

Intellectual Property Update

A round-up of the latest news in intellectual property law

SUMMARY

A round-up of IP news from the last quarter:

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1. L'Oréal v eBay

This European Court of Justice ruling is **good news for brand owners** as it affords them protection against the online sales of products which breach licensing policies or trademarks. In particular, it is hoped that this judgment will bolster the battle against the trade of counterfeit goods online.

The ruling relates to the long standing dispute between L'Oréal and eBay in relation to the sale of goods infringing L'Oréal's trademarks on the online marketplace, eBay.

eBay listed 17 L'Oréal products for sale on their website, some of which were counterfeit and some of which were sold by distributors who were not part of L'Oréal's closed selective distribution network.

The Court considered the extent to which an intermediary service provider (ISP) whose activities are restricted to hosting information, such as eBay, can be liable for breaches of trademark caused by goods listed for sale by their customers.

First, it was reiterated that the transaction must "take place in the context of **commercial activity**" in order for the brand owner to qualify for protection. The Court stated it would take the volume and frequency of sales into account when determining if an activity was commercial.

Secondly, the **point at which the EU trademark laws apply** was confirmed by the Court to be "as soon as it is clear that the offer for sale of a trademarked product located in a third State is targeted at consumers in the territory covered by the trade mark". The determination will fall to "national courts to assess on a case-by-case basis".



Finally, the Court turned to the main question relating to the **liability of ISPs**. It was previously considered that E-Commerce Directive (2000/31/EC) would protect ISPs such as eBay against defamation or other legal liability incurred as a result of information posted on their sites. However the judgment went some way towards eroding this protection, albeit to a limited extent.

ISPs may no longer take any sort of **active role** in the presentation of customer information on their websites. In this case, eBay took steps to optimise the presentation by purchasing 'L'Oréal' keywords on Google with a link to their site. This took them squarely out of the neutral position envisaged by the E-Commerce Directive and ultimately opened them up to liability. It remains to be seen how strictly national Courts will apply the judgment to ISPs but this ruling is likely to cause concern among online marketplace providers until the position is clear.

The rise of the internet has long caused concern for brand owners who feared that counterfeit goods could easily be distributed or unauthorised sales made. This judgment goes some way to establishing who will be held accountable for such sales and ensuring brand owners can adequately protect their brand equity.



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2. Louboutin – Seeing red

We are all familiar with seeing Those Red Soles stomping around the City, or gracing the feet of celebrities in magazines. But should Louboutin be allowed a monopoly over the use of the colour red on the soles of shoes? The American Court thinks not.

*“in the world
of artistic
design creativity
should not be
fettered ”*



Louboutin requested an injunction against Yves Saint Laurent to prevent them from selling shoes with red soles which Louboutin say infringe their trademark. W

hen this matter reached the Court, the judge was incredulous that a designer could trademark a colour and did not consider Louboutin’s trademark protectable. It was thought that in the world of artistic design **creativity should not be fettered** by restrictions on what colours can be used.

Louboutin’s trademark was distinguished from other ‘colour’ trademarks in the fashion industry such as the Burberry check or the Louis Vuitton logo, as these incorporate some sort of pattern or design.

It would be interesting to see what would happen should a similar argument play out in the European Courts, but the Louboutin ruling will most likely set a precedent for the international fashion industry.

3. Lucasfilm v Ainsworth

In the 1970s the respondent in this case, Mr Ainsworth, who is based in the UK, created the notorious Stormtrooper helmets and armour for the Star Wars films. In 2004 Ainsworth reproduced and sold helmets and armour to the public,

some of which were sold in the US and some in the UK.

Lucasfilm claimed that this breached the copyright of the artist who drew the initial designs from which Ainsworth created the Stormtrooper garb.

A default judgment in the amount of approximately \$20 million was awarded to Lucasfilm in the US. Lucasfilm sought to enforce this award in the English Courts and also claimed for breach of their UK copyright.

It was held that, under English law, the helmets and armour could not qualify for copyright protection as they were not “sculptures”.



The judge referred to guidelines formulated in the Court of Appeal hearing of this case to help him decide whether or not the items were sculptures. These guidelines will be helpful for anyone looking for guidance on whether their item will be protected by copyright as a sculpture.



