

INTELLECTUAL PROPERTY NEWS

A PUBLICATION OF DREW & NAPIER LLC

FOREWORD

In our first issue of the year, we look at the recent House of Lords decision in **Sabaf SpA v. MFI Furniture Centres Limited and Others ([2004] UKHL 45)** where the House of Lords held Sabaf's patent invalid. In doing so, it reversed the Court of Appeal's decision that the patent was valid. The House of Lords further held that had it been valid, there would *not* have been infringement. (The Court of Appeal decision was reported in our July 2003 issue).

Next, we examine a Singapore Court of Appeal case concerning McDonald's Corp's appeal against the High Court decision rejecting its opposition to the registration of three trade marks by Future Enterprises.

Also included in this issue is an English High Court decision concerning an application by well-known suppliers of mobile phone services for an interlocutory injunction to restrain the further use of an advertising campaign which compared its services unfavourably with those offered by the Defendant.

We are also pleased to inform you that we have been ranked the number one patent practice in Singapore by *Managing Intellectual Property* in its latest patent survey of IP practices for 2004/2005.

HOUSE OF LORDS DECLARES GAS HOBS BURNER PATENT INVALID

Facts

The invention concerned a burner for gas cookers and hobs. It had two important features, integer A - drawing primary air in from above the hob unit; and integer B - the use of a flow path under the flame spreader in which the "Venturi effect" was to be present. However, the specification did not teach that the two features interacted with each other.

The patentee, Sabaf, alleged that Meneghetti SpA ("Meneghetti") infringed its patent. Meneghetti counter-claimed for declaration that the patent was invalid because the invention was obvious.

The first instance Judge (Laddie J) held the patent to be invalid due to obviousness and that had it been valid, there would have been infringement.

The Court of Appeal found that the patent was valid (i.e. the invention was non-obvious) but there was no infringement.

Opinion of the House of Lords

The House of Lords reversed the Court of Appeal's decision on validity and found the patent to be invalid. It ruled that had it been valid, there would *not* have been infringement.

Their Lordships agreed with Laddie J that integer A and integer B independently formed part of the prior art. They further agreed that the prior art did not teach combining the two integers.

The Lordships cited Laddie J's application of what he called "the law of collocation", as formulated by Lord Tomlin in **British Celanese Ltd v Courtaulds Ltd (1935) RPC 171, 193**:

"a mere placing side by side of old integers so that each performs its own proper function independently of any of the others is not a patentable combination, but that where the old integers when placed together have some working inter-relation producing a new or improved result then there is patentable subject-matter in the idea of a working interrelation brought about by the collocation of the integers."

The Court of Appeal had held that in the case involving a collocation of two known concepts, the question was whether it would be obvious to the skilled man, using his common general knowledge. Their Lordships ruled that this approach was erroneous.

CONTACT

Main Office

20 Raffles Place
#17-00 Ocean Towers
Singapore 048620
ROC No. 200102509E
T: + 65 6535 0733
F: + 65 6535 4906/0765
E: mail@drewnapier.com
W: www.drewnapier.com

Intellectual Property Department

Morris John
Managing Director

T: + 65 6531 2503
E: mj@drewnapier.com

Dedar Singh Gill
Director

T: + 65 6531 2507
E: dedar.singh@drewnapier.com

Cecelia Girvin
Director

T: +65 6531 2571
E: cecelia.girvin@drewnapier.com

Their Lordships held that before the section could be applied, and before it could be asked whether the invention involved an inventive step, it was necessary to first decide what the invention was.

In this case, it meant deciding whether one was dealing with one invention, or two or more inventions. Their Lordships agreed with Laddie J that the patent contained two inventions, i.e. integer A and integer B, and that combining the two integers, each operating independently, did not make for a patentable invention.

As the patent was invalid for lack of inventiveness, the question of infringement became otiose. But since the issue was deliberated by the courts below, their Lordships expressed their view.

They held that there was no secondary infringement by Meneghetti when it made arrangements for transportation of the hobs on behalf of the UK importer. Their Lordships held that the contract of carriage was made on behalf of the consignee and the owner of the goods (the UK importer). The mere making of transportation arrangements for the goods to be delivered to the UK did not render Meneghetti the importer of the goods.

Comment

This case illustrates the complexity of a patent construction even though the invention itself is straight-forward.

Case: Sabaf SpA v. MFI Furniture Centres Limited and Others ([2004] UKHL 45)

“MacTEA”, “MacCHOCOLATE” AND “MacNOODLES” MAKE THE MARK

Introduction

This is a local case concerning McDonald’s Corp’s appeal against the High Court decision rejecting its opposition to the registration of three trade marks by Future Enterprises. At the Court of Appeal, McDonald’s Corp sought to rely on Sections 12(1) and 15 of the Singapore Trade Marks Act, Cap 332, 1992 Rev Ed (“TMA”) to oppose the registration. (See section on “**Relevant legislation**”). The Court of Appeal dismissed the appeal and upheld the High Court decision.

