

THE IP BRIEF

a quarterly update of key IP cases and news,
with a primarily UK and EU focus.

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/ INTRODUCTION

Welcome to our latest edition of The IP Brief – a quarterly update of key IP cases and news, with a primarily UK and EU focus.

In this edition, we take a look at:

- the UK Supreme Court’s very recent decision on broad trade mark specifications and bad faith in *SkyKick v Sky*;
- the impact of a crowded market on the distinctive character and scope of protection of UK and EU trade marks;
- two recent High Court trade mark infringement decisions applying the test for accessory liability laid down by the Supreme Court in *Lifestyle Equities v Ahmed*;
- the CJEU’s decision in *Kwantum*, which opens the door to copyright protection in the EU for all works of applied art regardless of the country of origin of the work or the nationality of its author;
- three recent UK Court of Appeal decisions relating to SEPs and FRAND licensing;
- the first substantive decisions coming out of the UPC; and
- the new EU designs package.

TRADE MARKS

UK SUPREME COURT HANDS DOWN JUDGMENT IN SKYKICK V SKY

The UK Supreme Court has (finally!) handed down its long-anticipated decision in *SkyKick v Sky*. The headline is that the Supreme Court allowed SkyKick’s appeal in part, finding that the High Court was entitled to hold, to the extent that it did, that certain UK and EU trade marks registered by Sky had been applied for in bad faith and that the Court of Appeal was wrong to reverse that finding. In doing so, the Supreme Court made it clear that applying for a trade mark covering a broad list of goods and services can amount to bad faith in certain circumstances - such as where the applicant had no intention to use the mark for those goods and services, but rather intended to use it purely as a legal weapon against third parties (e.g. through infringement claims or oppositions to third party trade mark applications). That said, SkyKick was ultimately still found to have infringed Sky’s marks in relation to its cloud backup services on the basis of the narrowed specification for those marks.

Whilst this decision won’t prevent businesses from legitimately future-proofing their trade mark applications, it will inevitably lead to an increase in validity challenges on the grounds of bad faith, at least against UK registered trade marks with broad specifications (particularly during the 5 year grace period for non-use). Given that, and to avoid similar issues in future, rights holders may want to re-consider their trade mark filing strategies in light of this decision.

We will be publishing a fuller IP briefing on the Supreme Court’s judgment and its implications on our website in the coming days, so please keep an eye out for that.

TRADE MARK INFRINGEMENT IN A “CROWDED MARKET”

The Court of Appeal has given **guidance** on the scope of protection to be given to a registered trade mark which is used in a ‘crowded market’ - that is, a market in which there are several trade marks present which use similar motifs and incorporate the same or similar words.

In this case, the market was ‘polo’ brands for clothing and related goods (such as footwear, luggage and watches).

The claimants were the owner and exclusive licensee of trade mark registrations for the BEVERLY HILLS POLO CLUB mark pictured below (top image), in various jurisdictions including the UK and the EU. They claimed that the defendants’ use of the ROYAL COUNTY OF BERKSHIRE POLO CLUB sign pictured below (bottom image), in relation to identical goods, infringed their trade marks.



At first instance, the High Court held that there was no infringement, in part due to the impact of there being present in the market a significant number of other polo brands featuring a horse and rider motif (e.g. Ralph Lauren and US Polo Association). This crowded market, the High Court found, had the effect of reducing the distinctive character of the claimants’ trade marks. In turn, this meant that there was less scope for there to be a likelihood of confusion than there would have been in a non-crowded market.

The High Court also considered the relevance of two co-existence agreements between Ralph Lauren and each of the claimant and the defendant and concluded that they gave a useful insight into the market for polo-themed brands, as well as an indication into what other market players like Ralph Lauren regard as sufficient differences to avoid consumer confusion.

Lifestyle Equities appealed the first instance decision on two main grounds:

- firstly, that the judge had wrongly relied on the existence of other polo-themed trade marks; and
- secondly, that he had wrongly relied on the existence of the co-existence agreements,

in each case when assessing likelihood of confusion.

