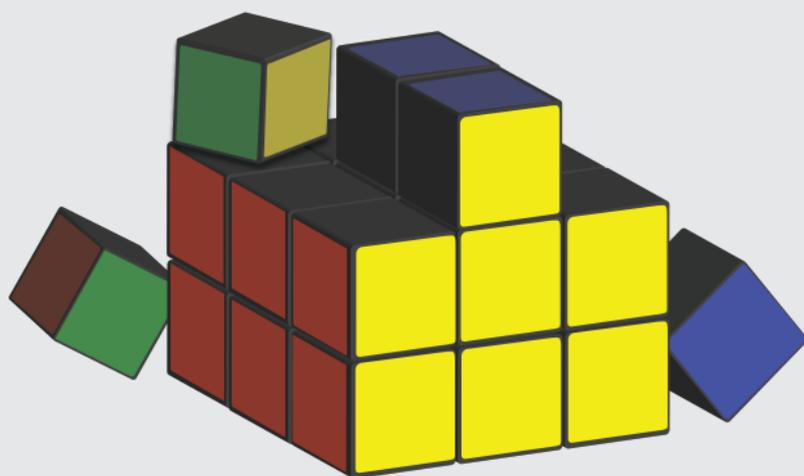




Newsnotes

Recent developments in Brands & IP law
Issue 4 - February 2017



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Lewis Silkin LLP Newsnotes

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

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IP STRATEGY

New Year's resolutions for better IP

Why stop at making personal resolutions for the New Year when you can make them for your IP too. The start of the year is an excellent time to consider your general IP strategy and even to introduce new practices that will make protecting, using and enforcing your IP that much easier in 2017.

Do an audit

Businesses often don't know what IP they use or own. An audit aids a business in better understanding where its IP value lies and what aspects require some attention. For example, do you own the code for your website? Did you get an assignment for any work by freelancers?

Form a strategy

It's easy to spend too much or too little protecting the IP aspects of a business. So don't go off half-cocked. Decide on a strategy for your IP that includes identifying key assets to protect, the type of (registered) protection that you might seek and how to minimise the impact of disruptive activity (e.g. educating your staff to acts as 'eyes and ears'; awareness of and adherence to brand guidelines and measures to combat counterfeiting). Consider the strategy in light of any audit completed.

Update documents

Any template documents you have, including employment contracts, that contain reference to IP should be checked to ensure they are up to date and still suit your business needs.

Keep records

Keeping records of products sold, services offered, marketing spend and activity, awards won, customer feedback, branding changes etc. will save time and can strengthen your position evidentially in a variety of scenarios from registering rights to defending or enforcing IP. They can assist in maximising the value of a business and helping ready it for a sale.

And remember, resolutions should be for life, not just for the New Year.

ANTI-COUNTERFEITING

Christmas counterfeits – How did you fare?

At the end of 2016 the OECD/EUIPO released research suggesting that the total trade in counterfeit and pirated products in the EU amounted to as much as 85 billion Euros in 2013. Luxury goods are top of the list and firmly in the sights of counterfeiters for Christmas. So what was done to tackle the problem for Christmas 2016?

Recognising that reducing the impact of counterfeiting does not just lie with brand owners, the UKIPO issued a short animated film on the dangers of purchasing counterfeit goods. The film highlighted the issues with counterfeit goods and explained why consumers should think beyond the perceived bargain of a cheaper product.

Police and Trading Standards worked together in Manchester to raid locations where counterfeit goods were held, seizing over £2million worth of counterfeit goods.

And Amazon announced new initiatives for combatting the fakes. It launched “Brand Central” which is aimed at helping sellers prevent others from copying their products and peddling fakes. Reports suggest it also spoke directly to Chinese manufactures to tackle the issue head on. While welcome, some may say such initiatives were well overdue. Amazon has previously come under fire from brand owners claiming products sold on the platform are in fact fake.

It is of course still a difficult issue to tackle but 2017 could make its mark in the continued battle against the counterfeiters if more interested parties take positive action like that described above. With developing block chain technologies and artificial intelligence also on the horizon, the balance may be about to tip in the brand owners’ favour.