Facts

In 1995, Future Enterprises applied to register three trade marks in Singapore: “MacTea” (for instant tea mix), “MacChocolate” (for instant chocolate mix) and “MacNoodles” (for instant noodles), together with an eagle device, in Class 30.

The test for obviousness is found in Section 3 of the UK Patents Act (which corresponds to Section 15 of the Singapore Patents Act).

McDonald’s Corp, which owns trade mark registrations for “McDonalds” and several other marks with the “Mc”-prefix, opposed all three trade mark applications. The oppositions were unsuccessful before the Principal Assistant Registrar of Trade Marks, as well as the High Court. McDonald’s Corp then appealed to the Court of Appeal.

Relevant legislation

McDonald’s Corp relied on the following provisions of the TMA in its oppositions:

Section 12(1) - “Any person claiming to be the *proprietor* of a trade mark used or proposed to be used by him who is desirous of registering it shall apply in writing to the Registrar in the prescribed manner for registration in Part A or B of the register.” [emphasis added]

Section 15 - “It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would by reason of its being *likely to deceive or cause confusion* or otherwise, be disentitled to protection in a court of justice, or would be contrary to law or morality, or any scandalous design.” [emphasis added]

In relying on Section 12(1), McDonald’s Corp argued that Future Enterprises’ claim to proprietorship of the three marks was not made in good faith in that it had copied the common distinctive prefix of McDonald’s Corp’s family of marks, namely “Mc”.

As for Section 15, McDonald’s Corp argued that the registration of the three marks “MacTea”, “MacChocolate” and “MacNoodles” would likely deceive or cause confusion to the public.

Section 23, which was one of the grounds relied on in the High Court, was not raised by McDonald’s Corp in the Court of Appeal.

Decision

The Court of Appeal dismissed the appeal by McDonald’s Corp and allowed the three marks, “MacTea”, “MacChocolate” and “MacNoodles”, to proceed to registration.

Reasons for the decision

Section 15

McDonald’s Corp argued that the registration of the three marks “MacTea”, “MacChocolate” and “MacNoodles” was “likely to deceive or cause confusion to the public” based on the following:

- (i) The common feature in most of McDonald's Corp's marks was the prefix "Mc", and Future Enterprises had adopted the prefix "Mac", which was synonymous with "Mc" – where there was a series of marks, having a common feature or syllable and where all the marks in the series belonged to an opponent, these were generally circumstances adverse to an applicant for a mark containing the common feature, as the public may think that such a mark indicated that the goods came from the same source;
- (ii) In comparing marks, the first syllable of a word mark was generally the most important. What Future Enterprises added to each of the application marks was a non-distinctive element, descriptive of the product;
- (iii) Although McDonald's Corp's products were only sold in its own restaurants, there existed a practice of international food brands such as Haagen-Dazs, Movenpick and Starbucks retailing their products in supermarkets;
- (iv) The eagle device in Future Enterprises' three trade marks was a common feature in the business of coffee, tea and noodles.

The Court of Appeal found that McDonald's Corp's marks and Future Enterprises' marks were neither visually nor aurally similar.

In setting the test to determine "confusion" to the public, the Court of Appeal reiterated the approach explained in its earlier decision in **Kellogg Co v Pacific Food Products Sdn Bhd ([1999] 2 SLR 651)**, stating that the likelihood of confusion and deception was to be determined with reference to the fair and normal use of the marks in question. Although regard must be paid to the reputation of the earlier mark, reputation was just one of the factors to take into account, together with the similarity of the marks, the goods to which they were applied, and their packaging.

The Court of Appeal rejected McDonald's Corp's argument that the trial judge had erred in considering that the existence of a "series" of marks and the degree of recognition evoked therefrom was only one factor, along with others, to take into account in assessing the likelihood of confusion or deception to the public.

It also agreed with the trial judge in taking into account the following factors that showed that deception or confusion would be unlikely:

- (i) The products of Future Enterprises and McDonald's Corp were different. Although tea and chocolate drinks were served in

McDonald's restaurants, these drinks were not McDonald's Corp's house brands;

- (ii) At the material time (i.e. 8 July 1995, the date of application of the three marks), McDonald's Corp had established itself as a restaurant selling fast food;
- (iii) McDonald's Corp had not and still did not sell its food products and beverages in supermarkets;
- (iv) The customers of Future Enterprises and McDonald's Corp were different. Hence, different market segments were targeted.