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“Copyright claims arising outside of the EU can now be pursued in the English Courts”

More significantly, it was held that **US claims for copyright infringement could be adjudicated in the English Courts.** No policy reason could be found to deny that foreign claims should be enforceable.

Indeed, Lucasfilm would have been without remedy were the Supreme Court to find that the claim was unenforceable in England.

This judgment goes against previous thinking, which said that although in the European Union (EU) persons domiciled in a member state should be sued in that member state, this would not extend beyond the EU.

It has now been established that copyright claims arising outside of the EU can be pursued in the English Courts in certain circumstances.

The fact that copyright does not need to be registered was crucial in this case. EU legislation provides that where intellectual property is registered in a particular country, that country must be the arbiter of any claims in respect of the validity of that intellectual property.

The scope of this judgment is therefore relatively narrow, limited only to copyright infringement on a strict interpretation. In addition, quantum of damages was not discussed. Therefore it is unclear if the English Courts would follow an assessment of damages made in another territory or reach its own conclusions in this respect.

International copyright infringement litigation may be greatly affected as a result of this ruling. When the case law is further developed, this may also have an impact on protection strategies for global brands.

May the force be with you.

4. A Lotus by any other name....

Since the death in 1982 of Colin Chapman, inventor and car designer of Lotus cars, the ownership of the Lotus

brand has been somewhat in disarray.

Mr Chapman founded both the F1 operation ‘Team Lotus’ and the car manufacturing company ‘Lotus Cars’. The latter was floated in the 1960s, becoming ‘Group Lotus’ and leading to a separation of the racing and manufacturing activities.

An agreement was reached in 1985 between Team Lotus and Group Lotus, following the death of Mr Chapman and therefore the link between the companies. The 1985 agreement formalised the separation.

Team Lotus changed hands a number of times, although the Team Lotus name essentially lay dormant between 1996 and 2009 and no cars were raced under this name.

Group Lotus licensed the use of the name ‘Lotus Racing’ to a Mr Fernandes for the 2010 season. During this time Group Lotus also had their own team racing under the name Lotus Renault GP. The relationship with Fernandes broke down and the licence was terminated in 2010.

Fernandes, determined not to lose the Lotus brand, having invested around £80 million in the concept, purchased the dormant Team Lotus name in 2010.



This litigation arose because once the relationship with Fernandes had broken down, Group Lotus were not happy that another ‘Lotus’ team outside of their control was competing in F1. They argued, among other things, that Fernandes’s use of the Team Lotus branding amounted to passing off. Group Lotus also argued their trademarks were infringed.



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“No likelihood of confusion was envisaged as between the competing F1 teams”

Group Lotus claimed they owned all goodwill in the name ‘Lotus’ and anything related (including Team Lotus).

The judge considered the 1985 agreement fatal to their argument. The agreement clearly outlined a separation of the entities and even provided for Group Lotus to enter a competing car into F1.

The judge did not consider that abandonment of the Team Lotus name amounted to an **abandonment of the goodwill** accrued therein.

The current state of affairs was effectively preserved by the judge, who saw no problem in the two Lotus teams racing together. He relied partly on the clear separation of the Group Lotus and Team Lotus operations since the floatation in the 1960s.

The judge was also largely influenced by the fact that no likelihood of confusion was envisaged as between the competing F1 teams. It is common practice in F1 for the same brand name to appear on competing teams which are unconnected with one another.

Furthermore, the two Lotus teams competed in 2010 with no apparent confusion among the press or public.

The judge admitted that the marketing efforts of one entity would benefit the other

and that there was a link and shared heritage, but considered the **brands retained separate identities**.

5. Isn’t it obvious?

In two recent cases patent applications were refused for being ‘obvious’.

The first, heard in the High Court, related to a method of antibody phage display to isolate proteins of interest to treat loss of vision. Duh, obvious....

Due to the method having already been published by a researcher in the field, this patent was held ‘obvious’ and therefore invalid.

In a separate case, Amazon’s “one-click” technology was also refused a patent due to the technology being obvious.

The appeals board of the European Patent Office upheld the decision.

The method allows customers to make purchases from Amazon’s e-commerce site with a single click of the mouse.

A consideration of the technology showed that it relied on previously patented methods and therefore the requirements for ‘novelty’ and an ‘inventive step’ were not met.

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