SHAPES

Rubik's Cubes: In a spin

Those of us of a certain age will remember the frustration of trying to complete a 'Rubik's Cube'. But following the CJEU's ruling that the trade mark registration for the shape of the famous puzzle is invalid; it is the owner of the original Rubik's Cube 3D puzzle that will be feeling frustrated.

As we have covered in various previous Newsnotes, it has become increasingly difficult to register shapes as trade marks, or, as in this case, to keep them registered.

The issue with shape marks is that consumers generally distinguish between brands on the basis of product names, logos, and sometimes colours, rather than shape. Importantly, shapes cannot be registered as trade marks where the shape results from the "*nature of the goods themselves*", where they add "*substantial value*", or where the shape is "*necessary to obtain a technical result*".

In this case, a producer of toys, including one very similar to the Rubik's Cube (Simba) sought to cancel the registration for the Rubik's Cube on the basis that the shape registered was necessary to obtain a technical result, i.e. to produce the 3D puzzle. The application to cancel the mark was unsuccessful at the EUIPO and again on appeal to the General Court.

But Simba persevered taking the case to the CJEU which agreed that the mark is invalid, deciding that it consists exclusively of a shape required to obtain a technical result. The CJEU found that while one might not be able to tell from the representation of the shape what the 'technical result' is, the examiner should go further and take into account evidence beyond the application or registration itself to work out what the product depicted is or does.

The most obvious impact of this decision (and other similar ones) will be felt in the puzzles and toys industry, as it will be more difficult for inventors of puzzles and toys to prevent copycats by registering trade marks. Those looking to protect shapes (especially where those shapes are part of the function of a product) should, where possible, consider protecting the product with a patent or registered design instead.

UNITARY PATENTS

UK proceeding with UPC

The UK government announced that it will proceed with the Unitary Patent and the Unitary Patent Court ("UPC"). This ends months of speculation in the patent community as to what would happen after the Brexit vote last June. The UK was a mandatory signatory to the UPC Agreement and there had been concern that the project would stall in light of the UK's European exit. Only Germany is left to ratify the Agreement and it is expected that the UPC will open in December this year.

The Unitary Patent will allow inventors and businesses to register a single patent that has protection across Europe (similar to how the EUTM works for trade marks). The UPC will have exclusive jurisdiction in relation to Unitary Patents and its judgments will have effect in all territories of contracting European member states.

The move is in keeping with the UK IPO's position which has been that for intellectual property in the UK, it is business as usual until the UK is officially out of Europe. Generally the move to ratify the UPC in the UK has been welcomed by commentators in Europe, though it is of note that there have been no comments as to the UK's long term participation in the UPC. Currently, the legislation only provides for European member states to participate in the regime. Indeed, Baroness Neville Rolfe was keen to point out in the announcement regarding the ratification that *"the decision to proceed with ratification should not be seen as pre-empting the UK's objectives or position in the forthcoming negotiations with the EU."*

Watch this space for further developments.

DESIGNS

Unregistered designs: Open and shut case

In a recent case, Action Storage (a producer of lockers, such as the ones installed in schools) sued G-Force (another producer of lockers) for infringing its design rights in producing a similar product.

The judgment will be an interesting read for anyone looking for a thorough explanation of the law of unregistered designs. However, for those with less time, here is a summary of what the judge found:

- Where parties are bringing infringement proceedings, they should set out clearly in their claim each element of the design that they rely on.
- The product produced by Action Storage was original and not commonplace, even though it was based on a product produced by a third party.
- Certain elements of the allegedly infringing product were not protected as they were required to make the lockers fit together with others.
- However, there were various elements of the design of the Action Storage lockers which had been copied by G-Force, and therefore Action Storage's unregistered designs had been infringed.

With the increasing antipathy of the courts to the registration of shapes as trade marks, this case is a timely reminder of other options that are available to manufacturers and brand owners. Such manufacturers and brand owners should check that they have records of how their products have been created so that, for example, they can fight off challenges that the product was copied or is commonplace.

TRADE MARKS

Step by step – trade marks in China

Brand owners will take comfort from a decision of China's highest Court (the Supreme People's Court of China) in early December. As part of a long running battle between former basketball star, Michael Jordan, and Chinese sports manufacturing giant, Qiaodan Sports, the former basketball star has finally come out on top – at least in relation to one specific trade mark. Overturning decisions from the lower courts, the Supreme People's Court revoked a trade mark held by Qiaodan for "Jordan" represented in Chinese characters.

