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Special Report

German Publishers Seek Copyright Fees From Google Using Copyright, Competition Law. A collection society representing German press publishers has filed against Google a claim for determination of copyright fees and an antitrust complaint to enforce it — part of the long-running battle to force search engines operating in Germany to pay for aggregated content. (Page 45)

News

EC Adopts New IP Enforcement Strategy After ACTA Rejection. The EU Commission has adopted a new strategy designed to boost IP enforcement by shifting emphasis from targeting individuals to tracking down large-scale commercial operations involved in illegal activities. (Page 12)

AG Says EU Biotech Law Allows Extension of Patent Restrictions for “Moral, Ethical” Reasons. EU Member States can deny for “moral and ethical” considerations patents to companies even though the technology falls outside the Biotechnology Directive restrictions on inventions using the human body in any stage of development. (Page 11)

China’s Proposed IP-Antitrust Rules Contains Risk of Compulsory Licensing. IP owners in a dominant market position could be forced to license use of their IP to rivals under draft rules from China’s antitrust authorities. (Page 9)

US-India Businesses Concerned Over Application of India’s Patent Act, s 3(d). An association of leading US and Indian businesses has called for all “genuine” advancements and developments worthy of patent protection to be granted patents. (Page 16)

Canada Responds to Eli Lilly Challenge Over Patent Invalidation. Canada has fired back at pharmaceutical giant Eli Lilly’s assertions that the country’s invalidation of its Strattera and Zyprexa patents is inconsistent with Canada’s commitments under the NAFTA. (Page 6)

PepsiCo Loses Brazil Similarity Dispute Over “Doritos” Brand Name. Brazil’s Superior Court of Justice has ruled against PepsiCo in a case involving the company’s Doritos brand name. (Page 4)

Pirate Bay Site Blocked in Argentina. Argentina’s National Communications Commission has ordered all ISPs to block access to the file sharing website The Pirate Bay while a probe on copyright infringement takes place. (Page 3)

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CORRESPONDENCE concerning editorial content should be addressed to Derek Tong, Managing Editor, World Intellectual Property Report, Bloomberg BNA, 38 Threadneedle Street, London EC2R 8AY, United Kingdom. Tel: +44 (0)20 7847 5883; Fax: +44 (0)20 7847 5880; E-mail: dtong@bna.com. The information in this Report does not constitute legal advice.

sentations in relation to the Rules of Procedure governing the operation of the UPC.

The current increase in both the number and importance of software patents shows no sign of abating. The UPC will surely be faced with the issue of exclusion from patentability for computer software and may need to address some of the legal arguments made in *Alice*. Key questions for the new court may include: what is meant by a technical solution or contribution; whether exclusion from patentability should be considered in isolation or in the context of the prior art; and how will the respective issues of exclusion and obviousness be balanced?

Europe's system of statutory excluded subject matter may, if exclusions remain narrowly interpreted, converge towards a US-style patent system for software-implemented inventions, although claims to business methods remain unpatentable. As already mentioned, the US Supreme Court in *Alice* decided not to address the fundamental issue of software patentability, preferring instead to deal with the case within the framework of the abstract idea exception. Another patent concerning software-implemented business ideas will very likely be before it in the near future. Will it continue to take a narrow view and leave the legislature to deal with the issue of software patentability, if it sees fit to do so, or will it take matters into its own hands as it has done previously and create a further judicial exclusion from patentability? That is the key question to which we all await the answer.

Tim Whitfield is a partner at Powell Gilbert LLP. Tim has a Masters degree in chemistry and is a patent litigation specialist. He has acted in several high-profile electronics/software related cases, including Nuance v. Vlingo and Microsoft v. Motorola.

Dr Adam Gamsa is an associate at Powell Gilbert LLP, and has a physics doctorate which gives him an ideal technical understanding of complex patent issues, in particular in the electronics, IT and telecommunications fields.

