create barriers to trade across borders in goods emanating from the same undertaking or associated undertakings. They may do so by preventing any import of those goods from one Member State into another. This will be the case where the right owner's rights have not come to an end (not having been 'exhausted') once the goods have been legitimately released onto the market. If the right does not allow any further control over protected goods once they have been released onto the market (for example, by resale or export), the right is said to be 'exhausted'. Even where national law does provide for such a limit to an intellectual property right, the resulting exhaustion often relates only to the territory in which the right was conferred. The right owner with national

protection may still exercise the right to prevent imports of goods released only onto another market. Individuals known as parallel importers may purchase goods released onto the market by their right owner in one Member State, where the price may be low, and import them into another Member State, where the price of that producer's goods is higher. An intellectual property right can provide a barrier to such imports. Yet, one way in which uniformity within the common market can be achieved is to allow parallel importation in order to smooth out price differentials. Community institutions, including the European Court of Justice (ECJ), have supported the activities of the parallel importer.

An obvious solution to the resulting tension would have been either the creation of Community wide intellectual property rights or a unified intellectual property law embodying a Communitywide concept of exhaustion in each Member State. While moves have been made in both these directions, attempts at resolution of the tensions created by differing national laws have also been made both by the ECJ (in *SA CNL-Sucal v Hag GD* (1991), see 16.2.4) and the Commission (in the Block Exemptions, see 16.3.2). In fact, the tension may be more apparent than real. The attitude of the Commission and the jurisprudence of the ECJ were initially founded on an impression of intellectual property laws as being anti-competitive, as, in the short term, they are. Nevertheless, the underlying purpose behind the exclusivity conferred by intellectual property rights is to promote competition in the long term by stimulating the development and production of new goods. Latterly, this has come to be recognised by the Commission and the ECJ. This change is illustrated by the shift in approach to patent licensing with the withdrawal of the 1962 Announcement on Patent Licensing Agreements (the 'Christmas Message') (see 16.3.2), by the difference of outcome in *RTE and ITP v EC Commission (Magill)* (1995) and *Volvo v Veng* (1988) (see 16.3.3), and by the move away from the 'common origin' doctrine in *SA CNL-Sucal v Hag GD* (see 16.2.3).

The UK's membership of the EU influences domestic intellectual property law in two ways: first, both in the harmonisation of the substantive scope of Members States' rights themselves and in the provision of Union wide rights; and, secondly, in the effects on the exercise of domestic intellectual property rights of the European policies relating to the free movement of goods and competition policy. A more detailed analysis can be found in specialist texts, particularly Tritton, G, *Intellectual Property in Europe*, 1996, London: Sweet & Maxwell,

### **16.1.1 Harmonisation directives**

Differences in national intellectual property laws provide barriers to trade between Member States which have become the subject of harmonisation measures under Art 95 of the EC Treaty (ex Art 100a). Copyright, trade marks

and protection for databases, computer programs and semiconductor chips have all been the subject of such harmonisation, at least in part. Proposals for the harmonisation of design law are currently in progress.

### **16.1.2 Regulations**

One obvious solution to national differences in substantive intellectual property law is the provision of unitary Community wide rights. In 1975, the Community Patent Convention was signed in Luxembourg. It creates a unitary patent covering the Union to be granted through an application to the European Patent Office designating any one Member State. The Community Patent Convention is, however, not yet in force. In July 1998, the Council and Commission issued a Green Paper for consultation with a view to reviving the community patent proposal. The costs of translation and provision of a common court still appear to provide major stumbling blocks in the view of the House of Lords Select Committee. In contrast, a Community Trade Mark came into being on 1 April 1996, with the implementation of the Council Regulation on the Community Trade Mark (40/94/EEC). Application is made to the Office for the Harmonisation of the Internal Market in Alicante, Spain. The resulting Community trade mark is a unitary one, enforceable throughout the EU. A Community design right is also proposed.