The Court of Appeal dismissed both grounds. On the first, it confirmed that third party use of similar signs does tend to diminish the distinctiveness of a trade mark and that it is harder for a mark to stand out in a crowded market. On the second, it noted that co-existence agreements might have an effect on the relevant market and, even if they don't, they may give some insight into what market participants consider to be acceptable or unacceptable behaviour. The Court of Appeal concluded that it may therefore be appropriate to take co-existence agreements into account as part of the global assessment of likelihood of confusion, but advised that caution must be exercised before drawing any conclusions. In the present case, the High Court judge had made no reference to any of the co-existence agreements when carrying out his global assessment for likelihood of confusion and the Court of Appeal therefore found he had made no error of law or principle here either. As a result, the finding of non-infringement was upheld.

This is a fascinating case which highlights the impact a crowded market may have on the distinctive character of a trade mark and, consequently, the scope of protection afforded to it. Businesses should therefore bear this in mind when looking to select a new brand.

ACCESSORY LIABILITY FOR TRADE MARK INFRINGEMENT POST LIFESTYLE EQUITIES V AHMED

In our **last edition** of The IP Brief, we discussed the decision of the UK Supreme Court in *Lifestyle Equities v Ahmed*, which looked at accessory liability in a trade mark infringement context. Since then, that decision has been considered a number of times by the English courts, including in *AGA Rangemaster Group v UK Innovations Group* and in *Morley's (Fast Foods) Limited v Kunatheeswaran*. These decisions give further insight into how the English courts will apply the test for accessory liability laid down by the Supreme Court and indicate that the threshold for liability is high.

In *AGA Rangemaster Group v UK Innovations Group*, UK Innovations Group ("UKIG") fitted electronic control systems to AGA cookers in order to convert them from running on traditional fossil fuels to running on electricity. The retrofitted cookers retained their AGA branding, but the original temperature gauge was replaced with an "eControl System" badge. Whilst AGA accepted that there is a legitimate aftermarket for refurbishing and reselling AGA cookers, it believed that UKIG's actions, and the way it marketed its retrofitted cookers, went beyond what was permissible and infringed its trade mark rights (as well as certain copyright). It also claimed that an individual, Mr McGinley, was liable as a joint tortfeasor due to his actions as director, and the person in control of the day-to-day operations, of UKIG.

With a couple of limited exceptions, UKIG didn't dispute that their actions fell within section 10 of the Trade Marks Act 1994 ("TMA"). Instead, they denied infringement on the grounds that: (i) AGA's trade mark rights had been exhausted because the AGA cookers that UKIG had retrofitted had been placed on the market by AGA itself (or with its consent); and (ii) as far as AGA sought to rely on its trade marks for the word "AGA", UKIG had a defence under either section 11(2)(b) or 11(2)(c) of the TMA as their use of "AGA" had been descriptive or for the purpose of indicating that the eControl System could be used to "convert" genuine AGA Cookers.

The court concluded that neither of these defences applied. On exhaustion, the court found that AGA had legitimate reasons to object to UKIG's activities. That was not because of UKIG's actions in fitting the eControl System to AGA cookers, nor because of the extent of the more general refurbishment works undertaken, but because of the way UKIG marketed and sold its refurbished cookers. In the court's opinion, UKIG's actions in marketing and selling its cookers unfairly linked UKIG's refurbished cookers with the AGA brand and would have given customers or potential customers the incorrect impression that there was a commercial connection between UKIG and its products on the one hand and AGA on the other.

On section 11(2), the court found that UKIG's use of the word AGA (e.g. in phrases like "eControl AGA", "AGA Cooker eControl" and "Controllable AGA Cookers") was distinctive use, not descriptive. And, in any event, it was not in accordance with honest commercial practices.

Infringement having been found, that left the question of whether Mr McGinley was liable as an accessory. Following the Supreme Court's decision in *Lifestyle Equities v Ahmed*, to be liable as an accessory one has to show that that person knew the essential facts which made the relevant act unlawful. However, due to the timing of the *Lifestyle Equities* decision, AGA's pleadings didn't address this point nor was Mr McGinley asked questions about his knowledge. Based on the evidence before it, the court concluded that Mr McGinley did not have the requisite knowledge. Whilst he was aware of some relevant facts (such as the existence of AGA's word marks and that UKIG was using those marks in relation to identical goods), he was not proven to be aware of others (e.g. that he knew or had reason to believe that UKIG's actions were liable to affect the origin function of the AGA marks or that UKIG's actions would be detrimental to the distinctive character of those marks). As a result, Mr McGinley was found not liable as an accessory.

This must be contrasted with the decision in *Morley's (Fast Foods) Limited v Kunatheeswaran*. Whilst not concerned with directors' liability, it nonetheless considered (amongst other things) whether a particular individual should be found liable as an accessory for procuring others (his franchisees) to commit trade mark infringement.