Notes

- ¹ *Diamond v. Chakrabarty*, 447 US 303 (Supreme Court), at 309.
- ² *Ibid*.
- ³ 561 US (2010).
- ⁴ Article 52(2)(c) EPC.
- ⁵ Article 52(3) EPC.
- ⁶ T 1194/97 Data structure product/PHILIPS and T 1173/97 Computer program product.
- ⁷ Commission proposal COM(2002) 92, procedure number 2002/0047 (COD).
- ⁸ The GNU GPL licence is the most widely used free software licence. It guarantees end users the right to use and modify software provided that these rights are passed onto any distributed versions, including modified versions.
- ⁹ [2006] EWCA Civ 1371.
- ¹⁰ [2008] EWCA Civ 1066.
- ¹¹ G 0003/08 Programs for computers, para 1.
- ¹² *Ibid*, para 10.2.1.
- ¹³ *Ibid*, para 10.4.
- ¹⁴ EPO Guidelines for Examination, Part G, Chapter VII-5.4.
- ¹⁵ T 1173/97 Computer program product, para 8.
- ¹⁶ [2013] EWCA Civ 451.

A Comparative Look at Secondary Liability for Copyright Infringement

By Professor Roberto Garza Barbosa, Ph D, School of Law, Tecnológico de Monterrey, Mexico; e-mail: rgb@itesm.mx

The enforcement of copyrights may appear to be an impracticable or impossible task. In most cases, it is useless to sue each individual who privately infringes any of the exclusive rights. Additionally, infringement could be pervasive, involving hundreds or even thousands of individuals committing acts of infringement. Procedural difficulties may arise, from those related to providing adequate evidence to prove infringement over the internet, to monetary awards which are impossible to enforce against insolvent individuals.

Copyright Case Law

A brief comparative study of representative copyright cases in several jurisdictions shows a common feature among them. Copyright holders did not sue those who infringed directly, but those providing the means to infringe or those promoting infringement. The following cases are examples of secondary liability litigation:

- *Sony v. Universal City Studios, Inc* (464 US 417 (1984));

- *A & M Records, Inc v. Napster* (239 F3d 1004 (2001) US);
- *Metro Goldwyn Mayer Studios v. Grokster* (545 US 913 (2005));
- *Viacom International v. YouTube* (676 F3d 19 (2012) US);
- *Scarlet Extended v. SABAM (C-70/10)*;
- *Twentieth Century Fox Film Corp et al. v. Nezbis Ltd* (2010 EWHC 608 Ch UK);
- *Twentieth Century Fox Film Co et al v. British Telecommunications PLC* (2011 EWHC 1981 Ch UK);
- *CBS Songs Ltd v. Amstrad Consumer Electronics PLC* (1988 RPC 567 House of Lords UK);
- *Rannou-Graphie v. Comité National pour la Prévention des Reproductions Illicites et al* (121 RIDA 151 FR).

The defendants in these cases were enterprises with enough assets to bear monetary awards. Trying to enforce a judgment against one of these incorporated enterprises is easier than trying to enforce it against hundreds or even thousands of individuals through separate

litigations. Suing every person who uploads a video to the internet or shares music by using a computer program with peer-to-peer technology would involve multiple litigation efforts that would probably result in an award of monetary damages that would be impossible to enforce, or injunctive remedies that may have to be pursued again in future individual infringements.

US Perspective

Under the US legal system, doctrines of contributory and vicarious infringement are judicial developments derived from case law, which are not in fact mentioned in statute.¹ Leading cases are *Sony* and *Grokster*, both mentioned above and both resolved by the US Supreme Court. The key elements of contributory infringement are the inducement or encouragement of the direct infringement and the knowledge of such infringement. The elements of vicarious infringement are the supervisory control over the infringing activity and a direct financial benefit from that infringement.