## **16.2 Free movement of goods**

Article 28 of the EC Treaty (ex Art 30) prohibits the imposition of 'quantitative restrictions on imports and all measures having equivalent effect' between Member States. 'Quantitative restriction' refers to quotas, the extreme being a nil quota (banning all imports of a product); therefore, if an intellectual property right owner can prevent imports, that right is a measure having an effect equivalent to a quantitative restriction. Article 30 of the EC Treaty (ex Art 36) does provide for exceptions on the 'grounds of the protection of industrial and commercial property'. This does not apply where those measures 'constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States'. Even if a prohibition is justified as being for the protection of industrial and commercial property, Art 30 of the EC Treaty will not avail the right owner if the prohibition produces an arbitrary discrimination or disguised restriction on trade (see *EMI Electrola v Patricia* (1989)). The phrase 'industrial and commercial property' has been taken to include all the main forms of intellectual property right, including design rights: *Merck v Stephar* (1981); *Industrie Diensten Groep v Beele* (1982). The prohibition is on restrictions between Member States – intellectual property rights can still be used against imports emanating from outside the European economic area (*EMI v CBS* (1976)).

### 16.2.1 Principles applied by the European Court of Justice

In applying the free movement of goods provisions to exercises of intellectual property rights, the ECJ has applied three principles:

- (a) a distinction is drawn between the existence, and the exercise, of a right (*Consten and Grundig v Commission* (1966); *Deutsche Grammophon v Metro-SB-Grossmärkte* (1971)). The existence of a right remains protected by Art 295 of the EC Treaty (ex Art 222 of the Amsterdam Treaty), which preserves property rights. However, the mere exercise of a right is subject to the other Treaty provisions. Article 30 of the EC Treaty is said only to apply to the existence of the right, and not its exercise, which is, consequently, subject to Art 28 of the EC Treaty;
- (b) this distinction has necessitated the definition of the subject matter of each right in order to draw the line between its existence and its exercise (*Deutsche Grammophon v Metro-SB-Grossmärkte* (1971); *Centrafarm v Sterling Drug Inc* (1974); *Centrafarm v Winthrop BV* (1974)). The ECJ has tended to regard the essence of the right as one of reward for the right owner;
- (c) in turn, this has led to the line between the end of the 'existence' and the beginning of the 'exercise' of a right being drawn according to the doctrine of Community wide exhaustion: all rights ceasing after the first release of legitimate goods, by the right owner or with his consent, onto the market, in any Member State. In other words, the right is to be rewarded once, when the goods are released onto the Community market, and not again whenever those goods cross national borders.

It cannot really be said that a right exists if it cannot be effectively exercised. Consequently, the existence of a right is really only the sum total of the ways in which it may be exercised. The principles adopted by the ECJ represent a policy choice, preferring Community policy over national rights. This is done by distinguishing between exercises of national intellectual property rights which it is felt can be justified and those which it is felt cannot. The underlying policy is clear – to facilitate competition from goods connected with the right owner, but to allow the right to be used against illegitimate independent competitors.

However, the use of such uncertain criteria has allowed the ECJ to amend its policy as the advantages of intellectual property rights, and the potentially depressing effect of the ECJ policy on innovation, have become clear. Where a right has no protection in a country from which goods are exported, the ECJ's policy prevents a right owner from benefiting from the enhanced value that their right provides in the country of import (as imports will have the effect of reducing the price there to the non-protected one). This may deter him from marketing in the country of export at all and deprive the public there of the goods. This was the situation which arose in *Merck v Stephar* (1981). Merck were not able to use their Dutch patent to keep out imports coming from Italy, where no patent was available for drugs at the time. This prevented Merck

from making a monopoly profit in Italy, or stopping 'free riding' by competitors. Such arguments were raised by Advocate General Roemer in *Parke, Davis and Co v Probel* (1968), but not mentioned by the court.