So is this a sign of things to come? Perhaps. But getting to a point where western brands feel comfortable that their trade mark rights will be recognised and enforced consistently, particularly against local 'copycats', is likely to be a marathon not a sprint.

Nike and the "Jordan" brand have been available in the Chinese market since the 1990s. Nike registered the English word "Jordan" in China during that period but not the Chinese transliteration of 乔丹 or Qiaodan. In the early 2000s Qiaodan Sports applied to register, and obtained, a series of trade marks for these. But it was not until 2012 that Jordan sought to challenge that use. And consistent with the experience, or at least the commonly held perception, that many western brands have of trade mark proceedings in China, the lower courts sided with the local firm, dismissing the claims that use of those marks infringed Jordan's rights.

So whilst the recent decision of the Supreme People's Court is welcome, it's significance should not be overstated. It is in truth only a small part of a wider dispute between Jordan and Qiaodan involving many registrations. It is therefore unlikely to signal a significant change of approach generally. The harsh reality is that protecting and enforcing IP rights in China remains a challenge, even for the biggest of brands. It will take time before the tide truly turns.

DATA BREACHES

Hacked off? Data breaches abound

The inevitable rise of the data breach, otherwise known as the 'hack', continued unabated in 2016. The UK government reported that two thirds of 'large' business (i.e. greater than or equal to 250 employees – regardless of revenue) "experienced a cyber-breach or attack in the past year". Not only that but the breath-taking scale of the problem became apparent when Yahoo disclosed last year that a hack in 2013 had resulted in up to 1 billion accounts being compromised. The data taken is thought to have included some or all of the following: names, addresses, dates of birth, telephone numbers and passwords.

It is not so much a question of 'if' but 'when'. Breaches are no longer incidents that happen to other people or the poorly run business. They are undoubtedly mainstream and can happen to any of us. Giants such as Tesco, Sage and Talk Talk have been affected in recent times. And it's not always hacks from the outside that cause the problem. Reports suggest that in as many as 40% of all cases of data breach, the perpetrators are actually employees.

So what to do? Well, as the old adage goes, prevention is better than cure. We should all be acutely aware of our (potential) vulnerabilities and put in place appropriate practices and procedures. Within any organisation it is crucially important to ensure awareness of and education in relation to cyber security. This includes looking at your own organisation, identifying potential issues before they become a problem and developing a clear strategy so you know what to do, when, and how to investigate, manage, contain, and deal with a breach. A joined up, practical approach for the whole organisation is best. Consideration should be given not only to legal issues around internal policies, practices and procedures but how others such as insurers and PR specialists can provide practical assistance too.

BREXIT

IP myth busters

Myth and legend is not just the stuff of Lord of the Rings. There are plenty of common misconceptions in intellectual property which are often further exacerbated by statements on the internet and the popularity of TV shows where legal 'advice' or commentary may be given. Here are a few of the most common ones we hear and the truth behind them.

Myth: If I use only 20 seconds of music or 8 bars of a song then I don't need permission from the copyright owner

Busted: The test for copyright infringement is whether or not a substantial part of the original work has been copied. This test is more qualitative than quantitative but both are relevant to the assessment. The reality is that if only a small part is copied, if that part is significant (eg. the hook of a song), then it may still be an infringement of copyright.

Myth: If I make 5 changes to my design then I won't infringe design rights

Busted: There is no magic number of changes required to avoid infringement. A registered design right has been infringed if the new design creates the same overall impression as the registered design. The more unique the original design and the greater the design freedom for the subject of the design, the greater the changes required to create a different overall impression.

Myth: It's on social media/the internet so I can use it

Busted: Materials protected by intellectual property rights are still protected, even if they are on social media or other internet sites. You will generally need the rights holder's consent for the specific use you would like to make of the work.

Myth: TM means registered trade mark

Busted: You have probably seen the TM sign on various products and in advertising. TM does not mean registered trade mark, though it may mean that someone is indicating that they are using that mark as an unregistered trade mark. In the UK, the correct symbol for a registered trade mark is the "R" sign. It is a criminal offence to use the "R" sign with a mark that is not a registered trade mark.

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