In *Sony*, the Supreme Court took a doctrine from the Patent Act called “staple article”, and adapted it for copyrights. According to such doctrine, if a product is “capable of substantial non-infringing uses . . . [then the] sale of such equipment to the general public does not constitute contributory infringement” (*Sony*, at 456). However, in *Grokster*, the Supreme Court distinguished *Sony* on the facts of the new case and did not apply this doctrine to favor the defendant since the record was “replete” of evidence showing the unlawful purpose of the system developed by the defendant (*Grokster*, at 938). Both cases indicate how principles are evolving alongside technological developments.

Regarding the absence of any secondary liability doctrine on the statute, it has been argued that the inclusion of the word “authorize” to the exclusive rights established by section 106 of the US Copyright Act of 1976 is an implicit acceptance by the US Congress of these doctrines, purposely not given express definition in statute in order to factor in future judicial developments.² If this is a valid argument, then it would be very interesting to learn if the meaning of the word “authorizing” in several provisions containing exclusive rights under the Berne Convention mean the same. However, in the international arena, legal sources interact differently, and such an important legal doctrine cannot be added implicitly or accidentally to the Convention.

UK Perspective

In the United Kingdom, secondary liability is expressly established by statute. The second paragraph of section 16 of the Copyright, Designs and Patents Act of 1988 states that:

“[C]opyright in a work is infringed by a person who without the licence of the copyright owner does, or authorises another to do, any of the acts restricted by the copyright.”

This legislative approach assumes that an individual makes an authorization in the place of the copyright holder when he facilitates the means to commit infringement. By doing so, this individual infringes the

core exclusive rights, which is to exercise or to authorize the exercise any of those rights.³ However, the condition is not just the provision of a means to facilitate infringement, but also that the actual infringer must reasonably assume that defendant facilitator had the power to make such authorization. In *Twentieth Century Fox Film Corp v. Newzbin Ltd*, on the issue of whether the defendant had authorized the acts of infringement, the court held that a reasonable user could assume that the defendant had the power to authorize the alleged acts (at 99). Therefore, the defendant was liable for this secondary liability. The court cited *CBS Songs Ltd v. Amstrad Consumer Electronics* where it was held that a manufacturer of a recorder of audio cassettes did not “authorise” the infringing acts because users could not deduce such a grant of authorization (at 88).

Civil Law Jurisdictions

In civil law tradition, secondary liability is dictated by principles embodied in the respective civil codes, particularly those provisions in respect of civil wrongdoings, a kind of equivalent to what in common law is called tort law.⁴ For instance, Article 1382 of the French Civil Code establishes liability upon “every person . . . for the damage he causes”. This principle is applied to the copyright field along with principles of joint liability contained in Article 1200.⁵ In the German legal system those principles of joint liability are contained in the property chapter of the German Civil Code; however case law has applied those principles to copyright law. There are cases in which liability has been held against those organizing concerts where music is performed without license, those selling devices or services that are only useful to make illegal copies, as well as against internet service providers.⁶

Mexican Perspective

In the Mexican legal system, theories of secondary liability are not expressly present within its Copyright Act. Neither of those approaches that have occurred in other legal systems have been developed in its case law. Therefore, it is correct to affirm that Mexican copyright law does not provide for secondary liability. However, comparative law may lead to the interpretation of the word “authorize” in Article 27 in relation to exclusive rights in the same way as it has been interpreted in the cases analyzed above: a very common law approach, but within the meaning of the statute.

What did the Mexican legislature intend by using the word “authorize”? There may be two possible answers, either congress included this word in line with the Berne Convention, or it may be that congress contemplated something more. Unfortunately, legislative history had not in fact mentioned secondary liability. However, use of comparative law could lead to the French secondary liability approach, which, may not be a bad idea, considering that the Mexican Civil Code is very similar to its French counterpart. Articles 1910 and 1917 of the Mexican Civil Code are equivalent to Articles 1382 and 1200 of the French Civil Code.