### 16.2.2 The existence/exercise distinction

The existence/exercise dichotomy has been applied and parallel imports sanctioned despite the existence of an intellectual property right in the case of patents (*Centrafarm v Sterling Drug Inc* (1974); *Merck v Stephar* (1981)), copyright (*Deutsche Grammophon v Metro-SB-Grossmärkte* (1971)) and trade marks (*Centrafarm v Winthrop BV* (1974); *Van Zuylen v Hag* (1974)). Article 28 of the EC Treaty has also been invoked where the right being relied on is one at the periphery of intellectual property, such as breach of confidence, passing off or unfair competition: *Dansk Supermarked v Imerco* (1981); *Industrie Diensten Groep v Beele* (1982); *Pall Corp v Dahlhausen* (1990). These latter cases adopt the principle that, where there are no common rules within the EU, obstacles to the movement of goods which result from national differences in rights must be accepted. This applies to the extent that they do not discriminate between goods from different Member States and can be justified as necessary to comply with mandatory conditions to secure consumer protection and fairness in transactions. This principle was established in the *Cassis de Dijon* case (*Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein* (1979)). German law prohibited the sale of fruit liqueurs with less than 32% wine-spirit content. A trader attempted to prevent the import into Germany of a French liqueur with a lower alcohol content. The principle was laid down by the ECJ, although, in this case, the German rule preventing imports was not necessary, as prejudice to consumers could be prevented by accurate labelling.

### 16.2.3 The subject matter of rights

Defining the essential subject matter of each right gives the ECJ a tool with the flexibility to take into account the purposes of intellectual property rights. The purposes are to be balanced against the distortion to trade threatened by their exercise. However, the ECJ has not formulated a theoretical basis for defining the subject matter of rights. A more sympathetic approach seems to have been taken where rental, broadcasting and performance rights, which are not exhausted in the same way, have been challenged (*Coditel v Ciné Vog (No 1)* (1980): substance of performance right of a film held to include the size of reward secured by repeated performance; and *Warner Bros v Christiansen* (1988): non-discriminatory rental right allowed to be exercised against imports). This flexibility has allowed the ECJ to redefine the nature of rights as a more sympathetic attitude to the purposes of intellectual property rights has developed: *SA CNL-Sucal v Hag GD* (1991) (common origin doctrine abandoned and replaced by normal principles of exhaustion with relation to



trade marks); *Allen and Hanbury v Generics (UK)* (1988) (the substance of a patent said to be to secure a fair reward, rather than an exclusive right to use and exploit an invention for the first time).

The ECJ has determined that, where rights differ between the relevant Member States, it is for the national law to determine the scope and conditions of the right, unless there is a harmonisation Directive or the right has been replaced by a Community right: *Keurkoop v Nancy Keen Gifts* (1982) (design law); *Volvo AB v Erik Veng* (1988) (registered designs).

#### 16.2.4 The concept of exhaustion

As the principles of both the existence/exercise distinction and the specific subject matter of a right can be criticised, it is on this principle that the ECJ's decisions really hang. Attitudes in the ECJ have also relaxed in relation to concept of exhaustion. The intellectual property right is held to be exhausted once goods have been released onto the market in any one Member State by the right owner or with his consent. This replaces any concept of national exhaustion embodied in national intellectual property laws with Community wide exhaustion. Nevertheless, in the case of trade marks, at first, a different approach was adopted if the marks at issue had had a 'common origin'. In *Van Zuylen v Hag* (1974), the HAG trade mark had been held by one owner in Germany and Belgium, but passed into entirely separate hands in Belgium after the Second World War. The ECJ held that the German mark owner was entitled to market products in Belgium, with the same mark, through parallel imports or directly, as the marks had a common origin. This effectively ignored the purpose of the mark to indicate the source of goods to the consumer, who would be unable to distinguish between the German and Belgian products. This decision was, in an unprecedented move by the ECJ, reversed in *SA CNL-Sucal v Hag GD* (1991) (the reverse situation was at issue: whether the German company could prevent imports from Belgium).