The decisions in several other foreign oppositions where McDonald's Corp opposed other "Mc"-prefix marks were dealt with and distinguished on the facts and surrounding circumstances in the cases. The Court of Appeal also distinguished the **Tiffany** case (**Tiffany & Co v Fabriques de Tabac Reunies SA ([1999] 3 SLR 147)**) as in that case, the entire word was copied, and also based on the practice in relation to cigarettes and manufacturers of luxury goods.

Thus the court concluded that the public would not be confused that Future Enterprises products under the three marks were associated with McDonald's Corp.

Section 12(1)

The Court of Appeal held that the key ingredient in order to succeed under this ground was misappropriation of the mark by the applicant.

McDonald's Corp argued that even if the marks were not substantially similar, they could still succeed under this ground so long as there was bad faith or copying.

The Court of Appeal disagreed. It felt that the marks must first be shown to be substantially identical in order to succeed under this ground.

In addition, it also held that no bad faith on the part of Future Enterprise was established, even though there were conflicting explanations as to why Future Enterprises adopted the "Mc"-prefix for its trade marks.

Accordingly, this ground was also dismissed.

Comment

This case reiterates the difficulty of the trade mark proprietor in establishing "bad faith", as the court appears to require that as a rule, the marks be shown to be substantially identical before any allegation of bad faith can be inferred.

Case: McDonald's Corp v Future Enterprises Ptd Ltd ([2004] SGCA 50)

BURSTING THE ADVERTISEMENT BUBBLE

Introduction

The English High Court recently delivered a decision concerning an application by O2 Limited and O2 (UK) Limited (“O2”) for an interlocutory injunction to restrain the further use of an advertising campaign which compared its services unfavourably with those offered by the Defendant, Hutchinson 3G UK Limited (“3”).

Facts

The Claimants, O2, and the Defendant, Hutchinson ‘3’, operated competing mobile phone networks. The Claimants were very well-known in the market while the Defendant was a relative newcomer. The Defendant marketed its services via a series of television, radio and press advertisements which compared its prices with those charged by the Claimants for pre-pay tariffs. The Claimants objected to the advertisement and started proceedings against the Defendant. They applied for interim relief on the following grounds:

- (i) That the price comparison was misleading and an oversimplification of any legitimate comparison that could be made;
- (ii) That the advertisement infringed the Claimants’ series of UK registered trade marks, which were a representation of bubbles (“Bubble” marks); and
- (iii) That the advertisement infringed the Claimants’ UK registered trade mark for the letter and digit O2 and a substantially identical Community Trade Mark (the O2 marks).

The name O2 and a representation of the Bubble marks were frequently used by the Claimants in their advertisements.

The Defendant argued that there was no infringement of the “Bubble” marks because the representation of the marks as used by it was not similar to the Claimants’ registered marks. Even if there was infringement, it argued, *inter alia*, that the price comparison was accurate/fair and it was entitled to protection under Section 10(6) of the UK Trade Marks Act 1994 (“the UK Act”) and Article 12(b) of the Council Regulation (EC) 40/94 (on the Community trade mark). As for the O2 marks, they were similarly entitled to the above protection.

Relevant legislation

Section 10(6) of the UK Act provides that:

“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. 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 course takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.”

Article 12(b) of the Council Regulation (EC) 40/94 (on the Community trade mark) provides that:

“A Community trade mark shall not entitle the proprietor to prohibit a third party from using in the course of trade...indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service...provided he uses them in accordance with honest practices in industrial or commercial matters.”

Section 10(6) of the UK Act corresponds to Section 28(4) of the Singapore Trade Marks Act. Article 12(b) of the Council Regulation corresponds to Section 28(1) of the Singapore Trade Marks Act.

Decision

The application for injunctive relief by the Claimants was dismissed.

Although there was infringement of the Claimant’s O2 marks, it was held that the right to use accurate comparative advertising should not be interfered with an allegation of trade mark infringement when that trade mark needed to be used to identify services with which the advertiser wished to compare prices. The legislation permitted comparative advertising provided that the use made by the advertisers was in accordance with honest commercial practices.

Reasons for the decision

Comparative advertising

This was a case of specific comparison and not mere advertising puffs. What therefore, were the criteria for identifying honest, acceptable practices?