As with the Mexican legal system, many other legal sys-

tems do not provide for secondary liability in relation to copyright law. The concept could be introduced by a global international treaty which expressly establishes it. However, negotiations can take time and often stagnate or stall completely. Alternatively, it could also be introduced by way of amendments to any given copyright statute. Yet discussions about any change to copyright laws can stoke up viral opposition through social networks. Probably the best answer is to institute the assumption that secondary liability is present in any legal system that include the word “authorize” in its copyright legislation or civil code provisions like those mentioned above.

Notes

¹ Oswald, Lynda J., “International Issues in Secondary Liability for Intellectual Property Rights Infringement,” *American Business Law Journal*, vol 45, 2008 p 258.

² Nimmer, Melville & Nimmer, David, “Nimmer on Copyright”, vol 3, *Infringement Actions and Procedural Aspects*, § 12.04, 2008; Grossman, Craig A., “From Sony to Grokster, The Failure of the Copyright Doctrines of Contributory Infringement and Vicarious Liability to Resolve the War Between Content and Destructive Technologies,” *Buffalo Law Review*, vol 53, 2005, p 150; House of Representatives, 1976, p 61.

³ Goldstein, Paul & Hugenholtz, Bernt, *International Copyright. Principles, Law and Practice*, ed 2a, New York, 2010, pp 330, 331; Oswald, pp 268-272.

⁴ Goldstein, p 332.

⁵ Geller, Paul Edward & Nimmer, Melville B., *International Copyright Law and Practice*, 16a. ed., Newark, 2004; FRA § 8[1][a][ii]; Sterling, p 512.

⁶ Goldstein, p 332.

Apple Retail Store Layout Capable of Trade Mark Protection, Says CJEU

By Hilary Atherton, Bird & Bird LLP, London; e-mail: hilary.atherton@twobirds.com

The Court of Justice of the European Union has ruled that a sign depicting the layout of Apple’s flagship stores is capable of registration as a three dimensional trade mark for goods and services under the Trade Marks Directive (2008/95/EC) (*Apple Inc v. Deutsches Patent- und Markenamt* (Case C-421/13)).

Background

Apple obtained a trade mark registration from the US Patent and Trademark Office of a 3D mark consisting of the representation of its flagship stores for services in Class 35, namely “retail store services featuring computers, computer software, computer peripherals, mobile phones, consumer electronics and related accessories and demonstrations of products relating thereto”. The representation, described by Apple as “the distinctive design and layout of a retail store”, is shown below:



Apple subsequently sought to extend the US trade mark internationally under the Madrid Agreement. That extension was accepted in some jurisdictions but refused in others, including in Germany where it was refused by the German Patent and Trade Mark Office (“DPMA”). The DPMA refused the extension of the international trade mark (IR 1060321) to German territory on the ground that the depiction of the space devoted to the

sale of Apple’s products was nothing other than the representation of an essential aspect of Apple’s business. The DPMA considered that while consumers might perceive the layout of such a retail space as an indication of the quality and price bracket of the products sold, they would not see it as an indication of their commercial origin. It also considered that the layout of the retail store which was the subject of the mark was not sufficiently distinguishable from the stores of other providers of electronic products.

Apple appealed to the Bundespatentgericht (Federal Patent Court of Germany) which considered that the store layout depicted by the mark in issue had features which distinguished it from the stores of other providers of electronic products. Nevertheless, it stayed the proceedings and referred several questions to the CJEU.

Questions Referred to the CJEU

The questions referred to the CJEU by the German Patent Court were as follows:

- (1) Is Article 2¹ of the Trade Marks Directive to be interpreted as meaning that the possibility of protection for the “packaging of goods” also extends to the presentation of the establishment in which a service is provided?
- (2) Are Articles 2 and 3(1)² to be interpreted as meaning that a sign representing the presentation of the establishment in which a service is provided is capable of being registered as a trade mark?
- (3) Is Article 2 to be interpreted as meaning that the requirement for graphic representability is satisfied by a representation by a design alone or with such additions as a description of the layout or indications of the absolute dimensions in metres or of relative dimensions with indications as to proportions?