If Art 28 of the EC Treaty is to apply, the intellectual property right owner must be shown to have consented in some way to the marketing in the country of export from which the parallel importer makes his purchase. No exhaustion of rights was found in *Keurkoop v Nancy Keen Gifts* (1982), as there was no consent by the proprietor of the right or by a person legally or economically dependant on him. It had been feared that the imposition of a compulsory licence under national law would constitute a notional form of consent to marketing in the country of export. As the ECJ's attitude towards intellectual property softened, a more realistic view of consent was adopted in *Musik Vertrieb Membran v GEMA* (1981); *EMI Electrola v Patricia* (1989); and *Pharmon v Hoechst* (1985).

### 16.3 Competition policy

It is not only the existence and enforcement of intellectual property rights, but also the ways in which they may be dealt with (particularly licensing), which collide with the free market competition philosophy of the EU. The competition policy of Arts 81 and 82 of the EC Treaty (ex Arts 85 and 86), which is administered by the Commission, needs also to be considered. This governs both the agreements that may be made with intellectual property rights and the ways in which the monopolistic power that an intellectual property right may bring can be exercised.

Article 81 of the EC Treaty prohibits all 'agreements between undertakings, decisions by associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction or distortion of competition within the common market'. However, Art 81(3) of the EC Treaty allows the Commission to exempt agreements, decisions or concerted practices which can be justified as contributing 'to improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit'.

Article 82 of the EC Treaty prohibits the abuse of a dominant position where it affects trade between Member States. There is no parallel to Art 81(3) of the EC Treaty, but any justification for the activity would render it non-abusive.

The free movement of goods policy becomes an issue at the stage of litigation to enforce an intellectual property right. Competition policy affects licensing and other actions in relation to the right. Breach of competition policy can result in an investigation by the Commission, a fine or the unenforceability of contracts in domestic courts. The competition policy affects not only attempts to prevent parallel importing, which cannot be justified, but also direct national licensing. The mere existence of an intellectual property right does not offend the competition policy – a licence must be given or concerted practice established or an anti-competitive element added to use of the right for questions to arise. Exclusive licences of intellectual property rights must be examined to determine, first, whether they affect competition, and, secondly, whether the effect on competition can be justified or regarded as non-abusive. It is at this stage that the purpose of intellectual property should be remembered – to promote trade and innovation and, thereby, competition in goods which, without the right, might never be produced at all – an '*ex-ante*' approach. The right only appears as a barrier to competition if looked at after the decision to award it at all has been made – an '*ex-post*' approach. Often, the only viable method of exploiting a right is through licensing. This is pro-competitive because it facilitates exploitation of the

product and ensures that there is more than one supplier. Excessive controls over licensing are, therefore, potentially counterproductive, both generally in relation to the long term goals of intellectual property and more specifically in relation to the effect of particular licences. Any analysis of an intellectual property licence should concentrate on the effect of the licence in the particular market where intellectual property protection exists. In the past, the ECJ and the Commission have tended to combine the two approaches and give way to a general antipathy to the anti-competitive nature of intellectual property (see, for example, *Raymond/Nagoya* (1972); and *Davidson Rubber* (1972); and the now withdrawn Announcement on Patent Licensing Agreements 1962).

### **16.3.1 Intellectual property agreements**

Intellectual property right owners in different Member States, with rights for similar products, can share exploitation of their intellectual property right by cross-licensing those rights. Where rights are complementary in the stages of production of a product, they can be 'pooled' to monopolise the whole production of the product ('horizontal agreements') and, thus, divide the market between right owners. Such agreements may achieve supra-competitive profits and keep new entrants out of a market, but they may also be essential to continued research and development or may constitute a reasonable response to the superior bargaining power of a third party (for example, copyright collective societies allow viable exploitation and enforcement of copyright for individual owners in the face of the bargaining power of media users and mass infringers). A careful balance between restrictions harmful to the public interest and those which are beneficial is needed.