The dispute itself was between two fast-food chicken franchises based in South London. Morley's operate the well-known "Morley's" fast-food chain and have registered UK trade marks for various signs including the "Morley's Red and White Mark" (shown at the top of the table on the next page) as well as the word "TRIPLE M" / "TRIPLE-M".

The defendants operate a fast-food chicken franchise under the brand "Metro's". One of the defendants (KK) was the owner and franchisor of that franchise; and the other defendants are or were franchisees of the Metro's brand.

Morley's and KK had been in a long-running dispute in relation to KK's branding since 2010, when KK began using the mark "Mowley's". That initial dispute resulted in Morley's obtaining an injunction which restrained KK from using "Mowley's". In spite of that injunction, in 2016 KK registered "Mowley's" as a UK trade mark and started using the brand name "Metro's". This led to further disputes. In an attempt to settle those disputes, in 2018 the parties entered into an agreement (the "**Settlement Agreement**") pursuant to which KK agreed to remove his "Mowley's" mark from the UK trade marks register and, in turn, Morley's permitted KK to use the Metro's Settlement Sign shown at the bottom of the table on the next page.

After the Settlement Agreement had been signed, however, KK started using and allowing others to use a different "Metro's" sign - Sign 1 (shown in the middle of the table on the next page) - as part of his franchising arrangements which, noticeably, did not have the blue border that formed part of the Settlement Sign.

Unhappy with this, Morley's brought proceedings against the defendants again, claiming that use of Sign I infringed the Morley's Red and White Mark under s.10(2)(b) of the TMA; and that certain uses of "MMM" and "TRIPLE M" infringed their Triple M mark under sections 10(1) and 10(2)(b) of the TMA.

The High Court found infringement in all three cases and the defendants' attempts to rely on a defence of consent to their use of Sign I under the Settlement Agreement failed. The franchisee defendants were not party to that agreement and the court found that they were not entitled to rely on it. As for KK, whilst the terms of the Settlement Agreement allowed him to use the Settlement Sign and "any reasonable modifications thereto", the court found that the changes KK made to get from the Settlement Sign to Sign I were not "reasonable" because their effect was to increase the similarity of the Settlement Sign to the Morley's Red and White Mark. So, KK's use of Sign I fell outside the scope of the Settlement Agreement.

KK was also found jointly and severally liable for the infringing acts carried out by his franchisees. In reaching this conclusion, the High Court placed particular emphasis on the fact that:

- KK had previously been enjoined by the English courts for using signs that were found to have infringed the Morley's Red and White Mark;
- Morley's had previously brought infringement proceedings against KK's use of the "Metro's" brand on the basis of the Morley's Red and White Mark, which ultimately led to the parties entering into the Settlement Agreement; and
- the court found that KK deliberately developed the get-up of his Metro's stores and Sign I to make them as similar to the Morley's stores and the Morley's Red and White Mark as he thought he could get away with.

In those circumstances, applying the test for accessory liability laid down by the Supreme Court in *Lifestyle Equities*, the High Court was satisfied that KK had reasonable grounds for knowing, and should have appreciated, that Sign I was infringing the Morley's Red and White Mark. And so, by granting the franchise licences he knowingly authorised and procured his franchisees' infringements of the Morley's Red and White Mark and was therefore jointly liable for those infringements.



Morley's Red and White Mark



Sign I



Settlement Sign

For now then, this seems like the type of egregious conduct that will satisfy the test laid down in *Lifestyle Equities* showing that the threshold remains high. However, it will be interesting to see whether this will change at all in future decisions as claimants will be able to plead their case with the requirements of *Lifestyle Equities* in mind.

COPYRIGHT

COME ONE! COME ALL! THE CJEU'S DECISION IN KWANTUM V VITRA

On 24 October, the CJEU **endorsed** the Advocate-General's opinion in *Kwantum v Vitra*, opening the door for sweeping copyright protection for works of applied art within the EU, irrespective of the nationality of the author and whether the work qualifies for copyright protection in its country of origin.

The case originated from a preliminary ruling by the Supreme Court of the Netherlands in the context of a domestic copyright infringement case brought by Vitra against Kwantum. Vitra sells designer furniture and alleged that under Dutch and Belgian copyright law Kwantum, a budget furniture retailer, infringed its copyright in the 'DSW' chair. The 'DSW' chair was originally designed by the well-known American designers Charles and Ray Eames. The Dutch Supreme Court decided to stay the domestic proceedings and refer various questions to the CJEU, which centred around the scope of copyright protection under the InfoSoc Directive (EU Directive 2001/29) and its interaction with the Berne Convention ("BC").