Pumfrey J. set out the 13 criteria identified by Jacob J. in *Wireless plc v. British Telecommunications plc* ([1998] FSR 383) and restated in *British Airways plc v Ryanair Ltd* ([2000] All ER (D) 2118):

- (i) The primary objective of Section 10(6) was to permit comparative advertising;
- (ii) As long as the use of the competitor’s mark was honest, there was nothing wrong in telling the public of the relative merits of

competing goods or services and using registered trade marks to identify them;

- (iii) The onus was on the registered proprietor to show that the factors indicated in the proviso to Section 10(6) existed;
- (iv) There was no trade mark infringements unless the use of the registered trade mark was not in accordance with honest practices;
- (v) The test was *objective*: would a reasonable reader be likely to say, upon being given the full facts, that the advertisement was not honest?
- (vi) Statutory or industry agreed codes of conduct were not a helpful guide as to whether an advertisement was honest for the purposes of Section 10(6). Honesty was to be gauged against what was reasonable to be expected by the relevant public of advertisements for the goods and services in issue;
- (vii) The general public were used to the ways of advertisers and expected hyperbole;
- (viii) The UK Act did not impose on the courts an obligation to try and enforce through the back door of trade mark legislation a more puritanical standard than the general public would expect from advertising copy;
- (ix) An advertisement which was significantly misleading was not honest for the purposes of Section 10(6);
- (x) The advertisement must be considered as a whole;
- (xi) As a purpose of the UK Act was positively to permit comparative advertising, the court should not hold words used in the advertisement to be seriously misleading for interlocutory purposes unless on a fair reading in their context and against the background of the advertisement as a whole they could really be said to justify that description;
- (xii) A minute textual examination was not something upon which the reasonable reader of an advertisement would embark; and
- (xiii) The court should therefore not encourage a microscopic approach to the construction of a comparative advertisement on a motion for interlocutory relief.

The judge emphasised that what the court needed to look at was the *headline* or *take-home* message of the particular advertisement and not to perform

a minute analysis of every aspect of the advertisement.

The judge found that on a preliminary assessment, the *take-home* message was strongly arguable to be generally true to the intended targets of the advertisement. The judge felt that even though certain aspects of the advertisement were not fully accurate, there was nothing on the evidence produced to show that the Defendant had acted otherwise than in accordance to honest practices. He emphasised factors (vii), (viii) and (ix) of Jacob J's criteria, stating that the audience expected hyperbole and that the UK Act "does not impose on the courts an obligation to try and enforce through the back door of trade mark legislation a more puritanical standard than the general public would expect from advertising bubble, but that an advertisement which is significantly misleading is not honest for the purposes of Section 10(6)".

Infringement of "Bubble" marks

Although, on the material presented, the defence of comparative advertising applied against the infringement of the Claimant's O2 marks, the issue of infringement of the "Bubble" marks was not as straightforward.

In this situation, the "Bubble" marks had been used extensively by the Claimants and the judge felt that the Defendant's use of bubbles in the advertisement (although not identical to the Claimants' "Bubble" marks) was done in a way to emphasise the unfavourable nature of the price comparison between the two entities.

The judge indicated that at trial stage, evidence of the extent of use of the "Bubble" marks alone and the reputation attached to them needed to be produced, although reputation attaching to the "Bubble" marks alone may be a matter of inference. At this interlocutory stage, he was of the view that there was both a case for infringement and a defence in relation to it.

However, in deciding not to grant interlocutory relief to the Claimants, the judge indicated that for such relief to be granted, the disruption caused by the relief must be proportionate to the damage caused to the Claimants. Here, there was no real evidence of dishonesty and where the case for confusion was weak, the damage caused to the Claimants was very small.

Comment

This decision goes towards clarifying further the criteria which is applicable in deciding whether a comparative advertisement is honest in accordance to commercial practices and therefore, permissible. If comparative advertising is legitimate, it should not be interfered with by claims of infringement.

**Case: O2 Limited, O2 (UK) Limited v. Hutchison
3G UK Limited [2004] EWCH 2571 (CH D), [2004]
All ER (D) 142 (Nov)**

The information contained in this publication is not intended to be exhaustive and specific advice should be taken for each case. Accordingly Drew & Napier LLC and its officers, directors and employees disclaim any responsibility and liability whatsoever arising from reliance on this publication.

OTHER OFFICES			
Drewmarks Patents & Designs (Malaysia) Sdn Bhd	Hanoi Office	Shanghai Office	PT Drewmarks Konsultama
9 th Floor Bangunan Getah Asli (Menera)	Room 605 CFM Building	#2501 Office Tower	Correspondence Address:
148 Jalan Ampang	23 Lang Ha Ba Dinh	Bund Center	20 Raffles Place
50450 Kuala Lumpur, Malaysia	Hanoi, Vietnam	222 Yan An Road East Shanghai 200002, China	#17-00 Ocean Towers Singapore 048620
T: + 603 2162 2522 / 2162 2529	T: + 844 514 1995 / 514 1996	T: + 86 21 6335 1628	T: + 65 6531 2503 / 6531 2504
F: + 603 2162 2804	F: + 844 214 1972	F: + 86 21 6335 0638	F: + 65 6533 0694
E: drewmark@tm.net.my	E: dnhn@hn.vnn.vn	E: china@drewnapier.com	E: ip@drewnapier.com

© Drew & Napier LLC
January/February 2005