A right owner may grant exclusive or sole licences of all or part of the right in order to maximise production outside his own expertise. Such licences may restrict competition in other ways ('vertical agreements'). There are a number of types of clause which can be considered to be anti-competitive, such as 'tie-ins' which require the licensee to acquire goods only from the patentee, non-competition clauses which prevent a licensee handling competing goods, 'tie-ups' which outlive the term of the right, minimum quantities clauses, no challenge clauses which prohibit the licensee challenging the validity of the right, geographical limits or clauses for the grant-back of know-how.

### **16.3.2 Article 81 of the EC Treaty**

Both horizontal and vertical intellectual property agreements have been subjected to Art 81 of the EC Treaty by the Commission. Individual agreements may be notified for exemption, but this is a lengthy process and provided considerable uncertainty for the parties. In addition, the approach of

the Commission to intellectual property licences has fluctuated. This can be seen in the withdrawal of the 1962 non-binding Announcement on Patent Licensing Agreements. It had indicated that some limiting terms in one way licences would not fall within Art 81 of the EC Treaty. After a number of severer decisions in the 1970s (*Raymond/Nagoya* (1972); *Davidson Rubber* (1972); *Kabelmetal/Luchaire* (1975); *AOIP/Beyrard* (1976)), which required justification for such terms under Art 81(3) of the EC Treaty, the Block Exemptions were formulated. These contained a softening of the Commission's approach. However, the Block Exemption for Technology Transfer placed an upper limit on exemption for exclusivity. A need for clarification led to the publication of Block Exemption Regulations on patent licences and know-how licensing agreements by the Commission. These have now been replaced by the Commission Regulation on the application of Art 81(3) of the Treaty to certain categories of technology transfer agreements (96/240/EC). The Block Exemptions have established a pattern: Art 1 defines the extent to which exclusivity protecting a licensee, licensor and licensees in other jurisdictions is to be permitted; Art 2 ('the White List') lists clauses that do not normally infringe Art 81 of the EC Treaty, but which are exempted; and Art 3 ('the Black List') sets out clauses which will not be exempted and are prohibited. Accordingly, an obligation not to divulge know-how after an agreement has expired or one not to grant sublicences or assign the licence will be allowed, but not restrictions on the determination of prices or discounts. Agreements which do not fall within the Block Exemption may be notified to the Commission for individual exemption.

### 16.3.3 Article 82 of the EC Treaty

Mere possession of an intellectual property right might confer a dominant position, but all three elements of Art 82 of the EC Treaty must be present (*Parke, Davis and Co v Probel* (1968)): a dominant position; improper exploitation of that position; and the possibility that trade between Member States might be affected. It is clear that an analysis under Art 81 of the EC Treaty does not affect the application of Art 82 of the EC Treaty. A licence justified under Art 81(3) of the EC Treaty may still fall to be considered as abusive of a dominant position: *Bassett v SACEM* (1987); *Tetra-Pak Rausing SA v Commission* (1991). The ECJ has not given clear guidelines as to what constitutes an abuse of a dominant position and cases are decided on a case by case basis.

Copyright collecting societies, in particular, have been the subject of investigation under Art 82 of the EC Treaty. Discrimination against individuals from other Member States has been considered to be potentially abusive (*Re GEMA (No 1)* (1971)), as have clauses that restrict an author from acting unilaterally, provisions which are unreasonable with respect to use by the media or any attempt to extend protection to non-copyright works.

More controversially, the acquisition of an exclusive patent licence constituted an abuse in *Tetra-Pak Rausing SA v Commission* (1991). Tetra-Pak were fined 75 million ECUs for abuse of a dominant position. Tetra-Pak had an almost monopolistic position in the market for the supply of machines for sterilising and filling drinks cartons (91% of the market). They acquired another company, Liquipak, and took over an exclusive licence held by Liquipak (which was subject to exemption under the Block Exemption) for a new method of sterilisation. The Commission objected to the exclusive nature of the licence when Tetra-Pak were already in such a dominant position. It was held that the mere acquisition of the right could constitute an abuse in the exceptional factual background. The dominance of Tetra-Pak's position meant that acquiring the licence effectively prevented any other competitor entering the market.