The BC is a key treaty governing the international application of copyright law, which requires BC signatory states ("BC States") to adopt certain minimum protections for artistic and literary works. It provides that, as a general rule, BC States are required to apply a principle of "national treatment", with each BC State granting the same protection to authors (and their works) from another BC State as it provides to its own nationals.

However, Article 2(7) BC makes a key exception to this general principle, specifically for works of applied art. Under Article 2(7), where a work of applied art is protected in its country of origin solely as a design or model (as is the case in the US), then such work is only entitled to this same level of protection in other BC States (the so-called "material reciprocity test").

The US and all EU member states ("EU MSs") (including the Netherlands and Belgium) are signatories to the BC and, whilst the EU itself is not a signatory, it is still bound to comply with its provisions under the TRIPS Agreement and the WIPO Copyright Treaty.

Applying the BC's material reciprocity test, Kwantum argued that Vitra could not rely on copyright protection in the Netherlands and Belgium because the 'DSW' chair did not benefit from copyright protection in the US, its country of origin. This submission ultimately led to the Dutch Supreme Court referring a number of questions to the CJEU, the key one being whether EU law precludes EU MSs from applying the material reciprocity test.

The CJEU concluded that it does. In reaching this conclusion, the CJEU focussed its attention on the InfoSoc Directive and the EU Charter of Fundamental Rights. Its starting point was to consider whether the InfoSoc Directive applies to works of applied art which originate from, and whose author is a national of, a country outside the EU. And it found that it did. As long as the relevant subject matter qualifies as a "work" under EU law, the CJEU said it must qualify for copyright protection.

The CJEU then went on to consider whether the provisions of the InfoSoc Directive precluded EU MSs from applying the material reciprocity test in their national laws. Again, it found that it did. In its opinion, allowing individual EU MSs to apply the material reciprocity test would undermine the InfoSoc Directive's objective of harmonising copyright within the EU, as works of applied art originating from third countries might be treated differently in different EU MS's. The CJEU also noted that, as IP protection is a fundamental right under the Charter, the EU legislature itself has the exclusive ability to create exceptions to copyright protection based on the country of origin of a work or

the nationality of its author. The list of exceptions set out in the InfoSoc Directive is exhaustive and does not contain a limitation of material reciprocity, nor one based on the country of origin of the work or the nationality of its author. Indeed, the CJEU placed weight on the fact that some EU Directives (such as the Term Directive) explicitly do apply a material reciprocity test, but the InfoSoc Directive does not – it is entirely silent on the point. If, the CJEU concluded, the EU legislature had intended that EU MSs should retain the ability to apply Article 2(7), it would have expressly provided for this. It did not and therefore, by adopting the InfoSoc Directive, the EU legislature exercised EU MSs' competence not to apply the material reciprocity test under the BC.

What this means in practice is that EU MSs must provide copyright protection to all works of applied art that meet the harmonised criteria for copyright protection in the EU, regardless of the work's country of origin or the nationality of its author.

This decision is consistent with the direction of recent EU jurisprudence and firmly establishes the EU as a haven of universal copyright protection. It will be received gratefully by rights holders, particularly those based outside the EU, e.g. in the US and in non-BC States, who may now be able to enforce copyright in the EU even where their works would not be afforded copyright protection in their country of origin. This reinforces the harmonisation of EU copyright law and has paved the way for a more uniform application of protection across EU member states.

That being said, this decision has not been received without criticism. Commentators have queried whether the CJEU has become too activist, determined to harmonise all aspects of copyright law, despite this never being the intention of the InfoSoc Directive. As noted above, the CJEU's judgment is in part based on the silence of the InfoSoc Directive, rather than any express provision that precludes the application of Article 2(7). And, whilst the CJEU may have decided to infer something from this silence, it seems to have done so at the expense of certain express provisions of existing EU law, such as Article 17 of the Design Rights Directive and Article 96(2) of the Community Design Regulations, which, at least as things stand, provide that EU MSs are permitted to determine "the extent to which, and the conditions under which" copyright protection is afforded to designs (although we note that this wording has been removed from the revised design Directive and Regulation that have recently been published in the Official Journal of the EU (see further below)).