One further issue has proved controversial. An intellectual property right confers the ability on its owner to decide whether to grant licences to others. To effectively refuse a licence by asking for a royalty six times that finally adopted by the Comptroller of Patents when a patent has been endorsed 'licence of right' was regarded as an abuse in *Eurofix-Bauco v Hilti* (1989). If to refuse to grant licences, where there were no licences of right available, were to be considered an abuse of a dominant position, competition policy would override the very existence or subject matter of the right. The issue arose in *Volvo v Veng* (1988) and *RTE and ITP v EC Commission* (the *Magill* case) (1995). In the *Volvo* case, the ECJ held that it was for national law to determine the scope of intellectual property rights and that it was for a design right owner to decide on granting of licences. Volvo were able to continue as sole suppliers of Volvo spare parts. But the ECJ added that an arbitrary refusal to supply spare parts to independent repairers, to fix prices at an unfair level or refuse to supply when the model of car was still in circulation might be prohibited by Art 82 of the EC Treaty. But, in the *Magill* case, the ECJ upheld the Commission's conclusion that a refusal to make television listings available to third parties for publication did constitute an abuse. Effectively, this forced a compulsory licence on the copyright owner, though the circumstances were said to be exceptional. The case does not clearly establish when such a power to force licensing might be employed. The situation was one in which many Member States would not accord copyright to the factual information at issue at all and was ancillary to the separate controls exercised over broadcasting.

## **16.4 Other impacts of EU law on national intellectual property laws**

Article 12 of the EC Treaty (ex Art 6) prohibits discrimination on the grounds of nationality. This affected the German provision of performers' rights. The right applied to German performers wherever a performance took place, but to other nationals only if the performance occurred in a Rome Convention country. The effect was to discriminate against the British singer, Phil Collins, who was unprotected for a performance which took place in the US (not a member of the Rome Convention) when 'bootleg' copies of the performance were sold in Germany. In *Phil Collins v IMRAT Handelsgesellschaft GmbH* (1993), the ECJ ruled that the national provision was inconsistent with Art 12 of the EC Treaty. The Community obligation overrode national law drafted to comply with Convention obligations. It was applied to national intellectual property law without any relation to the policies on free movement of goods and services.



## **INTELLECTUAL PROPERTY AND THE EUROPEAN UNION**

There is a tension between national exclusive proprietary rights and the common market of the EU. Intellectual property rights may be used to prevent 'parallel imports' into one Member State of the right owners products released onto the market of another Member State, unless those rights are 'exhausted' throughout the EU by release into the first Member State. These conflicting aims may be resolved through harmonisation of intellectual property rights to include Community wide exhaustion, unitary Community wide rights or by the jurisprudence of the ECJ. Recognition that the exclusive intellectual property rights restrict competition in the short term in order to enhance it in the long term reveals the tension to be more apparent than real.

### **Free movement of goods**

The exercise of intellectual property rights is reconciled with the policy of free movement of goods by three principles:

- distinguishing between the existence and exercise of a right;
- defining the subject matter of each right;
- applying the doctrine of exhaustion of rights.

### **Competition policy**

Dealings with intellectual property may offend Art 81 or 82 of the EC Treaty, which are administered by the Commission. Horizontal or vertical agreements may be notified to the Commission for individual exemption if they do not fall within the Block Exemptions for patent licences or know-how agreements. Intellectual property rights may also contribute to the presence of a dominant position.

### **Discrimination**

Article 12 of the EC Treaty prohibits discrimination on grounds of nationality and may be applied to national intellectual property laws.





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