Here in the UK, copyright protection for works of applied art has long thrown up its own questions, a number of which have recently been considered by the Intellectual Property Enterprise Court in *WaterRower v Liking*. We'll be taking a closer look at the implications of that decision, and the potential divergence between the UK and EU approaches to copyright for works of applied art, in our next edition of The IP Brief.

PATENTS

COURT OF APPEAL CONSIDERS TREATMENT OF PAST SALES, INTERIM FRAND LICENCES AND PIs IN SEP CONTEXT

The Court of Appeal has had a busy few months dealing with standard essential patent (SEP) disputes and FRAND (fair, reasonable and non-discriminatory) licensing questions, handing down three significant decisions since our last edition.

InterDigital v Lenovo

First, the Court of Appeal handed down its much anticipated decision in the FRAND licence dispute between InterDigital and Lenovo. Both parties had appealed aspects of the High Court's FRAND judgment, which was handed down just over a year ago (see our [blog](#)), with Lenovo challenging certain aspects of the High Court's findings relating to past royalties and InterDigital challenging the High Court's assessment of the lump sum royalty payable by Lenovo.

The Court of Appeal dismissed Lenovo's appeals, confirming in the process that: (i) limitation periods are irrelevant when determining FRAND royalties (such that Lenovo had to pay royalties on all past sales); and (ii) interest is generally payable on past royalties. The court did, however, accept parts of InterDigital's appeal, ultimately increasing the lump sum royalty payable by Lenovo by \$40m (plus interest).

This is the first time the Court of Appeal has considered the correct treatment of a standard essential patent implementer's past sales. The court's confirmation that limitation periods are not relevant when assessing FRAND royalties, and that interest will be payable on royalties relating to past sales, will be seen as good news for SEP owners.

Still, it was not all good news for InterDigital, as, even with the \$40 million uplift it received, the total royalty remains over \$200 million shy of its \$388.5 million claim and closer to Lenovo's case at \$108.9 million.

Sadly for us IP lawyers, InterDigital and Lenovo have since announced a global settlement, so it seems like this is the end of the road on this one.

See our [blog](#) for more details.

Panasonic v Xiaomi

Secondly, in the first UK decision of its kind, the **Court of Appeal** has granted Xiaomi a declaration that a willing licensor in the position of Panasonic (as SEP licensor) would enter into an interim licence of its SEPs pending the Patents Court's determination of the terms of a FRAND licence between the parties.

Xiaomi's application arose in the context of a dispute over FRAND terms for a licence to Panasonic's 3G and 4G SEPs. Panasonic commenced proceedings in the English Courts last summer, seeking declarations that its SEPs are valid and essential and that the licence terms it offered to Xiaomi are FRAND (or, in the alternative, asking the court to determine what terms would be FRAND for a global licence). Shortly afterwards, both parties gave unconditional undertakings to the court to enter into a court-determined FRAND licence.

At the same time, Panasonic issued numerous infringement proceedings in the German national courts and the German local divisions of the UPC, seeking injunctive relief. Given the undertakings provided to the English court, Xiaomi argued that Panasonic had no justification for bringing these additional actions and that the only reason it was doing so was to pressurise Xiaomi into accepting supra-FRAND terms. It was in that context that it sought a declaration for an interim licence.

Whilst the High Court refused to grant the requested declaration, the Court of Appeal overturned that decision by a majority of two to one (Phillips LJ dissenting and arguing that an anti-suit injunction would be the more conventional interim remedy).

It was common ground between the parties and the court that, under the terms of the ETSI IP Policy, holders of SEPs relating to 3G and 4G technology are required to negotiate the terms of a FRAND licence in good faith. Both the High Court and the Court of Appeal agreed that that duty of good faith would be breached where, viewed objectively, the effect of an SEP owner's actions would be to frustrate its FRAND commitment. The High Court was not satisfied to the required standard that this would be the effect of Panasonic continuing its proceedings in the German courts and the UPC, but the Court of Appeal was. A key factor in the Court of Appeal's decision was the undertaking that Panasonic had given to the Patents Court. In the Court of Appeal's eyes, this made it certain that the parties would enter into a UK court-determined licence in the near future (breach of such an undertaking being contempt of court). Why then, the court asked, was Panasonic continuing with the German and UPC proceedings? It concluded that it was to try to force Xiaomi to agree terms that were more favourable to Panasonic than it thought the English courts would order - behaviour the Court of Appeal described as "indefensible" and not compatible with its obligation to negotiate in good faith.

Having reached this conclusion, the Court of Appeal also overturned the High Court's finding that there would be no useful purpose in granting the requested declaration (the High Court having concluded that the only purpose would be to influence the outcome of foreign proceedings), reasoning instead that it would serve the purpose of forcing Panasonic to "reconsider its position" and safeguard the integrity of the English proceedings.

As for the terms of the interim licence, the court plumped for a position somewhere between the terms offered by the two parties – largely adopting Panasonic's proposal, except on term (which was to run from the date the infringing acts began until the final court-determined licence takes effect) and royalty (which reflected the midway point between the parties' positions, subject to a reconciliation once the terms of the final licence had been determined).

Whatever your views on this decision, it does appear to have focussed the parties' minds as Panasonic and Xiaomi entered into a global settlement shortly after it was handed down. It remains to be seen to what extent this will encourage the English courts to grant similar remedies in future, but the Patents Court's latest decision in *Lenovo v Ericsson*, which considered a very similar question (albeit in different circumstances), suggests that determining whether to grant such a declaration will be very fact dependent. For now though, it certainly adds another strategy into the SEP playbook.

Lenovo v Ericsson

Finally, in our **July edition** of The IP Brief, we discussed the Patents Court's decision in *Lenovo v Ericsson* to dismiss Lenovo's application for a preliminary injunction (PI) against the Ericsson group for alleged infringement of one of Lenovo's SEPs covering aspects of 5G technology. The main reason for dismissing Lenovo's application was that the damage Lenovo was seeking to rely on in support of its application for a PI was not caused by Ericsson's alleged infringement of the SEP Lenovo was seeking to enforce, but rather by Ericsson's enforcement of its own patent rights in Brazil and Colombia. The Court of Appeal has recently **upheld** the Patents Court's decision on similar grounds.

FIRST SUBSTANTIVE DECISIONS BEFORE THE UPC

As of 30 August 2024, the UPC had received **476 cases** since opening its doors. Most of the UPC's initial decisions dealt with things like preliminary measures, jurisdiction, access to documents and other procedural issues. But, since July, we have started to see the first substantive decisions being handed down, with the UPC largely meeting its stated aim of issuing such decisions within 12 months (whether that continues as case numbers continue to grow remains to be seen).

These decisions are now coming thick and fast and a quick summary could never do them all justice. However, whilst this is just a snapshot, the early decisions are beginning to shed some light on the UPC's approach to some of the common issues that patents courts around the world have to grapple with.

Claim construction: This is one of the few areas of substantive law that the UPC Court of Appeal has already considered and developed a nascent framework for (see e.g. *NanoString/10x Genomics* and *VusionGroup/Hanshow*), which most of the UPC local and central divisions appear to be following. The key elements of that framework are as follows:

- In accordance with Article 69 of the European Patent Convention (EPC) and the Protocol on its interpretation, the patent claim is not only the starting point, but the decisive basis for determining the protective scope of a European patent.
- The interpretation of a patent claim does not depend solely on the strict, literal meaning of the wording used. Rather, the description and the drawings must always be used as explanatory aids for the interpretation of the patent claim and not only to resolve any ambiguities in the patent claim.

- However, this does not mean that the patent claim merely serves as a guideline and that its subject-matter also extends to what, after examination of the description and drawings, appears to be the subject matter for which the patent owner seeks protection.
- The patent claim is to be interpreted from the point of view of the skilled person.

Several later cases have also noted that the patent specification may represent that patent's own lexicon and that where terms used in the specification deviate from general usage, the meaning derived from the specification may be authoritative.

What is less clear at this stage is the extent to which the file wrapper may be taken into account when construing a claim, with different positions being reached on this by different local divisions. Hopefully, the UPC Court of Appeal will be able to clear that up in the not too distant future.

Novelty: The UPC's approach to novelty has so far followed a fairly straightforward and well-trodden path, in line with the EPO's standard approach – a patent will only be found to lack novelty if the subject matter of that patent, with all its features, is “directly and unambiguously” disclosed in a single piece of prior art.

Obviousness: Whilst some may have expected the UPC to follow the EPO's problem-solution approach when assessing obviousness, it has not done so to date and the Paris Central Division has even gone so far as to say that the problem-solution approach is not explicitly provided for in the EPC and does not therefore appear mandatory (*Merill/Edwards*). One of the key differences is that rather than seeking to identify the “closest prior art”, certain UPC divisions have instead looked to identify a “realistic starting point” – with a starting point being “realistic” if its teaching would have been of interest to a skilled person who, at the priority

DESIGN RIGHTS

NEW EU DESIGNS DIRECTIVE AND REGULATION PUBLISHED IN OFFICIAL JOURNAL

date, was seeking to develop a similar product or method to that disclosed in the prior art which has a similar underlying problem to the claimed invention. In contrast to the “closest prior art” approach, several decisions have indicated that there can be more than one realistic starting point. And, indeed, the Paris Central Division has suggested that limiting assessment of inventive step by reference to the “closest prior art” bears the risk of introducing subjective elements into the evaluation (*NJOY Netherlands/Juul Labs*). There also appears to have been less emphasis in the cases decided so far on expressly identifying the “objective technical problem to be solved”. It therefore appears that the UPC is not afraid to carve its own path and will not simply follow in the footsteps of the EPO. At the same time, there is not yet a settled approach to obviousness and so many will be hoping for the UPC Court of Appeal to provide further guidance in due course.

Unsurprisingly, as with any new court system, it will take a while for all of this to settle down. But a firmer picture on the court’s favoured approach to each of these topics should start to crystallise over the next year or two, particularly as more decisions are issued by the UPC Court of Appeal. In the meantime, UK corporates with significant numbers of European or unitary patents will need to bear in mind that this remains an evolving landscape which will need to be closely monitored.

On 18 November 2024, the revised Directive on the legal protection of designs (which governs national design rights within Member States) and the amended Regulation on Community Designs (which, as the name suggests, governs Community designs, shortly to be renamed “EU designs”) were published in the Official Journal of the EU.

These new pieces of legislation represent the first major update to the EU designs package in over 20 years and seek to modernise the current system, making it fit for purpose in the digital age. They also aim to support and encourage competition in the spare parts aftermarket, promote further harmonisation across the EU member states and, more generally, simplify the designs system and registration process.

Key changes being made include the following:

- **Simplified application process with amended fees:** The application process for design rights has been overhauled and simplified, allowing multiple designs to be combined in a single application. Fees for EU designs have also been amended.
- **New definitions of “Product” and “Design”:** The definitions of “Product” and “Design” have been updated to provide additional protection in the digital world. For example, “Product” has been broadened to include items in non-physical form; and “Design” has been amended to include not just the physical features of the product (such as lines, contours, shape etc.), but also “the movement, transition or any sort of animation of those features”.

- **Stronger protections to address illegitimate 3D printing:** The exclusive rights granted to design right holders have been extended in light of the increasing use of 3D printing. Under the new rules, it will be an infringing act to create, download, copy or make available any medium or software recording a design for the purpose of enabling a product incorporating that design to be made.
- **New repair clause:** In an attempt to increase competition in the spare parts market, the transitional repair clause (or “must match” exception as it is commonly referred to) that is currently in the Community Design Regulation has been made permanent and a new equivalent provision has been added into the Directive. Under these provisions, design rights will be unenforceable where the design of a component part (e.g. a car door) of a complex product (e.g. a car) is used for the purpose of repairing the complex product in such a way as to restore its original appearance. This is subject to an 8 year transitional period for national design rights.
- **New defences to infringement:** New defences to infringement have been added to both the Directive and the Regulation for acts carried out for referential use in the context of comparative advertising and for the purposes of comment, critique or parody, in each case provided those acts are compatible with fair trade practices and do not unduly prejudice the normal exploitation of the design in question.
- **Protection against counterfeit goods in transit:** Rights holders have been granted increased protection against the transit, through the EU, of counterfeit goods incorporating their designs.
- **New registered design symbol:** A new registration symbol has been created for designs in the form of the letter “D” enclosed within a circle (similar to the symbol for registered trade marks). It is hoped that this will help increase awareness of the registered design systems at national and EU level.

The Directive and the Regulation will enter into force on 8 December 2024. The Regulation will become effective on 1 May 2025, with Member States having until 9 December 2027 to transpose the Directive into national laws.

Until now, UK and EU design law has remained largely aligned following Brexit. But this looks to be the start of future divergence. It remains to be seen whether English law will look to replicate any of these changes.

CONTACTS

If you would like to discuss any of the above in more detail, please contact your relationship partner or email one of our IP team.

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